Company Group ALITA, AB

Consolidated financial statements for
the year ended 31 December 2012

Contents

Company details

Company Group ALITA, AB

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Supervisory Council

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Jan Aberg
Mats A Andersson
Vytautas Junevičius

Board of Directors

Carl Andreas de Neergaard (Chairman)
Vaidas Mickus
Algirdas Ragelis

Management

Vaidas Mickus (General Director)
Justinas Damašas (Finance and IT Director)
Algirdas Ragelis (Production Director)
Artūras Tiurinas (Sales Director)
Alina Mežiūnienė (Chief Accountant)

Auditor

KPMG Baltics, UAB

Banks

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Independent Auditor's Report

To the shareholders of the Company Group ALITA AB

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Company Group ALITA, AB and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, set out on pages 6–49.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company Group ALITA, AB as at 31 December 2012, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Company code: 111494971
VAT code: LT114949716

Emphasis of Matter

Without qualifying our opinion, we draw to your attention that the subsidiary company AB Anykščių Vynas has incurred a net loss of 2,331 thousand Litas for the year ended 31 December 2012 (2011: loss of 6,222 thousand Litas) and, as at that date, the subsidiary company's accumulated losses amount to 6,657 thousand Litas. Following the agreement with the Bank, extended in 2012, the subsidiary company was contractually required to repay a credit facility of 8,632 thousand Litas by 28 February 2013; the Bank extended the deadline of credit repayment to 30 June 2013. Management of the Group expects that in June 2013 the subsidiary company will reach an agreement with the Bank regarding long term repayment schedules. Management's projections for the subsidiary company and its assumptions used in the impairment testing of property, plant and equipment depend on the financing being made available. Although Management remains confident of a successful outcome, and has therefore prepared these consolidated financial statements on the basis of the subsidiary company being a going concern, as at the date of this report, no extension has been agreed. The subsidiary company's ability to continue as a going concern depends on the continued support by the Bank, the extension of repayment term for the credit facility and on the ability of shareholders to secure adequate additional financing for implementation of the long term forecasts, which have been developed by the Management and approved by the Board. Should the finance not be extended or additional finance not made available, it is unlikely that the subsidiary company could continue as a going concern. These consolidated financial statements do not reflect the adjustments, if any, that would be required if the subsidiary company is unable to continue as a going concern.

In addition, without qualifying our opinion, we draw your attention to Note 28 to the consolidated financial statements, "Contingent liabilities and assets", which includes information on ongoing litigations between the Serbian Privatization Agency, Plass Investments Limited and the Group and its Shareholders, the outcome of which is unknown at the date of this report. Should the Court ultimately rule against the Company Group ALITA, AB, Group and/or its shareholders, the financial statements would need to be withdrawn, amended and reissued.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated annual report of the Company Group ALITA, AB for the year ended 31 December 2012, set out on pages 50–71 of the consolidated financial statements, and have not identified any material inconsistencies between the financial information included in the consolidated annual report and the consolidated financial statements of the Company Group ALITA, AB for the year ended 31 December 2012.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner pp
Certified Auditor

Vilnius, Republic of Lithuania
28 March 2013

(in thousand Litas, unless otherwise stated)

Consolidated statement of financial position

	Notes	31 December 2012	31 December 2011 (restated)	1 January 2011 (restated)
Assets				
Intangible assets	6	435	620	757
Investment property	8	1,596	900	1,491
Property, plant and equipment	7	54,544	59,687	65,057
Available-for-sale financial assets	9	5,520	5,854	8,053
Deferred tax assets	26	1,037	1,602	761
Total non-current assets		**63,132**	**68,663**	**76,119**
Inventories	10	15,617	13,947	13,702
Prepayments	11	584	526	549
Trade accounts receivable	12	24,234	27,791	22,423
Other accounts receivable	13	295	522	2,702
Assets held for sale		-	-	4,337
Cash and cash equivalents	14	2,347	950	6
Total current assets		**43,077**	**43,736**	**43,719**
Total assets		**106,209**	**112,399**	**119,838**
Shareholders' equity				
Share capital	15	20,000	20,000	27,154
Share premium		74,198	74,198	-
Reserves		2,128	1,820	3,689
Accumulated losses/retained earnings		(82,834)	(84,139)	(107,576)
Total equity attributable to the equity holders of the parent Company		**13,492**	**11,879**	**(76,733)**
Non-controlling interest		680	799	1,326
Total shareholders' equity		**14,172**	**12,678**	**(75,407)**
Liabilities				
Government grants	19	1,992	2,726	3,467
Long-term employee benefits	20	290	290	-
Long-term bank loans and borrowings	18	44,778	47,275	11,038
Total non-current liabilities		**47,060**	**50,291**	**14,505**
Short-term bank loans and borrowings	18	22,278	17,045	154,682
Trade accounts payable		11,064	10,142	9,109
Other amounts payable	17	11,635	22,243	16,635
Liabilities classified as held for sale		-	-	314
Total current liabilities		**44,977**	**49,430**	**180,740**
Total liabilities and shareholders' equity		**106,209**	**112,399**	**119,838**

The notes on pages 10–49 are an integral part of these consolidated financial statements.

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

(in thousand Litas, unless otherwise stated)

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2012	2011 restated
Revenue	25	77,935	84,883
Cost of sales	25	(50,007)	(55,610)
Gross profit		**27,928**	**29,273**
Other income	23	231	577
Income from transfer of subsidiaries		-	598
Selling and distribution expenses	21	(9,502)	(11,093)
General and administrative expenses	22	(13,702)	(19,384)
Other expenses	23	(182)	(119)
Operating profit		**4,773**	**(148)**
Finance income	24	8	1
Finance expenses	24	(3,085)	(6,259)
Net finance costs		**(3,077)**	**(6,258)**
Profit before income tax		**1,696**	**(6,406)**
Income tax	26	(510)	467
Net profit (loss)		**1,186**	**(5,939)**
Other comprehensive income			
Long-term employee benefits		-	(290)
Effect of deferred tax		-	44
Revaluation of property, plant and equipment		696	-
Effect of deferred tax		(104)	-
Net change in fair value of available-for-sale financial assets	9	(334)	(2,199)
Effect of deferred tax	26	50	330
Total other comprehensive income		308	(2,155)
Total comprehensive income for the reporting year		**1,494**	**(8,054)**
Net profit (loss) attributable to:			
Owners of the company		1,305	(5,606)
Non-controlling interest		(119)	(333)
Total net profit (loss)		**1,186**	**(5,939)**
Total comprehensive income attributable to:			
Owners of the company		1,613	(7,721)
Non-controlling interest		(119)	(333)
Total comprehensive income		**1,494**	**(8,054)**
Basic and diluted earnings (loss) per share (in Litas)	16	0.07	(0.22)

The notes on pages 10–49 are an integral part of these consolidated financial statements.

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

(in thousand Litas, unless otherwise stated)

Consolidated statement of changes in equity

	Notes	Attributable to equity holders								
		Share capital	Share premium	Compulsory reserve	Fair value reserve	Revaluation reserve	Retained earnings (accumulated losses)	Total shareholders' equity	Non-controlling interest	Total equity
Balance as at 31 December 2010		**27,154**	**-**	**5,083**	**(1,394)**	**-**	**(107,576)**	**(76,733)**	**1,326**	**(75,407)**
Transfer of shares of subsidiary to non-controlling interest		-	-	-	-	-	-	-	(194)	(194)
Reduction of share capital covering accumulated losses		(24,028)	-	-	-	-	24,028	-	-	-
Coverage of losses by additional contributions of shareholders		-	-	-	-	-	5,261	5,261	-	5,261
New issue of shares		16,874	74,198	-	-	-	-	91,072	-	91,072
Net profit (loss) for the year (restated)		-	-	-	-	-	(5,606)	(5,606)	(333)	(5,939)
Total other comprehensive income		-	-	-	(1,869)	-	(246)	(2,115)	-	(2,115)
Balance as at 31 December 2011 (restated)		**20,000**	**74,198**	**5,083**	**(3,263)**	**-**	**(84,139)**	**11,879**	**799**	**12,678**
Net profit (loss) for the year		-	-	-	-	-	1,305	1,305	(119)	1,186
Total other comprehensive income		-	-	-	(284)	592	-	308	-	308
Balance as at 31 December 2012		**20,000**	**74,198**	**5,083**	**(3,547)**	**592**	**(82,834)**	**13,492**	**680**	**14,172**

The notes on pages 10–49 are an integral part of these consolidated financial statements.

General Director — Vaidas Mickus

Finance and IT Director — Justinas Damašas

(in thousand Litas, unless otherwise stated)

Consolidated statement of cash flows

	Notes	Year ended 31 December 2012	2011 restated
Cash flow from operating activities:			
Net profit (loss)		1,186	(5,939)
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	6, 7, 8, 19	4,153	5,105
Impairment (reversal) and write-off of accounts receivable	12	66	(43)
Impairment of investment property and property, plant and equipment	7, 8	(76)	601
Write-offs of property, plant and equipment	7	867	97
(Profit) loss from sale of property, plant and equipment	23	133	(87)
Write-down of inventories	22	236	57
Interest paid	24	2,586	5,910
Interest received	24	(1)	(1)
Deferred income tax	26	510	(467)
		9,660	5,233
Changes in current assets and current liabilities:			
(Increase) decrease in inventories	10	(1,931)	(298)
(Increase) decrease in trade accounts receivable	12	3,491	(5,386)
Increase (decrease) in prepayments	11	(58)	23
(Increase) decrease in other accounts receivable	13	227	6,273
Increase (decrease) in trade payables		823	1,033
Increase (decrease) in other accounts payable	17	(10,607)	5,294
Net cash flows from operating activities		**1,605**	**12,172**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	7	(110)	(142)
Acquisition of intangible assets	6	(116)	(197)
Sale (write-off) of property, plant and equipment	23	(134)	88
Interest received	24	1	1
Net cash used in investing activities		**(358)**	**(250)**
Cash flows from financing activities:			
Loans received		7,000	-
Repayment of loans		(4,264)	(5,068)
Interest paid	24	(2,586)	(5,910)
Net cash used in financing activities		**150**	**(10,978)**
Increase (decrease) in cash and cash equivalents		**1,397**	**944**
Cash and cash equivalents in the beginning of the year		**950**	**6**
Cash and cash equivalents at the end of the year	14	**2,347**	**950**

The notes on pages 10–49 are an integral part of these consolidated financial statements.

General Director — Vaidas Mickus

Finance and IT Director — Justinas Damašas

(in thousand Litas, unless otherwise stated)

Notes

1. Reporting entity

On 29 September 2009 in an extraordinary general meeting of shareholders of AB Alita (subsequent name – AB ALT Investicijos) a decision to approve the conditions of spin-off of AB Alita was adopted and on 7 October 2009 Company Group ALITA, AB was spun off from AB Alita and registered.

The registered address of the Company Group ALITA, AB is Miškininkų str. 17, Alytus, Lithuania.

As at 31 December 2012 the authorised share capital of the Company Group ALITA, AB amounted to 20,000,000 Litas and was divided into 20,000,000 ordinary registered shares with the nominal value of 1 Litas each.

All shares are authorized, issued and fully paid. Shares of the Company Group ALITA, AB are listed in the Secondary Trade List of the NASDAQ OMX Vilnius Stock Exchange regulated trading.

The shareholders as at 31 December 2012 are listed below:

	Nominal value (LTL)	**Percent**
FR&R Invest IGA S.A.	16,911,188	84.56%
Vytautas Junevičius	2,895,364	14.48%
Other shareholders	193,448	0.96%
Total	**20,000,000**	**100.00%**

The main shareholder of the Company, FR&R Invest IGA S.A., is indirectly owned by Swedbank, AB, a company registered is Sweden.

The Company Group ALITA, AB (the Parent) holds 18,980,045, or 94.90%, of the total registered shares in AB Anykščių Vynas, each of 1 Litas in nominal value.

On 26 July 2012 an extraordinary shareholders meeting was held in the Group's subsidiary company AB Anykščių Vynas which took the decision to decrease the share capital of the subsidiary of the Group by 17,000,000 Litas, i.e. from 37,000,000 Litas to 20,000,000 Litas by the annulment and pronouncing void 17,000,000 ordinary registered shares of the Group's subsidiary company of the nominal value of 1 Litas each.

The consolidated financial statements include the parent Company Group ALITA, AB and its subsidiary AB Anykščių Vynas (94.90%). On 28 June 2011, based on the management's decision, 100% of the shares of UAB Vilkmergės Alus were sold. The financial result and result from transfer of property rights of UAB Vilkmergės Alus for a six month period is reflected in the corresponding figures of the year 2011 in the consolidated financial statements.

The Group produces and distributes alcohol beverages, including sparkling wines, alcohol mixes, cider, natural and fortified wines, hard liqueurs, and concentrated fruit juice.

2. Basis of preparation

Statement of compliance

These financial statements are consolidated financial statements of the Company Group ALITA, AB. They have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Parent company also produces separate financial statements prepared in accordance with IFRS as adopted by the EU.

The consolidated financial statements were authorized for issue by the Board on 28 March 2013. The shareholders have a right to reject the consolidated financial statements and request that they be amended and reissued.

The accounting records of the Group are maintained in accordance with the laws and regulations of the Republic of Lithuania.

New standards, amendments and interpretations

The accounting policies applied by the Group to all reporting periods in these financial statements are consistently applied, unless otherwise stated. New and revised International Financial Reporting Standards and interpretations were issued that will be effective for the preparation of the consolidated financial statements of the Group for the reporting periods starting 1 January 2013. The Group has decided not to early adopt any of the revised, new standards and interpretations. Management's estimations on the first time adoption of the new and revised standards and interpretations are provided below.

- Amendments to IFRS 7 and IAS 32 on *Offsetting Financial Assets and Financial Liabilities*

  Amendments to IFRS 7 *Disclosures* (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively) contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

- Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively) clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

  The Group does not expect the Amendments to have a significant impact on the consolidated financial statements, as it has not entered into master netting or similar arrangements.

- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:
  (1) it is exposed or has rights to variable returns from its involvements with the investee;
  (2) it has the ability to affect those returns through its power over that investee; and
  (3) there is a link between power and returns.

  The new IFRS 10 also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements.

  Under the new IFRS 11, joint arrangements are divided into two types, each having its own accounting model defined as follows:

  - a joint operation is one whereby the jointly controlling parties, known as the joint operators; have rights to the assets, and obligations for the liabilities, relating to the arrangement;
  - a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

2. Basis of preparation (cont'd)

New standards, amendments and interpretations (cont'd)

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. IFRS 11 eliminates the free choice of equity accounting or proportionate consolidation; the equity method must always be used in financial statements.

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

The impact of the initial application of the new standards will depend on the specific facts and circumstances of the investees and joint arrangements of the Group held at the date of initial application. Therefore, it is not practicable to prepare an analysis of the impact the standards will have on the consolidated financial statements until the date of the application.

- IFRS 13 *Fair Value Measurement* (effective prospectively for annual periods beginning on or after 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. The Group does not expect IFRS 13 to have a material impact on the consolidated financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13 in material terms.

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after 1 July 2012; to be applied retrospectively). The amendments:

    - require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections;

    - change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however, other titles are also allowed to be used.

The impact of the initial application of the amendments will depend on the specific items of other comprehensive income at the date of initial application.

- Amendments to IAS 12: *Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively). The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted. The Group does not expect the amendments to have any impact on the consolidated financial statements, since they do not result in a change in the Group's accounting policy. The measurement of deferred tax assets and liabilities relating to investment properties measured using the fair value model in IAS 40 will not change.

- IAS 19 (2011) *Employee Benefits* (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply). The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation. The Group does not expect the amendments to have a material impact on the consolidated financial statements, since they do not result in a change in the Group's accounting policy. The Group continues to recognise actuarial gains and losses in other comprehensive income.

2. Basis of preparation (cont'd)

New standards, amendments and interpretations (cont'd)

- IAS 27 (2011) *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014) introduces minor clarifications. The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, *Consolidated Financial Statements.* The Group does not expect IAS 27 (2011) to have a material impact on the consolidated financial statements, since it does not result in a change in the Group's accounting policy.

- IAS 28 (2011) *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively). There are limited amendments made to IAS 28 (2008):
    - *Associates and joint ventures held for sale.* IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
    - *Changes in interests held in associates and joint ventures.* Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The Group does not expect the amendments to Standard to have material impact on the consolidated financial statements since the Group does not have any investments in associates or joint ventures that will be impacted by the amendments.

Basis of measurement

The financial statements are prepared on the historical cost basis, except for available for sale financial assets and investment property that are measured at fair value.

The consolidated financial statements are prepared on a going concern basis. More information on the measures applied by the Group to ensure its activity to continue as a going concern is disclosed in Note 30 "Information on the Group as a Going Concern".

Basis for consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the controlling entity has the power to govern the financial and operating policies of an entity so as to gain benefit from its activities. When assessing existence of control, the right to vote and potential right to vote is considered (for potentially convertible instruments into shares). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Basis for consolidation

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any income and expenses arising from intra-group transactions, and unrealised gains and losses are eliminated when preparing the consolidated financial statements.

Functional and presentation currency

These financial statements are presented in Litas, which is the Parent's functional currency. All financial information presented in Litas has been rounded to the nearest thousand, unless indicated otherwise.

2. Basis of preparation (cont'd)

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS, as adopted by the European Union, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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 of making the judgments 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 of accounting estimates are recognized 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.

Judgments made by the management in the application of IFRSs, 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 later.

Impairment losses on property, plant and equipment

The carrying amounts of the Group's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 assessment of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable value.

Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgments as to whether there is any indication of a measurable decrease in the estimated future cash flows from a portfolio of receivables. This indication may include an adverse change in the payment status of debtors, national or local economic conditions that influence the group of the receivables.

The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. 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.

Recognition of deferred tax asset

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Useful lives of property, plant and equipment

Asset useful lives are assessed annually and changed when necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilisation and physical condition of the assets concerned.

Going concern

For going concern judgment see Note 30.

3. Significant accounting principles

Foreign currency

Transactions in foreign currencies are translated into Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange that are measured at cost rate ruling at that date. Non-monetary assets and liabilities measured at cost or at fair value in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction or of measurement the fair value. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise available for sale financial assets, trade and other receivables, cash and cash equivalents, loans and borrowings, trade payables and other liabilities.

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are recognized initially at fair value plus (except for instruments, at fair value through profit and loss account) any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the trade date. Financial assets are derecognized if the contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if the obligations of the Group specified in the contract expire or are discharged or cancelled.

Loans and 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 and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment losses, if any. Short-term receivables are not discounted.

Available-for-sale financial assets are non-derivative financial assets that are not classified in any other groups of financial assets (loans and amounts receivable, financial assets held to maturity). Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within consolidated equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in consolidated other comprehensive income is transferred to the statement of comprehensive income.

Loans and borrowings and other financial liabilities, including trade payables are subsequently stated at amortized cost using the effective interest rate method. Short-term liabilities are not discounted.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments

Derivatives are recognized initially at fair value; directly attributable transaction costs are recognized in the statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for in the statement of comprehensive income.

Share capital – ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3. Significant accounting principles (cont'd)

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are stated at cost (or deemed cost, as described below), less accumulated depreciation and impairment losses.

The buildings were accounted as follows:

- The Company's buildings, acquired before 1 January 1996, were stated at indexed cost less indexed accumulated depreciation and estimated impairment losses.
- The Company's buildings, acquired after 1 January 1996, were stated at acquisition cost less accumulated depreciation and estimated impairment losses.

According to the deemed cost exemption under IFRS 1, which permits the carrying amount of an item of property, plant and equipment to be measured at the date of first-time adoption of IFRS based on a deemed cost, the buildings acquired before 1 January 1996 were measured at indexed cost less indexed accumulated depreciation and estimated impairment losses, and these values were treated as deemed cost at that date.

All property, plant and equipment acquired after 31 December 1995, are stated at acquisition cost less accumulated depreciation and estimated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs of qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of comprehensive income.

Subsequent costs

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

Depreciation

Depreciation is charged to the statement of comprehensive income 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 constructions	8–80 years
• Plant and machinery	2–50 years
• Motor vehicles, furniture and fixtures	4–25 years
• IT equipment	4–5 years

Depreciation methods, residual values and useful lives are reassessed annually.

Reclassification into investment property

When the use of a property changes from owner-occupied to investment property, the owner-occupied property is remeasured to fair value and reclassified as investment property. Any gain arising on this remeasurement is recognised in the statement of comprehensive income to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in the statement of comprehensive income.

3. Significant accounting principles (cont‘d)

Intangible assets

Intangible assets, comprising computer software, trademarks and other licenses that are acquired by the Group, are stated at cost less accumulated amortization and impairment.

Amortization is charged to the statement of comprehensive income on a straight-line basis. The Group’s intangible assets are amortized over 1–3 years.

Investment property

Investment properties of the Group consist of buildings that are held to earn rentals or for capital appreciation, rather than for use in the production, or supply of goods, or services or for administration purposes, or sale in the ordinary course of business. Until 31 December 2011 the investment property was measured at acquisition cost, less accumulated depreciation and impairment losses. Starting 1 January 2012 the Group’s management has prospectively changed the accounting policy used for the accounting of investment properties from cost based to fair value based because such measurement provides a more accurate estimate of the property value based on its type. Subsequent changes in fair value of the assets are accounted in the statement of comprehensive income under other income/other expense. Measurement of the fair value is described below, section “Determination of fair values”.

Leased assets

Leases, in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Assets acquired by way of finance 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.

Emission allowances

The EU Emission Allowance Trading Scheme was established by Directive 2003/87/EC and commenced on 1 January 2005. The first phase ran for the three-year period from 2005 to 2007; the second runs for five years from 2008 to 2012 to coincide with the first Kyoto Commitment Period. In the beginning of 2012 the Ministry of Environment of the Republic of Lithuania has decided to extend the validity of unused emission allowances, which were carried forward to the third period from 2013 to 2020.

The scheme works on a ‘Cap and Trade’ basis. EU Member States’ governments are required to set an emission cap for each phase for all ‘installations’ covered by the Scheme. This cap is established in the National Allocation Plan (NAP), which is issued by the relevant authority in each Member State. The NAP describes the amount of yearly emissions (measured in tones of carbon dioxide equivalents) permitted per installation for each phase for which allowances will be allocated on an annual basis.

The Member States are required to allocate allowances to installations by 28 February each year according to the NAP (a certain number of allowances are kept in reserve for new installations).

The Member States must ensure that by 30 April of the following year at the latest the operator of each installation surrenders a number of allowances equal to the total emissions from that installation during the preceding calendar year.

The Group measures both emission allowances and government grant at a nominal amount, i.e. zero. As actual emissions are made, a liability is recognised for the obligation to deliver allowances. Liabilities to be settled using allowances on hand are measured at the carrying amount of those allowances. Any excess emissions to be purchased are measured at the market value of allowances at the end of the period.

When unused emission allowances are sold, sale proceeds are recognized as income in the statement of comprehensive income.

Inventories

Inventories, including work in progress, are valued at the lower of acquisition cost or net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.

The cost of inventories is determined based on FIFO (First-In, First-Out) principle.

3. Significant accounting principles (cont'd)

Inventories (cont'd)

In 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.

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

Assets and liabilities held-for-sale

Non-current assets, assets of disposal groups and liabilities of disposal groups classified as held for sale are classified as current in the statement of financial position as they are expected to be realized within 12 months of the date of classification as held for sale. Immediately before classification as held for sale, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is recognized in the statement of comprehensive income.

Impairment

Financial assets

A financial asset not carried at fair value through the statement of comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, significant or long-term impairment of equity securities when the value decreases to less than acquisition cost of financial assets, indicates that there is objective indication of impairment of the financial assets.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment.

Impairment losses on sale of available-for-sale financial assets are recognized by transferring the cumulative loss that has been recognized in other comprehensive income and presented in the fair value reserve in equity to the statement of comprehensive income. The cumulative loss transferred from other comprehensive income and booked in the statement of comprehensive income is the difference between acquisition cost and the current fair value, less impairment losses previously booked in the statement of comprehensive income.

If in a subsequent period, the fair value of an impaired available-for-sale equity security increases and the increase may be objectively related to an event occurring after the impairment was booked in the statement of comprehensive income, impairment losses are reversed by the amount booked in the statement of comprehensive income. However, any subsequent reversal of the fair value of the impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets (except for inventories and deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3. Significant accounting principles (cont'd)

Impairment (cont'd)

Non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Fair value is determined by referencing to its selling price. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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

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

Government grants and subsidies

Two types of grants are recognized:

a) asset related grants are grants received as non-current assets or intended for purchase, construction or other acquisition of property, plant and equipment;
b) income related grants are grants received to compensate for expenses.

Asset related grants are recognized in the statement of comprehensive income over the remaining period of useful life of the related property, plant and equipment, for which the grant was received.

Grants are recognized when there is a reasonable assurance or decision that they will be received. Income related grants are recognized in the periods when the related expenses are incurred.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits.

Social security contributions

The Group pays social security contributions to the State Social Security Fund (hereinafter "the Fund") on behalf of its employees in accordance with the set plan of contributions as provisioned by the laws. The set plan of contributions is a plan according to which the Group makes payments of the set size to the Fund and, it no legal or constructive obligations to continue payment of contributions shall be fulfilled if the Fund does not have sufficient assets to make payments to all employees for the work performed in the reporting and previous periods. The social security contributions are recognised as an expense on an accrual basis and are included within personnel expenses.

3. Significant accounting principles (cont'd)

Employee benefits (cont'd)

Termination benefits

Termination benefits are recognised in other comprehensive income when the Group is committed constructively or legally, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Long-term employee benefits

Each employee, according to the collective agreement effective in the Group, upon termination of employment at the retirement age, is entitled to receive certain compensation. The compensation depends on the duration of the employment. Actuarial calculations have been made to estimate the related liability. The liability is accounted at present value using the market discount rate.

Revenue

Revenue from goods and services sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Revenue from the services rendered is recognized in the statement of comprehensive income as the services are rendered. The revenue recognized is net of discounts provided.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement, however usually transfer occurs when the products are loaded for shipping from the Group's warehouse and the sales invoice is issued.

Rental income

Rental income is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

Lease payments

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

Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), profit from sales of available-for-sale financial assets, currency exchange gain. Interest income is recognized in the statement of comprehensive income when accrued, using the effective interest method.

Finance costs comprise interest expense on borrowings, costs for covering provision discount, impairment losses of financial assets, losses incurred due to financial liabilities assumed, currency exchange loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the statement of comprehensive income using the effective interest method.

3. Significant accounting principles (cont‘d)

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to the items recognized through other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or equity.

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

Deferred tax is provided for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to the investments in the subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the consolidated statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including transactions with any of the Group’s other components). All operating segments’ operating results are reviewed regularly by the Group’s management, who are chief operating decision makers, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Earnings per share

The Group 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 ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Group 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 Group.

Determination of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is defined as the estimated amount for 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.

Investment property

The fair values are based on market values, measured on the basis of the comparative prices, discounted cash flows or other methods depending on which method provides more reliable information. The market price may be established based on the property valuation reports prepared by the external valuers or on the estimates made by the Group’s management. The market price is the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably.

Equity securities

The fair value of equity securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique.

Valuation techniques employed include discounted cash flow analysis using expected future cash flows and a market-related discount rate.

3. Significant accounting principles (cont‘d)

Determination of fair values (cont'd)

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

4. Prior period correction, changes in accounting policies and reclassifications

Prior period correction

During 2012, management of the Group identified errors in the preparation of the parent company's (the Company) separate and the Group's consolidated financial statements as at 31 December 2011 and has corrected them in preparation of the financial statements as at 31 December 2012. The corrections of prior period errors (the effect of errors on the line items of the financial statements is presented in tables below the explanations):

a) Sales of production

The Company has reviewed sales transactions and determined that in the preparation of the financial statements for the year 2011 certain sales transactions were recorded without proper justification and for certain sales the date of transaction was determined incorrectly. Some of the sales of goods of the Company have been accounted for earlier (in 2011) than the full risks and rewards of the goods have been transferred to the customers. The Group has corrected the amounts presented in the Company's separate and the Group's consolidated financial statements for the year 2011. Revenue was decreased by 1,888 thousand Litas, cost of sales was decreased by 777 thousand Litas and general and administrative expenses were decreased by 28 thousand Litas. Corrections are presented in the table below.

b) Purchases of advertising services

During the preparation of the financial statements for the year 2011, the Company incorrectly attributed acquired services to the costs in the incorrect period; for this reason, part of advertising expenses incurred, i.e. 380 thousand Litas, were not recognized as expenses in 2011. The Group has retrospectively corrected the amounts presented in the Company's separate and the Group's consolidated financial statements for the year 2011.

c) Management bonuses

During the preparation of the financial statements for the year 2011, the Company has not accrued bonuses to the management team for the results of the year 2011. The bonuses were paid in the first quarter of 2012 and approved for payment before the issue of the financial statements as at 31 December 2011. The amount of not accrued bonuses was 204 thousand Litas and should have been accounted for as general and administrative expenses for the year 2011. The Group has reviewed these expenses and corrected the amounts presented in the Company's separate and the Group's consolidated financial statements for the year 2011.

d) Long-term employee benefits

In the prior year financial statements, the Company did not account for a reserve for employee benefits related with the compensations paid to the employees when leaving the Company past the retirement age. The amount of the long-term employee benefit liability as at 31 December 2011 was 290 thousand Litas, these expenses decrease the other comprehensive income. The Group calculated these benefits and corrected the amounts presented in the Company's separate and the Group's consolidated financial statements for the year 2011.

4. Prior period correction and changes in accounting policies (cont'd)

Prior period correction (cont'd)

e) Impairment of investment properties and property, plant and equipment

During the preparation of the financial statements for the year 2011, the Company decided not to account for impairment for assets that had indications of impairment. In correction of this error the Company has determined that the unrecognized impairment on the buildings group equals to 76 thousand Litas and on investment property – 525 thousand Litas, which is based on the real estate valuation reports received before the issue of the financial statements as at 31 December 2011. The Group did not account for the impairment amounts of the mentioned groups when preparing the Company's separate and the Group's consolidated financial statements for the year 2011. The Group has respectively corrected the amounts presented in the Company's separate and the Group's consolidated financial statements for the year 2011.

f) Accrued sales discounts

During the review of the sales discounts accrual principles, the Company has determined that the amount of sales discount presented in the financial statements for the year 2011 was too low and did not match the actually provided sales discounts. The additional amount of the sales discount is 243 thousand Litas and when adjusted decreases net revenues of 2011. The Group has reviewed these accruals and corrected the amounts presented the Company's separate and the Group's consolidated financial statements for the year 2011.

g) Basic and diluted earnings (loss) per share

During the preparation of the financial statements for the year 2011, the Group made an error in calculation of the weighted average of ordinary registered shares for the period, because it did not consider changes in ordinary registered shares during the period. The Group has reviewed the calculation of the weighted average of ordinary registered shares and adjusted the amount of earnings (loss) per share of 2011.

Effect of prior period correction on the deferred income tax

After correction of the above listed errors, their effect on the deferred tax was estimated and the necessary retrospective adjustments were made to the deferred tax assets in the statement of financial position and to income tax and other comprehensive income in the statement of comprehensive income.

Reclassifications

h) Reclassification of income and expenses from other activities and assets held-for-sale

Before 31 December 2011, revenue from assets held-for-sale and from sale of auxiliary materials and transportation services was accounted as income from other activities. As of 1 January 2012, the Group's management has retrospectively reclassified such income and now the mentioned income is stated as income from ordinary activities. Management believes that the change provides more relevant information and allows better comparison with other market players.

Respectively, assets held-for-sale were retrospectively reclassified to inventories as they had been acquired for sales purposes. Reclassification was made to the statement of financial position as at 31 December 2011 and 31 December 2010 by transferring 76 thousand Litas and 129 thousand Litas from assets held-for-sale to inventories, respectively.

Change of accounting policies

i) Change in accounting of investment property

Until 31 December 2011 investment property was measured at cost, less accumulated depreciation and impairment losses. Starting 1 January 2012 the Group's management has prospectively changed the accounting method used for the accounting of investment properties from cost based to fair value based, because such measurement provides a more accurate estimate of the property value based on its type.

Subsequent changes in fair value of the assets will be accounted in other comprehensive income. This change of accounting policies had no effect on the period of 2011 or prior periods.

(in thousand Litas, unless otherwise stated)

4. Prior period correction, changes in accounting policies and reclassifications (cont'd)

Effect of prior period correction, changes in accounting policies and reclassifications

Reconciliation between the amounts of the Group's statement of financial position as at 31 December 2011 as previously reported and the adjusted amounts as at 31 December 2011 presented in the current financial statements is disclosed below:

	Previous financial statements as at 31 December 2011	**a)**	**b)**	**c)**	**d)**	**e)**	**f)**	**g)**	**h)***	**Adjusted as at 31 December 2011**
Assets										
Intangible assets	620									620
Investment property	1,425					(525)				900
Property, plant and equipment	59,763					(76)				59,687
Available-for-sale financial assets	5,854									5,854
Deferred tax assets	1,182	162	57	31	44	90	36			1,602
Total non-current assets	**68,844**	**162**	**57**	**31**	**44**	**(511)**	**36**	**-**	**-**	**68,663**
Inventories	13,094	777							76	13,947
Prepayments	498	28								526
Trade accounts receivable	27,791									27,791
Other accounts receivable	522									522
Assets held for sale	76								(76)	-
Cash and cash equivalents	950									950
Total current assets	**42,931**	**805**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**43,736**
Total assets	**111,775**	**967**	**57**	**31**	**44**	**(511)**	**36**	**-**	**-**	**112,399**
Shareholders' equity										
Share capital	20,000									20,000
Share premium	74,198									74,198
Reserves	1,820									1,820
Accumulated losses/retained earnings	(81,758)	(921)	(323)	(173)	(246)	(511)	(207)			(84,139)
Total shareholders' equity	**14,260**	**(921)**	**(323)**	**(173)**	**(246)**	**(511)**	**(207)**	**-**	**-**	**11,879**
Non-controlling interest	799									799
Total shareholders' equity	**15,059**	**(921)**	**(323)**	**(173)**	**(246)**	**(511)**	**(207)**	**-**	**-**	**12,678**
Government grants	2,726									2,726
Long-term bank loans and borrowings	47,275									47,275
Long-term employee benefits	-				290					290
Total non-current liabilities	**50,001**	**-**	**-**	**-**	**290**	**-**	**-**	**-**	**-**	**50,291**
Short-term bank loans and borrowings	17,045									17,045
Trade accounts payable	10,142									10,142
Other accounts payable	19,528	1,888	380	204			243			22,243
Total current liabilities	**46,715**	**1,888**	**380**	**204**	**-**	**-**	**243**	**-**	**-**	**49,430**
Total liabilities and shareholders' equity	**111,775**	**967**	**57**	**31**	**44**	**(511)**	**36**	**-**	**-**	**112,399**

* Effect of reclassifications. All other columns present the effect of prior period corrections.

(in thousand Litas, unless otherwise stated)

4. Prior period correction, changes in accounting policies and reclassifications (cont'd)

Effect of prior period correction, changes in accounting policies and reclassifications (cont'd)

Reconciliation between the amounts of the Group's previous statement of comprehensive income presented in the financial statements as at 31 December 2011 and the adjusted amounts of 2011 presented in the current financial statements is disclosed below:

	Previous financial statements as at 31 December 2011	**a)**	**b)**	**c)**	**d)**	**e)**	**f)**	**g)**	**h)***	**Adjusted as at 31 December 2011**
Revenue	86,481	(1,888)					(243)		533	84,883
Cost of sales	(56,251)	777							(136)	(55,610)
Gross profit	**30,230**	**(1,111)**	**-**	**-**	**-**	**-**	**(243)**	**-**	**397**	**29,273**
Other income	1,103								(526)	577
Income from transfer of subsidiaries	598									598
Selling and distribution expenses	(10,713)		(380)							(11,093)
General and administrative expenses	(18,607)	28		(204)		(601)				(19,384)
Other expenses	(248)								129	(119)
Operating profit	**2,363**	**(1,083)**	**(380)**	**(204)**	**-**	**(601)**	**(243)**	**-**	**-**	**(148)**
Finance income	1									1
Finance expenses	(6,259)									(6,259)
Net finance costs	**(6,258)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,258)**
Profit before income tax	**(3,895)**	**(1,083)**	**(380)**	**(204)**	**-**	**(601)**	**(243)**	**-**	**-**	**(6,406)**
Income tax	91	162	57	31		90	36			467
Net profit (loss)	**(3,804)**	**(921)**	**(323)**	**(173)**	**-**	**(511)**	**(207)**	**-**	**-**	**(5,939)**
Other comprehensive income										
Long-term employee benefits					(290)					(290)
Effect of deferred tax					44					44
Initial revaluation of investment properties										-
Effect of deferred tax										-
Net change in fair value of available-for-sale financial assets	(2,199)									(2,199)
Effect of deferred tax	300									300
Total other comprehensive income	**(1,869)**	**-**	**-**	**-**	**(246)**	**-**	**-**	**-**	**-**	**(2,115)**
Total comprehensive income for the reporting year	**(5,673)**	**(921)**	**(323)**	**(173)**	**(246)**	**(511)**	**(207)**	**-**	**-**	**(8,054)**
Net profit (loss) attributable to:										
Owners of the company	(3,471)	(921)	(323)	(173)	-	(511)	(207)	-	-	(5,606)
Non-controlling interest	(333)									(333)
Total net profit (loss)	**(3,804)**	**(921)**	**(323)**	**(173)**	**-**	**(511)**	**(207)**	**-**	**-**	**(5,939)**
Total comprehensive income attributable to:										
Owners of the company	(5,340)	(921)	(323)	(173)	(246)	(511)	(207)	-	-	(5,606)
Non-controlling interest	(333)									(333)
Total comprehensive income	**(5,673)**	**(921)**	**(323)**	**(173)**	**(246)**	**(511)**	**(207)**	**-**	**-**	**(8,054)**
Basic and diluted earnings (loss) per share (in Litas)	**(0.17)**	**(0.04)**	**(0.01)**	**(0.01)**	**-**	**(0.02)**	**(0.01)**	**0.04**	**-**	**(0.22)**

* Effect of reclassifications. All other columns present the effect of prior period corrections.

The above listed prior period corrections, changes in accounting policies and reclassifications had no effect on the opening statement of financial position as at 31 December 2010 or on the statement of comprehensive income for the year 2010, except for the reclassification of income and expenses from other activities and assets held-for-sale. Reclassification was made to the statement of financial position as at 31 December 2010 by transferring 129 thousand Litas from assets held-for-sale to inventories.

(in thousand Litas, unless otherwise stated)

5. Financial risk management

The Group has exposure to the following risks:

- credit risk,
- liquidity risk,
- market risk,
- operating risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Due to the nature of its operations, the Group has significant concentration of credit risk (over 85% of total turnover) with three major clients.

The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history. The majority of the Group's foreign customers are insured by a credit insurance company, and they are provided with the appropriate amounts of credit limits. The Group provides payment discounts to the clients that pay in advance.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables (Note 12), net of impairment losses recognized at the date of the consolidated statement of financial position, and cash and cash equivalents. Cash and cash equivalents comprise cash on hand and cash held at Lithuanian banks; therefore, the related credit risk is minimum.

The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2012	**2011**
Trade accounts receivable	24,234	27,791
Cash and cash equivalents	2,347	950
Total	**26,581**	**28,741**

Ageing of trade receivables as at the reporting date is as follows:

	Total amount 2012	**Impairment 2012**	**Total amount 2011**	**Impairment 2011**
Not overdue	23,101	-	26,630	-
Overdue 0–30 days	942	-	1,070	-
Overdue 30–60 days	44	-	-	-
Overdue 61–90 days	-	-	2	-
More than 90 days	621	(474)	505	(416)
Total	**24,708**	**(474)**	**28,207**	**(416)**

The major part of trade receivables of the Group are related to buyers from Lithuania or the European Union, therefore, the management of the Group considers the geographical risk related to trade receivables to be minimum. Trade receivables by currency are disclosed in currency risk section.

(in thousand Litas, unless otherwise stated)

5. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In August 2012 the Company Group ALITA, AB signed factoring agreements for one year period to finance the receivable amounts up to 5,000 thousand Litas. In November 2012, following an additional agreement, the limit was increased to 7,000 thousand Litas. As at 31 December 2012 this entire amount was used.

The management of the Group has agreed with the bank on the extension of the repayment term of the loan of the subsidiary AB Anykščių Vynas to the end of June 2013. It is believed that in the future the Group will be able to agree with the bank on new repayment schedule for the loan of the subsidiary AB Anykščių Vynas.

Payment terms of the financial liabilities, including calculated interest, as to the agreements, are presented below:

31 December 2012	**Carrying value**	**Contractual net cash flows**	**6 months or less**	**6–12 months**	**1–2 years**	**2–5 years**
Financial liabilities						
Loans and borrowings	67,056	71,984	15,163	9,109	20,521	27,191
Trade accounts payable	11,064	11,064	11,064	-	-	-
Total	**78,120**	**83,048**	**26,227**	**9,109**	**20,521**	**27,191**

31 December 2011	**Carrying value**	**Contractual net cash flows**	**6 months or less**	**6–12 months**	**1–2 years**	**2–5 years**
Financial liabilities						
Loans and borrowings	64,320	72,541	10,763	8,992	17,173	35,613
Trade accounts payable	10,142	10,142	10,142	-	-	-
Total	**74,462**	**82,683**	**20,905**	**8,992**	**17,173**	**35,613**

Interest rate applied to the estimated cash flows discount:

	2012	**2011**
Loans and lease liabilities	2.925% – 5.9%	4.3% – 7.6%

(in thousand Litas, unless otherwise stated)

5. Financial risk management (cont'd)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

The Group's borrowings are subject to variable interest rates related to LIBOR, VILIBOR and EURIBOR. As at 31 December 2012, the Group 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.

Variable interest rate financial liabilities were as follows:

	Contractual currency	2012	2011
Long-term loans and borrowings	EUR	40,338	47,107
Short-term loans and borrowings	EUR	16,161	9,274
Short-term loans and borrowings	LTL	7,340	7,596
Long-term loans and borrowings	LTL	3,108	-
Finance lease liabilities	EUR	109	343
Total		**67,056**	**64,320**

The interest rate as to the agreements is from 2.925% to 7.6 % as at 31 December 2012.

The sensitivity of the profit and loss to an increase in the average annual interest rate for the Group's loans and borrowings by 0.5 percent, all other variables remaining constant, would increase the interest expenses and the loss for 2012 by approximately 335 thousand Litas.

Currency risk

Major currency risks of the Group occur due to the fact that the Group borrows foreign currency denominated funds as well as being involved in imports and exports. The Group does not use any financial instruments to manage its exposure to foreign exchange risk.

During the year, currency exchange rates in respect of Litas were as follows:

	31/12/2012	Average 2012
1 EUR =	3.4528 LTL	3.4528 LTL

The Group's assets and liabilities in the different currencies:

	2012		2011	
	LTL	EUR	LTL	EUR
Trade accounts receivable	20,719	3,515	25,804	1,987
Cash and cash equivalents	2,300	47	777	173
Loans and borrowings	(11,969)	(55,087)	(7,939)	(56,381)
Trade accounts payable	(7,949)	(3,115)	(9,005)	(1,137)
Total foreign currency risk exposure in the statement of financial position	**3,101**	**(54,640)**	**9,637**	**(55,358)**

The functional currency of the Parent is Litas (LTL). The Group faces foreign currency risk on purchases and borrowed funds as well as on sales and amounts receivable that are denominated in currencies other than Litas and EUR. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate. The Group did not have any material exposure to other foreign currencies as at 31 December 2012.

5. Financial risk management (cont'd)

Market risk (cont'd)

Market price risk

Available-for-sale financial assets are measured at fair value and therefore the Group considers that its maximum exposure to market price risk is reflected by the amount of available-for-sale financial assets net of decrease in fair value.

The maximum exposure to the market price risk as at the reporting date was as follows:

	Carrying amount	
	2012	**2011**
Available-for-sale financial assets	5,520	5,854
Total	**5,520**	**5,854**

Operating risk

Operating risk is the risk related to direct and indirect losses occurring due to various reasons caused by the Group's business processes, personnel, technologies and infrastructure as well as by external factors (except for credit, market and liquidity risks). Such factors are legal and mandatory requirements and generally accepted functioning standards of companies. The operating risk appears from the Group's activity as a whole.

On 3 October 2011, at the Extraordinary General Meeting of the Company Group ALITA, AB, a decision was taken to form a collegial supervisory body – the Supervisory Council. Its powers are established by the Law on Companies of the Republic of Lithuania and Articles of Association of the Company.

The highest governing chain of the Group is responsible for creation and implementation of the control for operating risk. This responsibility is based on business risk management standards in the following areas:

- The Group has a strict approval system for operations performed – initial accounting documents basing the operation must pass through several approval and control stages before entering the accounting management system. This ensures control of economic operation performance in all steps.
- The main activities of the Group – production and trade in alcohol products – is licensed and governed by corresponding legislation of the Republic of Lithuania. When legislation for the activity field changes, the Group's activities, sales of production and operating results are affected. Inability to adapt to requirements (set for quality, labelling, packaging) of new legal acts or decisions regulating production and trade in alcohol beverages may cause temporary restrictions of production and this in turn may affect the Group's activities and business perspectives as well as determine the need for unplanned expenses necessary to fulfil certain obligations or pay the fines.
- The Group has environmental protection management system implemented which meets the requirements of ISO 9001 and ISO 14001 standards. Seeking to ensure the quality and environmental protection system, internal and external audits are performed in all divisions.
- Management of the Group monitors and assesses risks related to operations and applies preventive measures enabling control of operating risks on a continuous basis.
- Every year, the Group allocates funds for trainings and improvement of qualifications of employees.
- The Group has internal rules approved and carries out periodical controls of their actual functioning.

(in thousand Litas, unless otherwise stated)

5. Financial risk management (cont'd)

Operating risk (cont'd)

Lithuania has an excise tax imposed on alcohol production. Excise tax rates are provided in the table below. Changes in the excise tax would have a direct effect on the sales price of the products of the Group and might have a negative effect on the demand in local market.

Beverage	Alcohol content by volume	Excise tax rates in 2012 (LTL for hectolitre)	Excise tax rates in 2011 (LTL for hectolitre)
Sparkling wine	11%	198 LT/HTL	198 LT/HTL
Sparkling drink	9.50%	198 LT/HTL	198 LT/HTL
Wine	10.50%	198 LT/HTL	216 LT/HTL
Sparkling wine drink	7–8%	58 LT/HTL	58 LT/HTL
Cider	4.7%	58 LT/HTL	58 LT/HTL
Fortified wine	21%	304 LT/HTL	304 LT/HTL
Fruit wine	18–19%	304 LT/HTL	304 LT/HTL
Cocktails	5–6%	4,416 LT/100%/HTL	4,416 LT/100%/HTL
Strong alcohol drinks	37.5–50%	4,416 LT/100%/HTL	4,416 LT/100%/HTL

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and proposes the level of dividends to ordinary shareholders based on the Group's financial results and strategic plans.

There were no changes in the Group's approach to capital management during the year.

As at 31 December 2012 the equity of the Company Group ALITA, AB met the requirement of the Law on Companies that the company's equity may not be lower than ½ of the authorized capital.

(in thousand Litas, unless otherwise stated)

6. Intangible assets

	Trade marks	Software	Other intangible assets	Total
Cost				
Balance as at 1 January 2012	5,305	1,448	1,858	8,611
Additions	-	116	-	116
Disposals and write-offs	(5,305)	-	-	(5,305)
Reclassification to assets held-for-sale	-	-	-	-
Balance as at 31 December 2012	**-**	**1,564**	**1,858**	**3,422**
Accumulated amortization and impairment:				
Balance as at 1 January 2012	5,305	1,406	1,280	7,991
Amortization for the period	-	21	280	301
Disposals and write-offs	(5,305)	-	-	(5,305)
Reclassifications	-	-	-	-
Reclassification to assets held-for-sale	-	-	-	-
Balance as at 31 December 2012	**-**	**1,427**	**1,560**	**2,987**
Carrying amounts as at 31 December 2012	**-**	**137**	**298**	**435**

	Trade marks	Software	Other intangible assets	Total
Cost				
Balance as at 1 January 2011	5,305	1,423	1,686	8,414
Additions	-	25	172	197
Disposals and write-offs	-	-	-	-
Reclassification to assets held-for-sale	-	-	-	-
Balance as at 31 December 2011	**5,305**	**1,448**	**1,858**	**8,611**
Accumulated amortization and impairment:				
Balance as at 1 January 2011	5,305	1,370	982	7,657
Amortization for the period	-	36	298	334
Disposals and write-offs	-	-	-	-
Reclassifications	-	-	-	-
Reclassification to assets held-for-sale	-	-	-	-
Balance as at 31 December 2011	**5,305**	**1,406**	**1,280**	**7,991**
Carrying amounts as at 31 December 2011	**-**	**42**	**578**	**620**

Other intangible assets comprise various licenses, label design and other intangible assets that are acquired by the Group.

Amortization is recorded under general and administrative expenses.

(in thousand Litas, unless otherwise stated)

7. Property, plant and equipment

	Land	Buildings	Vehicles and equipment	Other property, plant and equipment	Construction in progress	Total
Cost						
Balance as at 1 January 2012	28	72,267	113,071	13,861	13	199,240
Additions	-	-	-	110	-	110
Disposals and write-offs	(28)	(628)	(1,475)	(173)	-	(2,304)
Reclassification from assets held-for-sale	-	-	25	-	-	25
Revaluation before reclassification to investment property	-	696	-	-	-	696
Reclassification to investment property	-	(1,169)	-	-	-	(1,169)
Reclassifications	-	3,128	(808)	(2,320)	-	-
Balance as at 31 December 2012	**-**	**74,294**	**110,813**	**11,478**	**13**	**196,598**
Accumulated depreciation and impairment:						
Balance as at 1 January 2012	-	32,883	93,176	13,494	-	139,553
Depreciation for the period	-	1,321	3,006	160	-	4,487
Disposals and write-offs	-	(227)	(1,039)	(171)	-	(1,437)
Reclassification to investment property	-	(473)	-	-	-	(473)
Reclassifications	-	2,846	(667)	(2,179)	-	-
Reversal of impairment	-	(76)	-	-	-	(76)
Change of impairment during for the period	-	-	-	-	-	-
Balance as at 31 December 2012	**-**	**36,274**	**94,476**	**11,304**	**-**	**142,054**
Carrying amounts as at 31 December 2012	**-**	**38,020**	**16,337**	**174**	**13**	**54,544**

	Land	Buildings (restated)	Vehicles and equipment	Other property, plant and equipment	Construction in progress	Total (restated)
Cost						
Balance as at 1 January 2011	28	72,264	114,010	14,189	13	200,504
Additions	-	3	109	30	-	142
Disposals and write-offs	-	-	(1,060)	(346)	-	(1,406)
Reclassification to assets held-for-sale	-	-	-	-	-	-
Reclassifications	-	-	12	(12)	-	-
Balance as at 31 December 2011	**28**	**72,267**	**113,071**	**13,861**	**13**	**199,240**
Accumulated depreciation and impairment:						
Balance as at 1 January 2011	-	31,429	90,497	13,521	-	135,447
Depreciation for the period	-	1,378	3,691	270	-	5,339
Disposals and write-offs	-	-	(1,012)	(297)	-	(1,309)
Reclassification to assets held-for-sale	-	-	-	-	-	-
Change of impairment during for the period (restated)	-	76	-	-	-	76
Balance as at 31 December 2011 (restated)	**-**	**32,883**	**93,176**	**13,494**	**-**	**139,553**
Restated carrying amounts as at 31 December 2011	**28**	**39,384**	**19,895**	**367**	**13**	**59,687**

Effect of the prior period corrections is disclosed in Note 4.

(in thousand Litas, unless otherwise stated)

7. Property, plant and equipment (cont'd)

As at 1 January 2012, after change of the use of the apartment in Vilnius, it was reclassified from buildings to investment property. Before reclassification, this property was revalued based on the fair value established by the independent valuers in 2012.

Property, plant and equipment, and investment property with the carrying value of 49,523 thousand Litas as at 31 December 2012 (31 December 2011: 51,370 thousand Litas) have been pledged for loans and borrowings (Note 18).

The Group's property, plant and equipment and investment property with the carrying value of 56,140 thousand Litas as at 31 December 2012 (2011: 59,732 thousand Litas) are insured against fire, natural forces and other damages.

Depreciation

Depreciation is allocated as follows:

	2012	2011
General and administrative expenses	970	706
Selling and distribution expenses	182	685
Depreciation of boiler house for which the grant was received (set-off with grant depreciation)	635	634
Cost of sales and inventories (finished goods)	2,700	3,314
Total	**4,487**	**5,339**

Impairment

Due to losses incurred by the Group's subsidiary company AB Anykščių Vynas for several years in a row, the Group has tested the property, plant and equipment of the subsidiary company for impairment. During the test, the long-term forecasts (5 years) were prepared regarding the company's activities and the assets' value in use was calculated. Based on the performed assessment, the management of the Group has determined that the property, plant and equipment of the subsidiary company have not impaired.

Long-term activity forecasts are based on the management's assessments regarding the future business activities and on the ability of the subsidiary company to secure the long-term and working capital financing. The assumptions used are based on the almost complete use of the optimized human resources capacities and on the ability of the subsidiary company to retain its market share and to recover the lost markets in certain segments.

Based on the performed assessment, the management of the Group has determined that the property, plant and equipment of the subsidiary company have not impaired. The 10% discount rate and 0.75% long-term growth rate for the periods subsequent to the forecasted period were used for the calculation of the value in use.

The change of the discount rate significantly influences the discounted cash flows, amounting to approximately 21 million Litas, under which the assets' value in use is estimated. The table with potential discount rates and long-term growth rates after the projection period together with potential impairment (losses) as calculated using these rates, is presented below.

Discount rate	**Long-term growth rate after the projection period**			
	1.25%	0.75%	0.25%	0.00%
9.65%	-	-	-	-
10.00%	-	-	-	33
10.35%	-	-	482	800
10.70%	-	596	1,224	1,516
11.05%	706	1,342	1,919	2,188
11.40%	1,455	2,039	2,570	2,818
11.75%	2,154	2,691	3,182	3,411

Assumption on the receipt of additional funding to finance working capital also has significant impact on the discounted cash flows. This additional funding would secure implementation of the other assumptions in the long-term forecasts. The amount of additional funding included into assumptions is 5,000 thousand Litas in 2014.

(in thousand Litas, unless otherwise stated)

8. Investment property

	2012	2011 restated
Balance as at 1 January	900	1,491
Depreciation	-	(66)
Reclassification from property, plant and equipment	696	-
Impairment loss	-	(525)
Balance as at 31 December	**1,596**	**900**

The investment properties comprise of café and hotel in Palanga and apartment in Vilnius. As at 1 January 2012, after change of the use of the apartment in Vilnius, it was reclassified from buildings to investment property.

The rental income of the investment properties amounted to 31 thousand Litas in 2012 (2011: 29 thousand Litas).

Starting 1 January 2012 the Group's management has prospectively changed the accounting policy used for the accounting of investment properties from cost based to fair value based. Further changes in fair value of the assets will be accounted in the statement of comprehensive income under other income or other expenses. At the end of 2012 no independent valuation has been performed as the management of the Group believes that in 2012 there were no changes in the fair value of these assets. Effect of changes of the accounting policies is disclosed in Note 4.

No material contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancement were in force at the year-end.

9. Available-for-sale financial assets

Available-for-sale financial assets consist of the following:

	2012	2011
AB Šiaulių Bankas shares	9,693	9,693
Total	**9,693**	**9,693**
Increase (decrease) in fair value in the beginning of the year	(3,839)	(1,640)
Increase (decrease) in fair value during the period	(334)	(2,199)
Increase (decrease) in fair value at the end of the year	**(4,173)**	**(3,839)**
Total	**5,520**	**5,854**

As at 31 December 2012, the Company Group ALITA, AB owned 2.947% or 6,920,480 registered shares of AB Šiaulių Bankas with a nominal value of 1 Litas each. The value of the shares as at the reporting date is based on the quoted price in the active market of AB Šiaulių Bankas. The change in fair value of 334 thousand Litas for the shares in AB Šiaulių Bankas has been recognized in other comprehensive income (Note 15).

According to contractual obligations assumed together with other shareholders of AB Šiaulių Bankas, the rights to dispose 6,920,480 registered shares of AB Šiaulių Bankas owned by the Company Group ALITA, AB are restricted. The restrictions are in force until the majority shareholder owns a certain amount of shares of AB Šiaulių Bankas.

(in thousand Litas, unless otherwise stated)

10. Inventories

	2012	2011 restated
Raw materials	3,824	2,953
Packing materials	2,868	2,050
Auxiliary materials and supplies	343	11
Work-in-process	4,294	4,725
Finished goods:		
- alcoholic beverages	4,195	3,920
- apple products	-	134
Goods for resale	93	154
Total cost of inventories at the end of the year	**15,617**	**13,947**

Effect of the prior period corrections is disclosed in Note 4.

Write-down of inventories to net realizable value amounts to 666 thousand Litas at 31 December 2012 (2011: 551 thousand Litas).

Write-down of inventories is recorded under:

	2012	2011
Auxiliary materials and supplies	454	551
Finished goods	162	-
Work-in-process	50	-
Total	**666**	**551**

The Group has insured inventories for the amount of 19,600 thousand Litas against natural calamities, fire, and other damages. Inventories for the amount of 15,617 thousand Litas are pledged to the bank for loans and borrowings (Note 18).

Total yearly amount of inventory value recognized in the statement of comprehensive income under cost of sales and general and administrative expenses in the year 2012 is 41,904 thousand Litas (2011: 50,367 thousand Litas).

In 2012 the Group did not fully use its production capacities thus overhead production costs amounting to 808 thousand Litas (2011: 1,362 thousand Litas) incurred due to unused capacities were recognised under general and administrative expenses for the current year.

11. Prepayments

	2012	2011 restated
Prepayments to local suppliers	158	241
Prepayments to foreign suppliers	260	80
Other prepayments and deferred costs	166	205
Total	**584**	**526**

Effect of the prior period corrections is disclosed in Note 4.

12. Trade accounts receivable

Trade accounts receivable consist of:

	2012	2011
Trade accounts receivable, gross	24,708	28,207
Impairment in the beginning of the year	(416)	(515)
Write-off of doubtful trade receivables	8	99
Additional impairment during the period	(66)	-
Impairment at the end of the year	**(474)**	**(416)**
Total	**24,234**	**27,791**

Additional impairment during the period is recognized under general and administrative expenses.

(in thousand Litas, unless otherwise stated)

13. Other accounts receivable

Other accounts receivable consist of:

	2012	2011
Receivable import VAT	23	55
Government grant receivable	-	99
Other accounts receivable	272	368
Total	**295**	**522**

As at 31 December 2011, a loan of 3,279 thousand Litas issued to the former related company AB ALT Investicijos and the accumulated interest of 54 thousand Litas were written off because this company was recognized as bankrupt in 2011. In 2010, impairment amounting to 3,333 thousand Litas was booked for the total amount of issued loans and accumulated interest.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2012	2011
Cash at banks	2,347	950
Cash in hand	-	-
Total	**2,347**	**950**

15. Shareholders' equity

Share capital

On 6 October 2011, the Company Group ALITA, AB (hereinafter – the Company) and the investment company FR&R Invest IGA S.A. (a company related to the main bank providing financial support to the Group) (hereinafter – the Investor) signed a share subscription agreement for the subscription and acquisition of 16,874,000 ordinary registered shares of the Company with a par value of 1 (one) Litas each, for the issue price of 5.3971841 Litas per share. The total issue price of all the subscribed shares of the Company, i.e. 91,072 thousand Litas, was contributed by offsetting loan claims of the Company and the Investor, arising out of the share subscription agreement and credit agreement No. 06-046799-KL, dated 29 June 2006 (with later amendments), and the claims assignment agreement, dated 2 August 2011.

The Company has currently 20,000,000 issued ordinary registered shares with the par value of 1 (one) Litas each:

- 3,126,000 ordinary registered shares, which are traded Nasdaq OMX Baltic stock exchange;

- 16,874,000 ordinary registered shares, which are not admitted to trading on a stock exchange.

All shares are fully paid.

The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to receive dividends as declared from time to time, and to capital repayment in case of decrease in capital and other rights set by the legislation. One ordinary share gives a right to one vote at the shareholders' meeting.

Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until the legal reserve reach 10% of the authorized capital.

15. Shareholders' equity (cont'd)

Revaluation reserve

Revaluation of property, plant and equipment before reclassification to investment property is accounted in revaluation reserve. Starting 1 January 2012 the Group's management has changed the accounting method used for the accounting of investment properties from cost based to fair value based. Subsequent changes in fair value of the assets will be accounted in the statement of comprehensive income under other income (Note 8).

Fair value reserve

	Increase (decrease) in value	Deferred income tax	Increase (decrease) in value after recognition of deferred tax
Change in fair value for the period	(2,199)	330	(1,869)
Revaluation reserve at the end of 2011	**(3,839)**	**576**	**(3,263)**
Change in fair value for the period	(334)	50	(284)
Revaluation reserve at the end of 2012	**(4,173)**	**626**	**(3,547)**

16. Basic and diluted earnings (loss) per share

Basic earnings (loss) per share are calculated as follows:

	2012	2011 restated
Net profit (loss), attributable to the shareholders	1,305	(5,606)
Number of shares at the end of the period (thousand)	20,000	20,000
Weighted average number of shares during the period (thousands)	20,000	25,366
Basic and diluted earnings (loss) per share (Litas)	**0.07**	**(0.22)**

The Company Group ALITA, AB has no dilutive potential shares or convertibles. The diluted earnings (loss) per share are the same as the basic earnings (loss) per share.

Effect of the prior period corrections is disclosed in Note 4.

17. Other amounts payable

	2012	2011 restated
Excise duty	6,351	11,306
Value added tax (VAT)	2,844	5,112
Salaries and related taxes	740	1,231
Vacation reserve	569	708
Advances received	102	102
Deferred income	-	1,888
Redundancy payments	-	285
Other amounts payable	1,029	1,611
Total	**11,635**	**22,243**

Effect of the prior period corrections is disclosed in Note 4.

(in thousand Litas, unless otherwise stated)

18. Long-term and short-term bank loans and borrowings

	2012	2011
Long-term loans and borrowings	44,778	47,107
Long-term portion of lease liabilities	-	168
Total non-current financial liabilities	**44,778**	**47,275**
Current portion of long-term loans	6,337	-
Short-term loans and borrowings	15,832	16,870
Current portion of long-term lease liabilities	109	175
Total current financial liabilities	**22,278**	**17,045**
Total financial liabilities	**67,056**	**64,320**

As at 31 December 2012, the Group has long-term loans amounting to 51,115 thousand Litas with the repayment term in 2016. Current portion of these long-term loans amounts to 6,337 thousand Litas. The average variable interest rate of these loans was from 3.59% to 4.35% in 2012.

As at 31 December 2012, the short-term loans of the Group amount to 8,332 thousand Litas. The average variable interest rates of the loans were 3.6% – 7.6% in 2012, maturity term – June 2013.

The subsidiary company has a credit line facility amounting to 8,632 thousand Litas (EUR 2,500 thousand) with Swedbank, AB. The loan was due on 28 February 2013. On 28 February 2013, the bank and the company agreed a deferral of the repayment date to 30 June 2013. As at 31 December 2012, 8,632 thousand Litas had been drawn (2011: 8,632 thousand Litas).

In August 2012 the Company Group ALITA, AB signed factoring agreements for one year period to finance the receivable amounts up to 5,000 thousand Litas. In November 2012, following an additional agreement, the limit was increased to 7,000 thousand Litas. As at 31 December 2012 this entire amount was used. The average variable interest rate was equal to 3.26% in 2012.

To secure the long-term loans and borrowings under the respective credit agreements, the Group pledged property with a carrying value of 38,067 thousand Litas as at 31 December 2012, equipment with the carrying value of 11,456 thousand Litas as at 31 December 2012, inventories of 15,617 thousand Litas, all the current and future Group’s funds at banks, trademarks, shares of the Group companies, all current and future land lease rights, rights to amounts receivable according to the list and bill of exchange for 5,000 thousand Litas.

Long-term finance lease liabilities are payable as follows:

	Future payments	Interest	Present value of finance lease payments
Less than one year	111	2	109
Total	**111**	**2**	**109**

The carrying value of leased assets (vehicles) as at 31 December 2012 is equal to 184 thousand Litas (355 thousand Litas as at 31 December 2011).

19. Government grants

	2012	2011
Asset related grants		
Balance as at 1 January	2,627	3,261
Amortization	(635)	(634)
Balance as at 31 December	**1,992**	**2,627**
Income related grants		
Balance as at 1 January	99	206
Funds used for compensation of costs	(99)	(107)
Balance as at 31 December	**-**	**99**
Balance of the funds, received from EU structural funds	**1,992**	**2,726**

In order to increase competitiveness of production and to decrease environmental pollution, the Group implemented the reconstruction of a boiler-house and modernization of heat network. The support of up to 3,473 thousand Litas from the European Structural Funds and the budget of the Republic of Lithuania for the implementation of this Project was granted by the Ministry of Economy of the Republic of Lithuania. The total value of the Project is about 7 million Litas. The project was finished in June 2010.

(in thousand Litas, unless otherwise stated)

20. Long-term employee benefits

During 2012 and 2011 the present value of liabilities related to long-term employee benefits remained unchanged and amounted to 290 thousand Litas. Based on the long-term employee benefit plan, the assets for fulfilment of respective liabilities are not accumulated.

The key actuarial assumptions used for measurement of long-term employee benefits as at 31 December 2012 and 31 December 2011: discount rate of 4.582% and increase in salaries based on the forecasts prepared by the Ministry of Finance of the Republic of Lithuania:

2013 – 3.4%;
2014 – 5%;
2015 – 6%;
2017 and subsequent years – 5%.

Effect of the prior period corrections is disclosed in Note 4.

21. Selling and distribution expenses

Selling and distribution expenses consist of:

	2012	2011 restated
Advertising	6,345	7,915
Sales and marketing expenses	1,596	1,772
Transportation and logistics	832	761
Warehousing	520	549
Other	209	96
Total	**9,502**	**11,093**

Effect of the prior period corrections is disclosed in Note 4.

22. General and administrative expenses

	2012	2011 restated
Salaries, wages and social security	4,340	7,058
Advisory services	2,292	2,406
Maintenance and repairs, energy costs	2,033	3,606
Depreciation and amortization	1,271	1,106
Package recycling costs	1,264	1,344
Indirect costs related to production when full capacities are not used	804	1,362
Tax expenses (other than income tax)	705	661
Write-down of inventories	236	60
Insurance expenses	184	182
Impairment (reversal) of trade and other accounts receivable	66	(154)
Support	15	21
Impairment of non-current assets	-	601
Other	488	1,131
Total	**13,702**	**19,384**

Effect of the prior period corrections is disclosed in Note 4.

Salaries, wages, bonuses and other employee benefits, including personal income tax and social insurance tax were allocated in the Group's consolidated statement of comprehensive income as follows:

	2012	2011 restated
General and administrative expenses	4,340	7,058
Cost of sales	3,769	4,947
Selling and distribution expenses	1,500	1,715
Total	**9,609**	**13,720**

(in thousand Litas, unless otherwise stated)

22. General and administrative expenses (cont'd)

Wages costs by type:

	2012	2011 restated
Salaries	6,679	8,264
Social insurance tax	2,265	3,272
Redundancy compensations	403	1,435
Bonuses	196	700
Other employee benefits	66	49
Total	**9,609**	**13,720**

23. Other income (expenses)

	2012	2011 restated
Services rendered	196	214
Profit from disposed property, plant and equipment	-	199
Other income	35	164
Total income	**231**	**577**
Cost of services rendered	(49)	(119)
Loss from disposed property, plant and equipment	(133)	-
Total expenses	**(182)**	**(119)**

Effect of the prior period corrections is disclosed in Note 4.

24. Finance income (expenses)

	2012	2011
Interest income	1	1
Other finance income	7	-
Total income	**8**	**1**
Interest expenses	(2,586)	(5,910)
Interest on the overdue payments	(340)	(271)
Currency exchange gain (loss), net	(5)	(11)
Other finance expenses	(154)	(67)
Total expenses	**(3,085)**	**(6,259)**

25. Information according to business and geographic segments

Geographic segments

	2012	2011 restated
Revenue from domestic market customers	65,201	76,372
Revenue from foreign customers	12,734	8,511
Total	**77,935**	**84,883**

All the Group's assets are located in Lithuania.

Specification of sales

	2012	2011 restated
Sales (including excise duty)	136,583	160,020
Excise duty	(58,648)	(75,137)
Net sales	**77,935**	**84,883**

Effect of the prior period corrections is disclosed in Note 4.

(in thousand Litas, unless otherwise stated)

25. Information according to business and geographic segments (cont'd)

Business segment information for the year ended 31 December 2012 is presented below:

	Produced alcoholic products	**Apple products**	**Unallocated**	**Total**
Segment revenue, net	72,609	3,801	1,525	77,935
Cost of sales	(46,745)	(2,562)	(700)	(50,007)
Gross profit	**25,864**	**1,239**	**825**	**27,928**
Other income	-	-	231	231
Operating expenses	(10,829)	(14)	(10,708)	(21,551)
Impairment of property	(130)	(91)	-	(221)
Other expenses	-	-	(182)	(182)
Depreciation and amortization	(287)	(70)	(1,075)	(1,432)
Operating result	**14,618**	**1,064**	**(10,909)**	**4,773**
Finance income	-	-	8	8
Finance expenses	-	-	(3,085)	(3,085)
Income tax income (expenses)	-	-	(510)	(510)
Net result for the year before non-controlling interest	**14,618**	**1,064**	**(14,496)**	**1,186**
Net result for the year, attributable to non-controlling interest	-	-	119	119
Net result for the year, attributable to shareholders	**14,618**	**1,064**	**(14,377)**	**1,305**
Segment assets				
Non-current assets	43,141	3,681	16,310	63,132
Inventories	15,180	-	437	15,617
Other current assets	26,926	320	214	27,460
Total segment assets	**85,247**	**4,001**	**16,961**	**106,209**
Segment liabilities				
Government grants	1,992	-	-	1,992
Long-term employee benefits	290	-	-	290
Financial liabilities*	7,000	-	60,056	67,056
Trade accounts payable	10,311	-	753	11,064
Other liabilities	8,779	-	2,856	11,635
Total segment liabilities	**28,372**	**-**	**63,665**	**92,037**
Acquisition of intangible assets and property, plant and equipment	-	-	226	226

* Financial liabilities, except for liabilities as to the factoring agreements, are not attributed to any specific segments, because the Group uses borrowed funds to finance its activities.

(in thousand Litas, unless otherwise stated)

25. Information according to business and geographic segments (cont'd)

Restated business segment information for the year ended 31 December 2011 is presented below (effect of the prior period corrections is disclosed in Note 4):

	Produced alcoholic products	Apple products	Unallocated	Total
Segment revenue, net	80,407	3,079	1,397	84,883
Cost of sales	(52,730)	(2,215)	(665)	(55,610)
Gross profit	**27,677**	**864**	**732**	**29,273**
Other income	-	-	577	577
Income from transfer of subsidiaries	-	-	598	598
Operating expenses	(12,326)	(116)	(15,643)	(28,085)
Impairment of property	-	-	(601)	(601)
Other expenses	-	-	(119)	(119)
Depreciation and amortization	(516)	-	(1,275)	(1,791)
Operating result	**14,835**	**748**	**(15,731)**	**(148)**
Finance income	-	-	1	1
Finance expenses	-	-	(6,259)	(6,259)
Income tax income (expenses)	-	-	467	467
Net result for the year before non-controlling interest	**14,835**	**748**	**(21,522)**	**(5,939)**
Net result for the year, attributable to non-controlling interest	-	-	333	333
Net result for the year, attributable to shareholders	**14,835**	**748**	**(21,189)**	**(5,606)**
Segment assets				
Non-current assets	46,340	4,032	18,291	68,663
Inventories	13,022	134	791	13,947
Other current assets	29,467	-	322	29,789
Total segment assets	**88,829**	**4,166**	**19,404**	**112,399**
Segment liabilities				
Government grants	2,726	-	-	2,726
Long-term employee benefits	290	-	-	290
Financial liabilities*	-	-	64,320	64,320
Trade accounts payable	8,211	-	1,931	10,142
Other liabilities	14,863	-	7,380	22,243
Total segment liabilities	**26,090**	**-**	**73,631**	**99,721**
Acquisition of intangible assets and property, plant and equipment	284	-	55	339

* Financial liabilities are not attributed to any specific segments, because the Group uses borrowed funds to finance its activities.

Revenues from the customers in alcoholic and apple product segments that individually comprise more than 10% of the Group's total revenue:

	2012	2011
Customer 1	19,125	20,438
Customer 2	21,151	16,848
Customer 3	9,071	8,136
Total net sales	**49,347**	**45,422**

(in thousand Litas, unless otherwise stated)

26. Current and deferred tax

	2012	2011 restated
Current tax	-	-
Change in deferred tax	510	(467)
Income tax	**510**	**(467)**

The reconciliation of effective tax rate is as follows:

	2012		2011 restated	
Profit before tax		**1,696**		**(6,406)**
Income tax using standard tax rate	15.0%	254	15.0%	(961)
Non-taxable income related to prior period corrections (Note 4)	(23.9%)	(407)	-	-
Other non-taxable income	(0.1%)	(1)	0.6%	(38)
Non-deductable expenses	29.6%	502	(5.9%)	376
Change in deductible temporary expenses not previously recognized	9.2%	157	(2.4%)	156
Support	0.3%	5	-	-
Total	**30.1%**	**510**	**7.3%**	**(467)**

Effect of the prior period corrections is disclosed in Note 4.

Tax loss carried forward is as follows:

	2012	2011 restated
Tax loss carried forward as at 1 January	**30,713**	**37,986**
Impact of sale of subsidiary	-	(13,078)
Set-off with current tax	(1,926)	-
Tax loss for the period	2,521	5,805
Tax loss carried forward as at 31 December	**31,308**	**30,713**

Calculation of deferred tax is as follows:

	2012		2011 restated	
	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
Deferred tax asset				
Available-for-sale financial assets	4,173	626	3,839	576
Investment property	1,441	216	1,631	245
Write-down of inventories to net realizable value	666	100	551	83
Accrued sales discounts	482	72	852	128
Impairment of trade and other receivables	474	71	416	62
Accrued employee benefits	290	44	290	44
Impairment of property, plant and equipment	285	43	316	47
Vacation reserve	264	40	332	50
Accrued advertisement services	141	21	380	57
Accrued bonuses	60	9	204	31
Accrued deferred income	-	-	1,083	162
Accrued redundancy payments (termination benefits)	-	-	285	43
Tax loss carried forward	31,308	4,696	30,713	4,606
Total deferred tax asset	**39,584**	**5,938**	**40,892**	**6,134**
Unrecognized deferred tax asset	(26,238)	(3,936)	(24,287)	(3,643)
Total recognized deferred tax asset	**13,346**	**2,002**	**16,605**	**2,491**
Deferred tax liability				
Balance of immovable property for which tax relief was applied	(5,739)	(861)	(5,924)	(889)
Revaluation of property, plant and equipment before reclassification to investment property	(696)	(104)	-	-
Total deferred tax liability	**(6,435)**	**(965)**	**(5,924)**	**(889)**
Net deferred tax asset	**6,911**	**1,037**	**10,681**	**1,602**

(in thousand Litas, unless otherwise stated)

26. Current and deferred tax (cont'd)

Unrecognized deferred tax asset is as follows:

	2012		2011 restated	
	Temporary differences	**Unrecognized deferred tax (15%)**	**Temporary differences**	**Unrecognized deferred tax (15%)**
Tax losses carried forward	25,403	3,810	23,115	3,467
Accrued redundancy payments (termination benefits)	-	-	285	43
Impairment of property, plant and equipment	285	43	316	47
Impairment of trade debtors	224	34	224	34
Write-down of inventories to net realizable value	171	26	131	20
Vacation reserve	155	23	216	32
Total unrecognized part of deferred tax asset	**26,238**	**3,936**	**24,287**	**3,643**

In 2012 and 2011, current income tax rate is 15%.

The deferred tax asset of 626 thousand Litas as at 31 December 2012 (2011: 576 thousand Litas) is recorded in equity against the fair value reserve formed on AB Šiaulių Bankas shares.

The change in deferred tax could be presented as follows:

	2012	2011 restated
Deferred tax asset (liability) as at 1 January	**1,602**	**761**
Recognized in comprehensive income	(510)	467
Recognized in other comprehensive income	(54)	374
Rounding effect	(1)	-
Deferred tax asset (liability) as at 31 December	**1,037**	**1,602**

27. Transactions with related parties

A related party is a person or entity that is related to the Group. A person or a close member of that person's family is related to the Group if that person has control or joint control over the Group, has significant influence over the Group or is a member of the key management personnel of the Group or of a parent of the Group. An entity is related to the Group if they are members of the same group, the entity is controlled or jointly controlled by a related person, a related person has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity) or other cases as described by IAS 24.

During the period the Group had transactions with the following related parties:

- Legal entities related to Supervisory Council members
- FR&R Invest IGA S.A. (shareholder of the Group)

The main shareholder of the Company, FR&R Invest IGA S.A., is indirectly owned by Swedbank, AB, a company registered is Sweden, which also owns Swedbank, AB registered in Lithuania, the primary lender to the Group. The rights and obligations of the Company, as a debtor, and Swedbank, AB (registered in Lithuania), as creditor, are set and exercised based on the procedures established by the credit agreement.

Transactions during the period with the above mentioned parties are summarized below:

Transactions with related parties

	2012	2011
Consultancy services provided by legal entities related to Supervisory Council members	751	416
Interest paid to FR&R Invest IGA S.A.	-	723

Amounts payable to related parties

	2012	2011
Amounts payable to legal entities related to Supervisory Council members	21	125

27. Transactions with related parties (cont'd)

During 2012 the costs related to remuneration of the Group's management amounted to 1,276 thousand Litas, including bonuses of 91 thousand Litas (2011: 1,357 thousand Litas, including bonuses of 391 thousand Litas).

For the loans and borrowings of the Company Group ALITA, AB, the shareholders have pledged 2,895,364 units of ordinary registered shares of the Company Group ALITA, AB.

28. Contingent liabilities and assets

Emission allowances

As at 31 December 2012 the Group companies have 21,876 units of greenhouse gas emission allowances unused (15,454 units as at 31 December 2011). The allowances are valued at zero value.

Guarantees, warranties issued

As at 31 December 2012, the Company Group ALITA, AB has a guarantee issued to Swedbank, AB for the payment of the loan of 2,500 thousand EUR and borrowings of the subsidiary company AB Anykščių Vynas as to the respective credit agreement.

As at 31 December 2012 the subsidiary company AB Anykščių Vynas issued a guarantee for the Company Group ALITA, AB to Swedbank, AB for the loans granted amounting to 13,647 thousand EUR (31 December 2011: 13,647 thousand EUR).

The Company Group ALITA, AB has signed a factoring agreement with a limit of 7,000 thousand Litas. At the same time the factoring agreement is a guarantee agreement. The Company Group ALITA, AB as the seller guarantees with all its assets and is irrevocably and unconditionally liable for the obligations of the buyers to the financer arising from the sales invoices.

The Group rents land plots from the State. The annual rent fee in 2012 amounted to 101 thousand Litas (2011: 103 thousand Litas). The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land. No provision is included in the consolidated financial statements as at 31 December 2012 as the management was not able to estimate the terms and volume of such works.

To secure the repayment of long-term loans and borrowings as to the respective credit agreements, the Group pledged property to the banks (as disclosed in Note 18).

Contingencies related with payment of taxes

In 2012 the State Tax Inspectorate performed a tax inspection in the Group's parent company. During the inspection, personal income tax and profit tax for the years 2009 to 2010 were inspected. All discrepancies and contradictions found during the inspection were eliminated.

In the same year, the State Tax Inspectorate performed a tax inspection in the subsidiary company of the Group, during which an additional VAT payable to the budget in the amount of 413 thousand Litas, as well as late payment interest, amounting to 82 thousand Litas and 41 thousand Litas of penalties were calculated for the year 2010. On 31 December 2012 the subsidiary company of the Group applied to Vilnius District Administrative Court with a claim to dismiss the decision of the State Tax Inspectorate. The Group has not made any additional provisions for the possibly unpaid VAT.

According to effective tax legislation, the tax authorities may at any time perform investigation of the Group's accounting registers and records for the period of five years preceding the accounting tax period, as well as calculate additional taxes and penalties. Except for the above-mentioned, management is not aware of any circumstances which would cause calculation of additional significant tax liabilities.

Main court and arbitration proceedings

1. The Supreme Administrative Court of Lithuania has examined the appeal against the judgement of Vilnius Regional Administrative Court passed on 2 April 2012, by which the Vilnius Regional Administrative Court rejected the complaint of Plass Investments Limited against the Competition Council of the Republic of Lithuania, in which Plass Investments Limited requested the court to cancel resolution No. 1S-194, dated 28 September 2011, and the decision dated 29 September 2011 of the Competition Council, and to return the question regarding permission to FR&R Invest IGA S.A. to implement the concentration by acquiring 100% of Company Group ALITA, AB shares to the Competition Council to be solved anew. Company Group ALITA, AB was involved in the case as a third person. The appeal of Plass Investments Limited was rejected by the final judgement of the Supreme Administrative Court of Lithuania of 27 July 2012.

28. Contingent liabilities and assets (cont'd)

The main court and arbitration proceedings (cont'd)

2. Vilnius Regional Administrative Court has examined the administrative case initiated by Plass Investments Limited against the Bank of Lithuania, in which Plass Investments Limited requested the court *inter alia* to cancel the resolution of the Bank of Lithuania, dated 18 January 2012, to approve the circular of the mandatory non-competitive tender offer to buy the remaining voting shares of Company Group ALITA, AB. The Company Group ALITA, AB was involved in the case as a third person. The claim of Plass Investments Limited was rejected by the judgement of Vilnius Regional Administrative Court, dated 20 February 2013.

3. The Kaunas Regional Court was examining the dispute between Company Group ALITA, AB and Plass Investments Limited according to the claims lodged by Plass Investments Limited against the Company and joined to form one case, according to which Plass Investments Limited requested the court *inter alia* to invalidate the resolutions adopted by the extraordinary general meeting of shareholders of Company Group ALITA, AB, dated 3 October 2011, on the reduction of the share capital of the company from 27,153,193 Litas to 3,126,000 Litas and on the increase of the share capital of the company from 3,126,000 Litas to 20,000,000 Litas, the share subscription agreement between Company Group ALITA, AB and FR&R Invest IGA S.A., the version of the Articles of Association of Company Group ALITA, AB, dated 3 October 2011, where the share capital of Company Group ALITA, AB is indicated to be 3,126,000 Litas, and the version of the Articles of Association of Company Group ALITA, AB, dated 3 October 2011, where the share capital of the Company Group ALITA, AB is indicated to be 20,000,000 Litas.

In the opinion of the Company Group ALITA, AB, the claims of Plass Investments Limited are unfounded and should be rejected.

The Kaunas Regional Court by its ruling of 8 March 2012 satisfied the request of Plass Investments Limited for imposition of interim measures and decided: (i) to prohibit the shareholders of the Company Group ALITA, AB V. Junevičius and FR&R Invest IGA S.A. from addressing the Bank of Lithuania for approval of the price of the squeeze-out of the Company Group ALITA, AB shares; (ii) from providing Company Group ALITA, AB with a notice on the squeeze-out of shares; (iii) to prohibit Company Group ALITA, AB, each shareholder of Company Group ALITA, AB, the supervisory authority and the operator of the regulated market from sending a notice on the squeeze-out of shares by registered mail; (iv) make a public announcement on the squeeze-out of shares in the source specified in the Articles of Association of the Company Group ALITA, AB. Having examined a separate appeal against the said ruling, the Court of Appeal of Lithuania upheld the ruling.

The Kaunas Regional Court by its ruling of 16 May 2012 (and the ruling of 21 May 2012, amending the previous ruling) satisfied the request of Plass Investments Limited for imposition of interim measures and decided: (i) to seize all the shares of the Company Group ALITA, AB owned by FR&R Invest IGA S.A., restricting the right of FR&R Invest IGA S.A. to manage and dispose of the shares; (ii) to prohibit FR&R Invest IGA S.A. and Vytautas Junevičius from making use of the voting rights carried by their shares in the Company Group ALITA, AB, when taking decisions on the increase or reduction of the authorised capital of Company Group ALITA, AB, on amendments to its Articles of Association and appropriation of profit (loss); (iii) to prohibit Company Group ALITA, AB from conduction of any transactions in connection with the transfer of real property and movable property, i.e. securities (shares) and trademarks (including, without limitation, AB Anykščių Vynas); (iv) to prohibit the company FR&R Invest IGA S.A. from making use of any personal rights granted by shares in the Company Group ALITA, AB, the use of which makes it possible for the company FR&R Invest IGA S.A. to acquire new shares in the Company Group ALITA, AB. A separate appeal was filed against the said ruling. The Lithuanian Court of Appeal by its ruling of 3 August 2012 revised the ruling of the Kaunas Regional Court, dated 16 May 2012, and upheld the seizure of all the shares of Company Group ALITA, AB owned by the respondent FR&R Invest IGA S.A., restricting the right of the respondent to manage and dispose of the shares as items of civil circulation, imposed by the Kaunas Regional Court in its ruling of 16 May 2012; all other interim measures imposed by the Kaunas Regional Court in its ruling of 16 May 2012 were cancelled.

28. Contingent liabilities and assets (cont'd)

The main court and arbitration proceedings (cont'd)

On 27 March 2013 Company Group ALITA, AB received a judgement from the Kaunas Regional Court regarding the claim filed by Plass Investments Limited, in which Kaunas Regional Court inter alia decided: (i) to invalidate the decisions of the general meeting of shareholders of the Company of 3 October 2011 regarding the reduction of the authorised capital of the Company by reducing Company Group ALITA, AB authorised capital from 27,153,193 Litas to 3,126,000 Litas in a way of nullification of the Company's shares and approval of a new wording of Articles of Association of Company Group ALITA, AB, also to invalidate the wording of Articles of Association of 3 October 2011, according to which the authorised capital of the Company is 3,126,000 Litas, from the moment of registration of the Articles of Association; (ii) to invalidate the decisions of the general meeting of shareholders of the Company of 3 October 2011 regarding the increase of the authorised capital, by increasing the Company's authorized capital from 3,126,000 Litas to 20,000,000 Litas in a way of issuing a new emission of shares of Company Group ALITA, AB, also decisions regarding the revocation of the pre-emptive right of Company Group ALITA, AB shareholders to acquire newly issued shares of Company Group ALITA, AB and the provision of the right to acquire thereof to FR&R Invest IGA S.A., and to invalidate the wording of Articles of Association of Company Group ALITA, AB of 3 October 2011, according to which the authorised capital of Company Group ALITA, AB is 20,000,000 Litas from the moment of registration of the Articles of Association; (iii) to invalidate the Share Subscription Agreement concluded between the Company Group ALITA, AB and FR&R Invest IGA S.A., dated 6 October 2011, from the moment of conclusion.

In the opinion of the Company Group ALITA, AB this judgement is ungrounded and the Company will file an appeal.

4. The Supreme Administrative Court of Lithuania has examined the appeal against the judgement of the Vilnius Regional Administrative Court passed on 18 June 2012, by which the Vilnius Regional Administrative Court rejected the complaint of Plass Investments Limited against VĮ Registrų Centras, in which Plass Investments Limited requested the court to cancel the resolutions of VĮ Registrų Centras Alytus branch dated 5 October 2011 and 6 October 2011 according to which the Articles of Association of the Company Group ALITA, AB with the reduced share capital and with the increased share capital were registered respectively, as it is indicated in item 3 above. Company Group ALITA, AB was involved in the case as a third person. The appeal of Plass Investments Limited was rejected by the final judgement of the Supreme Administrative Court of Lithuania, dated 21 January 2013. These court proceedings are related to shareholders' transactions and are for information only.

5. The Company Group ALITA, AB received a letter from the Foreign Trade Court of Arbitration at the Chamber of Commerce and Industry of Serbia (hereinafter, the Arbitration tribunal) concerning request by the Privatization Agency of the Republic of Serbia (hereinafter, the Privatization agency) to include the Company Group ALITA, AB as the third respondent in the arbitration case No. T-12/10-205, whereby the Privatization agency launched a claim against BAB ALT Investicijos and United Nordic Beverages AB (hereinafter, the UNB) in relation to the Purchase-Sale Agreement of the Shares of the Joint-Stock Company Beogradska Industrija Piva, Slada si Bezalkoholnih Pica dated 24 July 2007, entered into between the Share Fund of the Republic of Serbia and the Privatization Agency of the Republic of Serbia, on one hand, and AB ALITA (the new name – BAB ALT Investicijos) and the UNB, acting as a consortium, on the other hand (hereinafter, the Privatization agreement). The Privatization agency claimed in total 68,347,168 EUR from BAB ALT Investicijos, UNB and the Company Group ALITA, AB jointly for the alleged violations of the Privatization agreement. On 15 November 2011 the Arbitration tribunal rendered the Partial award concerning jurisdiction on the Company Group ALITA, AB, whereof it decided to include the Company Group ALITA, AB as the third respondent in the arbitration case.

Company Group ALITA, AB has initiated: (i) proceedings before the Serbian court of general jurisdiction – the Commercial Court of Belgrade – to set-aside the Partial award of 15 November 2011 in so far as the question of jurisdiction is concerned (the Commercial Court of Belgrade (Serbia) satisfied the request of Company Group ALITA, AB and by way of its judgment of 10 September 2012 set aside the Partial award of 15 November 2011; however, on 20 November 2012 representatives of Company Group ALITA, AB in Serbia received the Privatisation agency's appeal and now validity of the Partial award of 15 November 2011 rendered by the Arbitration tribunal will be decided upon by the Serbian court of general jurisdiction – the appellate instance), and, furthermore, (ii) it has also started court proceedings for non-recognition in Lithuania of the Partial award of 15 November 2011 in so far as the question of jurisdiction is concerned at the Lithuanian Court of Appeal (the Lithuanian Court of Appeal examined this request on 25 February 2013 and ruled to stop the civil case until the respective Serbian court's decision in respect of the Partial award of 15 November 2011 rendered by the Arbitration tribunal comes into force).

28. Contingent liabilities and assets (cont'd)

The main court and arbitration proceedings (cont'd)

In the meantime, the Arbitration tribunal adopted award on 17 September 2012, whereof the respondents are ordered to pay to the Privatisation agency fines in the amount of 16,848,655 EUR (instead of claimed 68,347,168 EUR) together with annual interest of 1.95%, but the liability of the Company Group ALITA, AB is limited to the maximum amount of 39,196,065 Litas (11,351,965 EUR). Also, Privatisation agency was awarded legal expenses of 204,832 EUR and the award stated that respondents were fully responsible for them.

The Company Group ALITA, AB does not recognize the jurisdiction of the Arbitration tribunal and holds that all the claims of the Privatization agency against the Company Group ALITA, AB are unfounded and have to be dismissed. The Company Group ALITA, AB has started proceedings before the Serbian court of general jurisdiction – the Commercial Court of Belgrade – to set-aside the award of 17 September 2012. The intention of Company Group ALITA, AB is to use all other available legal remedies to fight the award of 17 September 2012 made by the Arbitration tribunal.

The Alytus District Local Court by way of its ruling of 25 November 2011 applied interim measures to the Company Group ALITA, AB and BAB ALT Investicijos in the amount of 236,291,079 Litas to ensure the enforcement of a possible future award of the Arbitration tribunal. However, the Kaunas Regional Court by way of its ruling of 2 February 2012 cancelled all the interim measures applied by the Alytus District Local Court to the Company Group ALITA, AB and BAB ALT Investicijos.

29. Subsequent events

On 24 January 2013 the extraordinary general meeting of shareholders of the Company Group ALITA, AB adopted the decisions not to cover losses of the Company Group ALITA, AB by shareholders' contributions, not to reduce the authorised capital of the Company Group ALITA, AB and not to approve the new wording of the Articles of Association of the Company Group ALITA, AB.

On 11 February 2013, the Board meeting of the Group's subsidiary company took place, during which a decision has been made to reduce the number of employees due to unfavourable business environment which prevents stable business growth. Also, on 28 February 2013 the Group's subsidiary company signed an agreement with Swedbank, AB to extend the repayment of loan to 30 June 2013.

On 27 March 2013 the Company Group ALITA, AB received a judgement from the Kaunas Regional Court regarding the claim filed by Plass Investments Limited. Further details on the judgement are provided in Note 28 part 3.

30. Information on the Group as a going concern

In 2012 the Group earned net profit of 1,186 thousand Litas and the current liabilities exceeded the current assets by 1,900 thousand Litas.

In order to balance the cash flows the Management takes an active part in order to achieve the Group's financial stability. In 2010 the formation of the new Management team of the Company Group ALITA, AB began and it was continued in 2012. Today new Managers of Procurement, Production, Marketing, Finance and Sales departments are employed by the Group. The Group successfully implemented the tasks raised for the year of 2012 ensuring the activity as a going concern:

- The optimization of the number of the workers, in view of the production and sale volumes, the optimization in the production and administration subdivisions are complete. This allowed to reduce the operating expenses and increase the production profitability;
- Teams of the sales and marketing departments were strengthened;
- Successful negotiations on supply of raw materials were organized with external partners;
- IT infrastructure renewal projects were implemented successfully;
- The changes in subsidiary have optimised the administrative and production expenses.

(in thousand Litas, unless otherwise stated)

30. Information on the Group as a going concern (cont'd)

The agreements with the banks concerning the extension of maturities of the loans and borrowings were concluded:

- In October 2011 an agreement was reached with Swedbank, AB upon a loan reduction from 138,179 thousand Litas to 47,107 thousand Litas; the credit maturities were set until April 2016.
- On 3 December 2012 the Company Group ALITA, AB signed an agreement with AB Šiaulių Bankas regarding the postponement of the final credit repayment term till 5 October 2016 under the Credit Agreement of 25 September 2007. The Company Group ALITA, AB has extended the pledge of already pledged assets to AB Šiaulių Bankas and pledged additional assets. As at 31 December 2012 the credit balance amounted to 4,769 thousand Litas.
- In 2013 the subsidiary company and „Swedbank", AB signed an amendment of Credit Agreement of 10 August 2004 under which the repayment term of the credit in the amount of 8,632 thousand Litas was extended to 30 June 2013. The management believes that an agreement will be reached with Swedbank, AB for a further new schedule of repayment of the credit.

Taking account of the above mentioned actions and the achieved long-term agreements with the banks on the extension of the maturities for a period longer than one year, in management's opinion, the Group's ability to continue as a going concern is secure.

31. Information related with the reorganization of the operations

The extraordinary general meeting of shareholders of AB Alita held on 29 September 2009 passed the Resolution to approve the terms and conditions of the AB Alita spin-off transaction, and Company Group ALITA, AB was separated from AB Alita and registered as such on 7 October 2009.

Detailed information of the business reorganization of AB Alita (later renamed to AB ALT Investicijos) is provided at the AB NASDAQ OMX Vilnius web page: www.nasdaqomxbaltic.com.

General Director	Vaidas Mickus
Finance and IT Director	Justinas Damašas

COMPANY GROUP ALITA, AB
THE CONSOLIDATED ANNUAL REPORT
2012

Prepared according to the Rules on Preparation and Submission of Periodic and Additional Information approved by the Board of the Bank of Lithuania

Contents

The concepts spelt in the capital letter throughout the Annual Report shall have the meaning defined in the list below, unless the context provides otherwise. This list contains the main concepts used throughout the Annual Report. The text of the Annual Report may provide explanations or definitions of other concepts as well.

'Company' or 'Issuer' means a public company, established and acting pursuant to the laws of the Republic of Lithuania, the Company Group ALITA, AB.

'Companies of Group' includes: Company Group ALITA, AB and Anykščių vynas AB.

'Annual report' means this document containing all relevant information for the public as specified in legal acts concerning disclosure of information about the Company.

1. MAIN DATA ABOUT THE ISSUER

1.1. Reporting period covered by this Annual Report

The Annual Report was drawn up for the period from 1 January 2012 to 31 December 2012.

1.2. The issuer and its contact information

Name:	Company Group ALITA, AB
Legal form:	public company
Date and place of registration:	7 October 2009, Centre of Registers, Alytus branch office
Company code:	302444238
Register, in which data about the entity are accumulated and stored:	Centre of Registers, Alytus branch office
Office address:	Miškininkų St. 17, Alytus, LT-62200, Lithuania
Tel.:	(8 315) 5 72 43
Fax.:	(8 315) 7 94 67
E-mail:	mailto:alita@alita.lt
Website:	http://www.alita.lt

The subsidiary of the issuer and its contact information:

Name:	Anykščių vynas AB
Legal form:	public company
Date and place of registration:	21 November 1990, Centre of Registers, Utena branch office
Date and place of re-registration:	28 July 2004, Centre of Registers, Utena branch office
Registration number:	BĮ 97-340
Company code:	254111650
Office address:	Dariaus ir Girėno St. 8, Anykščiai, LT-29131
Tel.:	(8 381) 50 233
Fax.:	(8 381) 50 350
E-mail:	info@anvynas.lt
Website:	www.anvynas.lt

1.3. Type of the Issuer's principal activities and its organizational structure

The Company Group ALITA, AB and Anykščių vynas AB are engaged in production and sale of alcoholic drinks and concentrated apple juice. The Group produces and distributes sparkling wines, carbonated wine drinks, alcohol cocktails, cider, natural and fortified fruit wines, vodka, brandy, bitters, strong grain drinks and concentrated fruit juice.

Organizational structure of the Company Group ALITA, AB:

Company Group ALITA, AB

↓

Anykščių vynas AB

The Company Group ALITA, AB has a representative office in Latvia. Contact data of the representative office are provided below:

Name:	Alita
Legal form:	representative office
Date and place of registration:	1 December 2006 in Riga
Registration number:	P 000715
Company code:	40006011900
Office address:	Ūnijas iela 74-1d, LV-1084, Riga
Tel.:	(371) 7 283 153
Fax.:	(371) 7 240 425
E-mail:	alita@alita.lv

The Company also owns UAB A.L.D. that filed for bankruptcy in 2011 and was declared bankrupt during the same year.

1.4. Information about agreements with intermediaries of public trading in securities

On 7 October 2009, the Company Group ALITA, AB signed an agreement on management of securities accounting with Swedbank, AB, represented by the Department of Operations with Securities (company code 112029651, address: Konstitucijos 20A, Vilnius, LT-03502, tel.: (+370 5) 258 24 85, fax.: (+370 5) 258 21 70).

Anykščių vynas AB signed an agreement with Swedbank, AB on management of securities accounting with this intermediary of public trading in securities as early as 29 June 2004.

1.5. Data on trading of the Issuer's securities in regulated markets

Data on the Company Group ALITA, AB securities trading

On 4 January 2010, the securities issued by the Company Group ALITA, AB were admitted to the Secondary List of NASDAQ OMX Vilnius, following the decision of the Board of 23 December 2009 (Minutes No 108). The shares of the Company Group ALITA, AB are divided in two parts: 3,126,000 (three million one hundred twenty six thousand) units have ISIN code LT0000128266, ticker AGP1L, and 16,874,000 (sixteen million eight hundred seventy four thousand) units have ISIN code LT0000128589. Shares with ISIN code LT0000128589 are not traded in NASDAQ OMX Vilnius.

In 2012, the Company Group ALITA, AB had not acquired its own shares.

The information about securities transactions of Anykščių vynas AB

On 3 July 1995, ordinary registered shares of Anykščių vynas AB were included into the NASDAQ OMX Vilnius Secondary List. At the beginning of 2012 there were 37,000,000 ordinary registered shares of Anykščių vynas AB. The total nominal value of shares amounted to 37,000,000 LTL. The ISIN code of these shares is LT0000112773 and the ticker is ANK1L. On 26 July 2012, during the extraordinary General Shareholders Meeting, a decision was made to reduce the authorized capital to 20,000,000 LTL. On 14 August 2012, the reduced authorized capital of Anykščių vynas AB was registered in Lithuanian Register of Legal Entities. Instead of 37,000,000 ordinary registered shares after the authorized capital reduction, Anykščių vynas AB shares emission is 20,000,000 ordinary registered shares with 1 LTL (one) nominal value of each. The ISIN code remained unchanged and was LT0000112773.

In 2012, Anykščių vynas AB had not acquired its own shares.

2. OTHER INFORMATION ABOUT THE ISSUER

2.1. The composition of the Issuer's authorized capital

The authorized capital of the Company Group ALITA, AB is 20,000,000 (twenty million) LTL.

The composition of the authorized capital of the Company Group ALITA, AB by the type of the shares as at 31 December 2012:

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion in the authorized capital, %
Ordinary registered shares	2,000,000	1	20,000,000	100.00
Total:	**20,000,000**	**-**	**20,000,000**	**100.00**

All shares of the Company Group ALITA, AB are fully paid up. Each fully paid-up share gives its owner one vote in the General Shareholders Meeting.

The composition of the authorized capital of Anykščių vynas AB by type of the shares as at 31 December 2012:

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion in the authorized capital, %
Ordinary registered shares	20,000,000	1	20,000,000	100.00
Total:	**20,000,000**	**-**	**20,000,000**	**100.00**

All shares of Anykščių vynas AB are fully paid up. Each fully paid-up share gives its owner one vote in the General Shareholders Meeting.

2.2. Restrictions on transferability of the securities

There are no restrictions on transferability of the shares of the Company Group ALITA, AB, except the fact that the Kaunas Regional Court by in its ruling of 16 May 2012, which was later amended by ruling of 3 August 2012 of the Lithuanian Court of Appeal, imposed an interim protective measure in civil case No. 2-1506/2012 and seized all the shares of the Company Group ALITA, AB owned by the respondent FR&R Invest IGA S.A., restricting the right of the respondent to manage and dispose of the shares as items of civil circulation.

Information about mutual agreements of the shareholders of which the Issuer is aware and which might result in the restriction of the shares transferability is provided in note no 2.5.

There are no restrictions on transferability of the shares of Anykščių vynas AB.

2.3. Information about the principal investments made during reporting period

The management and the shareholders are active in order to ensure the financial stability of the Company, to balance the cash flows. Over the past few years many funds have been provided for investments and many production improvement and efficiency issues were solved. Due to this the Company's needs for investments have decreased and the total amount of investments of the Company Group ALITA, AB in 2012 was 226 thousand LTL (most of this was made in IT section). Anykščių vynas AB had no major investments in 2012.

2.4. Information about shareholders

On 2 January 2013, the Company Group ALITA, AB had listed 591 shareholders.

On 2 January 2013, the following shareholders of the Company Group ALITA, AB held 5% or more of the Company's authorized capital:

Name, surname/ company name, legal form, office address, registration code	Number of ordinary registered shares held by the right of ownership, units	Portion of the authorized capital held, %	Portion of the votes attaching to the shares held by the right of ownership, %
FR&R Invest IGA S.A., Boulevard Royal 25A, L-2449, Luxembourg; company code B161760	16,911,188	84.56	84.56
Vytautas Junevičius	2,895,364	14.48	14.48

On 2 January 2013, other shareholders together held 193,448 of the Company's shares. Their holdings accounted for 0.96% of all outstanding shares and votes attaching to them.

There are no shareholders with the special rights of the control.

There are no shareholders with restricted voting rights, except for the shareholders mentioned in note no 2.5.

2.5. Information about mutual agreements of the shareholders

There are no mutual agreements of the shareholders of which the Issuer is aware and which might result in the restriction of the share transferability and/or voting rights, except for the agreement between the shareholders FR&R Invest IGA S.A. and Vytautas Junevičius restricting the transferability of their shares in the Company and voting rights on certain issues.

2.6. Information about the authorized capital of the other companies in hand

Information about the companies with the capital directly or indirectly owned by the Company Group ALITA, AB on 31 December 2012, when this part of the capital could have a strong impact valuating the Company's owned property, liabilities, financial position, loss and profit:

Name of the company	Proportion of shares owned, %	Proportion of votes held, %
Anykščių vynas AB	94.9	94.9
Šiaulių bankas AB	2.95	2.95

On 31 December 2012 the Company Group ALITA, AB held 18,980,045 units (or 94.90%) of the ordinary registered shares of its subsidiary Anykščių vynas AB, with the nominal value of LTL 1 (one) each. On 31 December 2012, 1,019,955 units (or 5.10%) of shares of Anykščių vynas AB were owned by other minority shareholders.

Financial results of Anykščių vynas AB are consolidated with the Company's results drawing up the consolidated financial statements.

On 31 December 2012, the Company had a holding of 6,920,480 (or 2.95%) ordinary registered shares of Šiaulių bankas AB, in the nominal value of LTL 1 (one) each. The changes in value of Šiaulių bankas AB shares are estimated in the Company's accounting with reference to the market value of Šiaulių bankas AB shares estimated at the reporting day. The revaluation of Šiaulių bankas AB shares is recorded in the balance sheet under equity.

The Company also owns UAB A.L.D. that filed for bankruptcy in 2011 and was declared bankrupt during the same year.

2.7. Information about employees

The total number of personnel of the Company:

31 December 2011	31 December 2012
272	233

The dynamics of average number of employees and average monthly salary (without compensations) of the Company Group ALITA, AB during the year 2011 and 2012 by personnel groups:

Personnel	2011			2012		
	Average number of employees	%	Average salary	Average number of employees	%	Average salary
Managers	5	2.8	18,067	4	2.5	18,618
Specialists and officials	88	48.9	3,124	82	50.3	3,078
Workers	87	48.3	1,635	77	47.2	1,717
Total:	**180**	**100**	**2,787**	**163**	**100**	**2,847**

The average number of employees decreased by 17 persons or 9.4% due to optimization of production and managing functions. The average salary increased by 60 LTL or 2.2% due to fired employees with lower salaries.

The structure of employees of the Company Group ALITA, AB by education as at 31 December 2011 and 2012:

Employees education	31/12/2011		31/12/2012	
	Number of employees	%	Number of employees	%
University degree	65	37.8	67	42.4
College	59	34.3	52	32.9
Secondary	48	27.9	39	24.7
Total:	**172**	**100**	**158**	**100**

The Company has the Collective Agreement; the Trade Union of Lithuanian Food Producers Workers' Committee is established.

There are no employees with special rights or with special position.

The comparative data about the personnel of Anykščių vynas AB is presented below:

The dynamics of average number of employees and average monthly salary (without compensations) of Anykščių Vynas AB during the year 2011 and 2012 by personnel groups:

Employees	2011			2012		
	Average number of employees	%	Average salary	Average number of employees	%	Average salary
Managers	2	1.4	4,829	2	2.5	4,522
Specialists and officials	49	34.3	1,827	29	35.8	1,811
Workers	92	64.3	1,318	50	61.7	1,545
Total:	**143**	**100**	**1,541**	**81**	**100**	**1,719**

The average number of employees decreased by 62 persons or 43.4% due to optimization of production and managing functions as well as lower sales and production volume. The average salary increased by 178 LTL or 11.6% due to the decreased number of lower qualification employees.

Comparison of the structure of Anykščių vynas AB employees by education as at 31 December 2011 and 2012:

Employees' education	31/12/2011		31/12/2012	
	Number of employees	%	Number of employees	%
University degree	29	29.0	22	29.4
College	36	36.0	25	33.3
Secondary	34	34.0	25	36.0
Uneducated	1	1.0	1	1.3
Total:	**100**	**100**	**75**	**100**

The Company has the Collective Agreement; the Trade Union of Lithuanian Food Producers Committee and workers Union "Solidarumas" Committee are established.

There are no employees with special rights or with special position.

2.8. Powers of Issuer's bodies to issue and buy Issuer's shares

There were no powers of attorney for Issuer's bodies to issue or buy Issuer's shares in 2012.

2.9. Information about the members of supervision and managing bodies, Chief Financier

General information about the Company's managing bodies

Under the Articles of Association of the Company Group ALITA, AB the management and supervision bodies are:

The General Shareholders Meeting;
The Supervisory Board (of 4 members elected for 4 years by the General Shareholders Meeting);
The Board (elected by the Supervisory Board: 4 members for 4 years);
The Chief Executive Officer (General Director) who is elected by the Company's Board.

The Company's Articles of Association may be amended by the decision of the General Shareholders Meeting which would be adopted by a qualified majority of vote of at least 2/3 of all the votes carried by the shares of the shareholders attending the meeting, whose shares grant them more than ½ of all votes.

The General Shareholders Meeting works under the competence set by the Company Law of the Republic of Lithuania and by the Articles of Association of the Company Group ALITA.

The Supervisory Board is the collegial supervision body. The Chairman is elected from the Supervisory Board members. The Supervisory Board members' tenure is unlimited.

The Board is a collegial management body. The Chairman of the Board is elected from the Board members. The Board members' tenure is unlimited.

The Company's Supervisory Board and the Board carry out functions assigned by the legislation and Articles of Association.

The General Manager has the competence foreseen by the Company Law of the Republic of Lithuania and Articles of Association of the Company. The Manager of the Company approves the rules of procedures of Administration, organizes daily activities of the Company and represents the Company in the relationships with the third parties and has other duties.

Other information about the Company's managing bodies

The Supervisory Board:

Name, surname	Position	Beginning of term	End of term
Leena Maria Saarinen	Chairman	03/10/2011	03/10/2015
Vytautas Junevičius	Member	03/10/2011	03/10/2015
Jan Aberg	Member	03/10/2011	03/10/2015
Mats A Andersson	Member	03/10/2011	03/10/2015

The additional information about the Supervisory Board members:

Leena Maria Saarinen
Education: University degree, Master of Science, Food Technology.
Participation in other companies' activities: the Board Member in a Finnish Company Virvo Oy, the Chairwoman of the Board in a Finnish company Suomen fromFinland.fi Oy, the Chairwoman of the Board in a Finnish Company Nofu Oy (has 7% of shares), the Board member in a Finnish company Helsingin Mylly Oy, the Member of the Board in a Finnish Company Arla Ingman Oy, the Member of the Board in a Finnish Company Digia Oy, the Member of the Board in a Finnish Company Image Wear Oy.
She has no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

Vytautas Junevičius
Education: University degree, engineer–economist; the specialist in international business relationships. From 1994 to 2009 the CEO of Alita AB (on 07/10/2009 the name was changed to ALT investicijos); from 07/10/2009 to 30/11/2009 the CEO of the Company Group ALITA, AB; from 01/12/2009 to 31/10/2011 worked as an advisor to the CEO of the Company Group ALITA, AB; since 01/11/2011 has worked as a senior advisor to the CEO of the Company Group ALITA.
Participation in other companies' activities: the Chairman of the Board of Anykščių vynas AB, the Board member of Šiaulių bankas AB, Vice President of Vilnius Chamber of Commerce, Industry and Crafts.
He has 2,895,364 (or 14.48%) of the Company Group ALITA, AB shares, 301,144 or 0.13% of Šiaulių bankas AB shares. No shares of Anykščių vynas AB.

Jan Aberg
Education: University degree, Bachelor of Business Administration and Economics, Stockholm Economics School/Institute for Managers – integrated leadership, Swedish Institute for Quality – the inspector.
Participation in other companies' activities: Chief Executive Officer of a Swedish company FR&R Invest AB, member of the Board of Luxembourg companies FR&R Invest Lux Holding S.A., FR&R Invest IGA S.A. and FR&R Invest CH S.A., member of the Board of a Dutch Company FR&R Nemo BV, member of the Supervisory Board of Estonian companies AS Arealis and Sportland International AS.
He has no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

Mats A Andersson
Education: University degree, Master of Business Administration, Business Administration and Marketing.
Participation in other companies' activities: the Board member and CEO of a Swedish Company Henkell&Co AB, the Chairman of the Board and CEO of a Swedish Company CEMAB AB, Partner in China (Shanghai) based advisory company DDMA Business Consulting.
He has no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

The Board:

Name, surname	Position	Beginning of term	End of term
The Company's Board until 23/07/2012			
Paulius Kibiša	Chairman	02/08/2011	23/07/2012
Martynas Grigalavičius	Member	02/08/2011	15/03/2012
Loreta Nagulevičienė	Member	02/08/2011	24/05/2012
Ramunė Petravičienė	Member	15/03/2012	23/07/2012
Vaidas Mickus	Member	24/05/2012	23/07/2012
The Company's Board from 23/07/2012			
Carl Andreas De Neegaard	Chairman	23/07/2012	23/07/2016
Vaidas Mickus	Member	23/07/2012	23/07/2016
Algirdas Ragelis	Member	23/07/2012	23/07/2016

Additional information about the current Board members:

Carl Andreas de Neegaard
Education: University degree (Bachelor of Economics and Law, Master of Accounting and Corporate Finance). He has no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

Vaidas Mickus
Education: University degree (Business Administration – Bachelor, Accounting and Audit – Master's degree).
Employment: Finance & IT Director of the Company group ALITA, AB from 24/05/2012 to 23/07/2012; the CEO of the Company Group ALITA, AB since 24/07/2012. Vaidas Mickus has been the Board member of Anykščių vynas AB since 26/07/2012. He has no shares either of the Company Group ALITA, AB or Anykščių vynas AB and does not participate in other companies' activities.

Algirdas Ragelis
Education: University degree (Bachelor of Mechanical Engineering).
Employment: Production Director of the Company Group ALITA, AB since 16/01/2012. He has no shares either of the Company Group ALITA, AB or Anykščių vynas AB and does not participate in other companies' activities.

Additional information about the former Board members:

Paulius Kibiša
Education: University degree (Management).
Employment: General Manager of the Company Group ALITA, AB from 01/12/2009 to 23/07/2012. From 02/08/2011 to 09/11/2012 the member of the Board of Anykščių vynas AB. He had no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

Martynas Grigalavičius
Education: University degree (Marketing Management).
Employment: Marketing and Sales Director of the Company Group ALITA, AB from 01/12/2009 to 15/03/2012. The Board member of Anykščių vynas AB from 02/08/2011 to 29/03/2012
He had no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

Loreta Nagulevičienė
Education: University degree (economy cybernetics, economy mathematics), Finance & IT Director of the Company Group ALITA, AB from 04/04/2010 to 24/05/2012. The Board member of Anykščių vynas AB from 02/08/2011 to 24/05/2012. She had no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

Ramunė Petravičienė
Education: University degree (French philology). Human Resource Manager of the Company Group ALITA, AB since 03/05/2010 (since 01/11/2011 Human Resource and Administration Manager). The Board member of Anykščių vynas AB from 26/04/2012 to 09/11/2012. She has no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

The Board members Paulius Kibiša (until 23/07/2012), Loreta Nagulevičienė (until 24/05/2012), and Martynas Grigalavičius (until 15/03/2012) had the direct functions in the Company. Ramunė Petravičienė, Vaidas Mickus, Algirdas Ragelis have their positions in the Company and are paid salaries in accordance with their employment agreements; they are also guaranteed other social benefits set forth in the Collective Agreement. No additional agreements have been concluded with members of the Board and no payments are foreseen for their activities in the Board or upon expiration of their term of office.

Head of the Company (the General Manager) and Chief Accountant:

Name, surname	Position	Beginning of term	End of term
Paulius Kibiša	General Manager	01/12/2009	23/07/2012
Vaidas Mickus	General Manager	23/07/2012	
Loreta Nagulevičienė	Finance and IT Director	04/04/2010	24/05/2012
Vaidas Mickus	Finance and IT Director	24/05/2012	23/07/2012
Justinas Damašas	Finance and IT Director	18/02/2013	
Alina Miežiūnienė	Chief Accountant	07/10/2009	

Additional information about the current Director and Chief Accountant:

Vaidas Mickus – General Manager. More detailed information about General Manager is disclosed under information about the Board members.

Justinas Damašas – Finance and IT Director. Education – University degree (Management and Business Administration – the Bachelor's and Master's degree). He has no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

Alina Miežiūnienė – Chief Accountant. Education – University degree (Accounting and Auditing, the Economist). She has no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

The Director of the Company, the Chief Financier, IT Director and Chief Accountant are paid a salary in accordance with their employment agreements and are ensured all social guarantees as prescribed by the Collective Agreement.

Additional information about the former Director and Chief Accountant:

Paulius Kibiša – former General Manager.
More detailed information about the former General Manager is disclosed under information about the Board members.

Loreta Nagulevičienė – former Finance and IT Director
More detailed information about the former Finance and IT Director is disclosed under information about the Board members.

During the year 2012 the Managing Bodies of the Company Group ALITA, AB did not receive any loans, guarantees or warranties to secure the fulfilment of their obligations.

The subsidiary company's Anykščių vynas AB managing bodies

According to the Articles of Association of Anykščių vynas AB the Company's Management Bodies are:

The General Shareholders Meeting;
The Board (of 4 members elected for 4 years by the General Shareholders Meeting);
The Company Manager (the Director) who is elected or recalled by the Company's Board.

The General Shareholders Meeting works under the competence set by the Company Law of the Republic of Lithuania.

The Issuer's Articles of Association may be amended by the decision of the General Shareholders Meeting, which was adopted by a qualified majority of votes of at least 2/3 of all the votes carried by the shares of the shareholders attending the meeting, whose shares grant them more than ½ of all votes.

The Board is a collegial management body with 4 members for the 4 years term elected by the General Shareholders Meeting. The Chairman of the Board is elected from the Board members. The Board members' tenure is unlimited.

The General Manager has the competence foreseen by the Company Law of the Republic of Lithuania and Articles of Association of the company. The Manager of the company approves the rules of procedures of Administration, organizes daily activities of the company and represents the company in the relationships with the third parties, and carries out other functions.

The Board:

Name, surname	Position	Beginning of term	End of term
Vytautas Junevičius	Chairman	02/08/2011	26/04/2012
Paulius Kibiša	Member	02/08/2011	26/04/2012
Loreta Nagulevičienė	Member	02/08/2011	26/04/2012
Martynas Grigalavičius	Member	02/08/2011	29/03/2012
The Board since 26/04/2012			
Vytautas Junevičius	Chairman	26/04/2012	25/04/2016
Paulius Kibiša	Member	26/04/2012	09/11/2012
Loreta Nagulevičienė	Member	26/04/2012	24/05/2012
Ramunė Petravičienė	Member	26/04/2012	09/11/2012
Vaidas Mickus	Member	26/07/2012	25/04/2016
Audrius Zuzevičius	Member	09/11/2012	25/04/2016
Artūras Tiurinas	Member	09/11/2012	25/04/2016

Additional information about the Board members of Anykščių vynas AB:

Audrius Zuzevičius
Education: University degree (engineer-mechanic). Director of Anykščių vynas AB since 23/01/2012.
He has no shares either of Anykščių vynas AB or the Company Group ALITA, AB.

Artūras Tiurinas
Education: University degree (Bachelor and Master degree in Managing and Business Administration).
He has no shares either of Anykščių vynas AB or the Company Group ALITA, AB.

Additional information about the current Board members of Anykščių vynas AB Vytautas Junevičius and Vaidas Mickus, and former Board members Paulius Kibiša, Loreta Nagulevičienė, Martynas Grigalavičius and Ramunė Petravičienė is presented under the additional information about the managing members of the Company Group ALITA, AB.

Head of the Company (the General Manager) and Chief Accountant of Anykščių vynas AB:

Name, surname	Position	Beginning of term	End of term
Violeta Labutienė	General Manager	16/06/2008	20/01/2012
Audrius Zuzevičius	General Manager	20/01/2012	
Audronė Zemlevičienė	Chief Accountant	19/05/2005	

Audrius Zuzevičius is the General Director of Anykščių vynas AB since 23/01/2012. More detailed information about General Director is disclosed under information about the Board members.

Audronė Zemlevičienė is the Chief Accountant of Anykščių Vynas AB since 05/19/2005. Education: University degree (Economics). She has no shares either of Anykščių vynas AB or the Company Group ALITA, AB

Additional information about the former Director:

Violeta Labutienė was the General Director of Anykščių vynas AB from 16/06/2008 to 20/01/2012. Education: University degree (Economics). She had no shares either of Anykščių vynas AB or the Company Group ALITA, AB.

During the year 2012 the Managing Bodies of Anykščių vynas AB did not receive any loans, guarantees or warranties to secure the fulfilment of their obligations.

The comparative data about benefits and loans for the Group's Managing Bodies during the year 2011 and 2012, thousand LTL:

Items	Benefits for the Managing Bodies, during 2011		Benefits for the Managing Bodies, during 2012	
	The Company Group ALITA, AB	Anykščių vynas AB	The Company Group ALITA, AB	Anykščių vynas AB
Amounts allocated to the managers during the year in relation to their employment agreement	1,002.0	115.9	1,373.3	179.6
Other material amounts, calculated for the managers during the year (dividend)	-	-	-	-
Average number of managers during the year	5	2	4	2
Amounts allocated to the managers in the month in relation to their employment agreement, per person	18.1	4.8	18.6*	4.5*
Receipts of the managers from the companies, in which they hold more than 20% of the authorized capital	-	-	-	-

*-layoff compensations excluded

2.10. The Audit committee

The General Shareholders Meeting held on 29 September 2009 approved the Audit Committee, elected for 4 years term and comprising Jolanta Setkauskienė, Rima Ambraziejienė and an independent auditor Ona Katlauskienė. The meeting approved the Regulations of the Audit Committee defining its main functions to be as follows:

- submit to the Board of the Company recommendations concerning the selection, appointment, repeated appointment or dismissal of the external auditor, and the terms of the agreement with an audit firm;
- Monitor the external audit process;
- Monitor the compliance by the external auditor and the audit firm with the principles of independence and objectivity;

- Monitor the financial reporting process;
- Forthwith notify the Manager of the Company of the information provided by the audit firm to the Audit Committee on audit-related issues, particularly in case when material deficiencies related to financial statements are established;
- Perform other functions prescribed by the relevant legal acts of the Republic of Lithuania and the guidelines contained in the Corporate Governance Code for the companies listed at NASDAQ OMX Vilnius.

On 27 April 2010 during the General Shareholders meeting Vyda Marcevičienė was elected as an independent auditor instead of Ona Katlauskienė.

The Audit Committee members Jolanta Setkauskienė and Rima Ambraziejienė work in the Company Group ALITA, AB as the economists.

The Audit Committee members Jolanta Setkauskienė, Rima Ambraziejienė and Vyda Marcevičienė have no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

Anykščių vynas AB has no inner Audit Committee. The role of the Audit Committee, according to the Law of Audit, is performed by the Audit Committee of the parent Company Group ALITA, AB.

2.11. Significant agreements and related party transactions

A related party is a person or entity that is related to the Company. A person or a close member of that person's family is related to the Company if that person has control or joint control over the Company, has significant influence over the Company or is a member of the key management personnel of the Company or of a parent of the Company. An entity is related to the Company if they are members of the same group, the entity is controlled or jointly controlled by a related person, a related person has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity) or other cases as described by IAS 24.

The Company and its employees are related by employment relations, on the basis of which the employees of the Company are paid their salaries.

Also, consulting contracts are concluded for provision of consulting services with legal persons associated with members of the Supervisory Board, the contracts with Supervisory Board members on Supervisory Board members' duties. No other material transactions or deals have been concluded with the shareholders, employees, members of the Board, members of the Supervisory Board or their immediate relatives.

The Company has also concluded a number of agreements with other associated persons that are significant for the operations of the Company and/or those associated persons. The agreements are surety agreements, contracts on the purchase-sale of goods or the service provision transactions.

Other information about the transactions with related parties in 2012 is presented in Note 28 to the separate financial statements and Note 27 to the consolidated financial statements.

Sureties between the companies of the Group

The subsidiary of the Company, Anykščių vynas AB, has undertaken to provide surety to Swedbank, AB, to the extent of its assets, and has pledged the immovable property, equipment, land lease rights, all circulating stocks of goods, all current and future funds in Swedbank, AB, and part of trademarks, securing the discharge of the obligations of the Company under the credit agreements with Swedbank, AB. Anykščių vynas AB has also pledged part of its trademarks securing the discharge of the obligations of the Company under the credit agreement with Šiaulių bankas AB.

The Company has provided a surety for Swedbank, AB in respect of the credit line of LTL 8.6 million opened for the benefit of its subsidiary, Anykščių vynas AB, and in respect of other liabilities to Swedbank, AB.

Other sureties

The Company has the factoring agreement. The factoring agreement also means the written surety agreement. The Company as the Seller with all its property is unconditionally and irrevocably liable to the Sponsor for the Company's customers' (Palink UAB and Maxima LT UAB) invoicing liabilities.

2.12 Agreements of the issuer, its bodies, committee members or employees

The Company's collective agreement and/or separate agreements with the company's employees provide for compensations which under certain conditions are paid to the employees upon their leave from work or if they are dismissed without a due reason.

2.13 Information about other significant agreements between related parties

The information about significant agreements between related parties and transactions with the related parties of the previous periods and of the period of 2012 is published in the annual audited financial statements and in the financial statements for the previous years of the Company Group ALITA, AB, which can be found at www.nasdaqomxbaltic.com or at www.alita.lt.

2.14 Data about the publicly disclosed information

The Company, complying with governing legislation regarding the securities market, published the following information at NASDAQ OMX Vilnius website www.nasdaqomx.com/vilnius and at the website of the Company Group ALITA, AB www.alita.lt/investuotojams:

Date	**Title of announcement**
09/01/2012	Regarding cancelation of the interim measure
19/01/2012	Notification regarding approval of the circular of the non-competitive mandatory tender offer
20/01/2012	Regarding the intention of the major shareholder of the company to delist the company
30/01/2012	Opinion of the Board of the Company Group ALITA, AB about the submitted mandatory non-competitive tender offer to buy shares of the company
03/02/2012	Re annulment of all interim measures, imposed on the Company by the Alytus Region District Court
20/02/2012	The report on the implementation of mandatory non-competitive tender offer was received
21/02/2012	Complaint of Plass Investments Limited regarding abolishing of the decision of the Bank of Lithuania to approve the circular of tender offer was received
29/02/2012	Company group ALITA, AB Consolidated non-audited activity results for the year 2011
02/03/2012	The Company intends to start the sale process of AB Anykščių vynas
13/03/2012	Regarding application of interim measures in the case on invalidation of decisions of the general meeting of shareholders
16/03/2012	Regarding election of the new member of the Board of the company
05/04/2012	Complaint of Plass Investments Limited regarding abolishing of the resolution of Competition Council to permit the execution of concentration of the company
05/04/2012	Regarding convocation of Annual General Meeting of Shareholders of Company Group ALITA, AB
05/04/2012	Regarding the adopted decisions of the Board of Company Group ALITA, AB, related to the Annual General Meeting of Shareholders being convened
11/04/2012	Regarding the information provided in the media on draft profit (loss) appropriation of Company Group ALITA, AB
27/04/2012	Decisions of Annual General Meeting of Shareholders of Company Group ALITA, AB
27/04/2012	Company Group ALITA, AB annual information for the year 2011
03/05/2012	The company received an appeal of Plass Investments Limited regarding the decision of the court in the case on permission to execute concentration of the company
14/05/2012	Claim of Plass Investments Limited to invalidate the Articles of Association and the Share Subscription Agreement was received
18/05/2012	On application of interim measures in the case on invalidation of the Articles of Association of the company and of the share subscription agreement
25/05/2012	Regarding election of the new member of the Board of the company
31/05/2012	Interim information of Company Group ALITA, AB for the three months of 2012

06/06/2012	Changes regarding informing the market about court proceedings
29/06/2012	Regarding shortened working week
24/07/2012	Regarding election of the new members of the Board and the head of the company
30/07/2012	Abolition of interim measures
14/08/2012	Regarding reduced authorized capital of Company's subsidiary company AB Anykščių vynas
31/08/2012	Consolidated non-audited results of Company group ALITA, AB for the first half of 2012
03/09/2012	Correction: Consolidated non-audited result of Company group ALITA, AB for the first half of 2012
24/09/2012	Regarding amendment to the credit agreement
02/10/2012	Re Alita has received an arbitral award notice from the Foreign Trade Court of Arbitration at the Serbian Chamber of Commerce
23/10/2012	Regarding convocation of Extraordinary General Meeting of Shareholders of Company Group ALITA, AB
25/10/2012	Regarding amendment to the credit agreement
06/11/2012	Commercial Court of Belgrade (Serbia) has set aside the Partial award by the Serbian arbitration court
21/11/2012	Re The Serbian Privatisation Agency appeals the judgment of the Commercial Court of Belgrade (Serbia)
30/11/2012	Consolidated non-audited results of Company group ALITA, AB for the nine months of 2012
04/12/2012	Regarding the postponement of credit repayment term
18/12/2012	Regarding adjustment of the agenda and proposed draft resolutions of Extraordinary General Meeting of Shareholders of Company Group ALITA, AB
09/01/2013	Extraordinary General Meeting of Shareholders of the company was not held
09/01/2013	Regarding convocation of the repeated Extraordinary General Meeting of Shareholders of Company Group ALITA, AB
22/01/2013	Appeal of Plass Investments Limited regarding the decisions of the State Enterprise Centre of Registers was rejected by the Supreme Administrative Court
23/01/2013	Regarding the equity capital of Company Group ALITA, AB
24/01/2013	Decisions of repeated Extraordinary General Meeting of Shareholders of Company Group ALITA, AB
13/02/2013	Company Group ALITA, AB information
28/02/2013	Company Group ALITA, AB consolidated unaudited activity result for 12 months of 2012
27/03/2013	Judgement regarding the claim of Plass Investments Limited on invalidation of the Articles of Association and the Share Subscription Agreement was received

2.15 The risk factors related with the Issuer's activity

The main risk factors which had an impact on the Company's economic-financial performance in 2012 and which are significant for its future:

Legal risk

The Company's activities and sales both on the local and foreign markets may be affected by the state policy and future decisions concerning the increase in excise duty, customs, product marking, other requirements for the products or production processes, restrictions on advertising and retail trade, and decisions taken by the courts or arbitrations.

Failure to timely adjust to the requirements of new legal acts or decisions, regulating production and trading in alcoholic beverages, e.g. for quality, marking, packaging, may temporarily reduce the production volumes, which, in its turn, may have an effect on the Company's business prospects and cause contingent expenses for the fulfilment of liabilities or payment of penalties.

Consumption

Most of the Company's brand names are well known in the local market. The Company's ability to retain competitiveness of its brands depends on its success to offer the consumers the product which they find attractive. But the consumers' preferences toward certain product may change due to social or economic factors.

The general economic situation and a decrease on the income level per person as well as additional taxes influence the consumption habits. Consumers may choose cheaper products produced by the Company or its competitors. Increased competition in the market of alcoholic beverages encourages a decrease in a general price level.

Market risk. Currency rates.

The Company's functional currency is Litas. The Company is exposed to the currency risk in respect of procurement and borrowing from banks as well as due to sales and accounts receivable in other currencies than Litas or Euro. The risk associated with operations in Euro is considered insignificant as long as the Litas is pegged to the Euro at a fixed rate. In the event of the devaluation of the Litas in respect of the Euro, the Company's expenses may increase and will have to be covered from the Company's own resources.

Procurement

Global changes in the demand and supply, the uncertainty about the natural and weather conditions and (or) government policies may cause price fluctuations of the main raw materials used in the production of alcoholic drinks. Such unpredictable fluctuations in the price for raw materials and packaging may have an adverse effect on the Company's performance results.

Energy resources used by the Company are natural gas, electricity and water. Procurement prices of some of the resources on the domestic market depend on the trends on the global energy markets.

Seasonality

The pronounced seasonality affects only products made from apples, which supply directly depends on natural conditions and sales volume depends on the prices in the European market.

Credit risk

Due to the specific activity the Company is exposed to a large credit risk: over 80% of its turnover falls to a few major wholesale customers. The Company applies procedures, ensuring assessment and monitoring of the customers' credibility as well as encouragement of more favourable terms of settlement. The Company does not guarantee for the other parties trading obligations.

Financial risk

On 31 December 2012 the Group companies had 44.8 million LTL (13.0 million EUR) of long-term loans and leasing liabilities and 22.3 million LTL (6.5 million EUR) of short-term loans and leasing liabilities. The current level of the Company's financial debt may affect that the additional attraction of the loaned capital to carry out the future financial demands could be relatively complicated and/or relatively expensive.

More information about the Company's loans and interest rates is included in Note 19 to the audited separate financial statements and Note 18 to the consolidated financial statements.

Top management and high qualification employees

The ability of both the Company and its subsidiary to keep up in the competitive environment and implement a long-term strategy depends mostly on the experience, knowledge, personal qualities of the top management and the high qualification employees. The Company's ability to attract and hire managers and employees of supreme qualification is part of the success. Under the conditions of a constant fierce competition for the high quality staff there is a possibility that the Company's managers and main employees may decide to change jobs. A loss of such employees or the Company's inability to hire new managers with adequate know-how and qualifications or a shortage of such persons on the market may have an adverse effect on the prospects, financial status and performance of all companies of the Group.

Environmental protection

In their activities the companies of the Group must comply with various rules of the environmental protection, regulating the use, marking and storage of various harmful substances used in the activities of the Group. These rules obligate the companies to implement procedures and technologies that allow proper management of any hazardous substances, provides for the liability of management and elimination of the pollution of the environment. Besides the liability for the current activities, the companies of the Group may have to cover the damages brought by its past activities if it were proved that it was detrimental to the environment. Also, any changes in the regulations in the area of the environment, both on the national and international level, may obligate the companies of the Group to take measures to comply with the newly set standards. These activities may also have a negative effect on the activities, financial status and performance of the companies of the Group.

Quality of the Products

Real or hypothetical risks related to the quality and safety of the products or their effects on health may result in the liability of the companies of the Group and adversely affect their activities and reputation. Despite all control mechanisms applied in the activities of the companies of the Group, there are no warranties or guarantees that one or other product thereof may be recognised as failing to meet high quality standards or not suitable for further processing and consumption. Therefore, the companies may be forced to cancel production of such products or destroy them where such products would be hazardous to consumers' health. In the case of cancelation of a large part of the products or any claims for compensation of the damage due to the consumption of such products may result in long-term restrictions on appearance of such products on the market and a loss of confidence in the Group companies and their products. Even after it is ascertained that suspicions concerning the safety of the products are not grounded, the negative public opinion may have a strong adverse effect on the reputation, image and name of the companies of the Group.

Intellectual property

The Company devotes much effort to the protection of its intellectual property rights, including registration of brand names, patents and website addresses. The Company also employs security measures and signs contracts with relevant service providers in order to protect its confidential information. Yet, the Company may not be sure that the measures taken so far will be sufficient or that the third parties will not violate or unlawfully abuse the Company's intellectual property rights. Due to the popularity of the Company's products among consumers there may be attempts to counterfeit its brand names. In the event substandard or even health hazardous product imitations appeared on the market, the Company might suffer losses. The failure of the Company to protect its intellectual property rights against abuse or unlawful takeover may also affect the Company's performance and business development.

Other social, technical, technological and ecological factors are deemed to have no major impact on the Company's business and financial activities in 2013.

2.16. Halts or reductions of production that have exercised or exercise material impact on the results of the Issuer during the last two financial (business) years

During the last two years there were no halts of the production process. In 2012, due to decreased sales volumes the Board decided to shorten the working week to four days a week during several months.

2.17. The main lawsuits and arbitrations

The information about the main lawsuit and arbitrations is included in Note 29 to the audited separate financial statements and Note 28 to the consolidated financial statements.

2.18 Information regarding compliance with the Corporate Governance Code

The information regarding compliance with the Corporate Governance Code is presented in the Annual Report.

2.19. Significant events after reporting period

This information is included in Note 31 to the audited separate financial statements and Note 29 to the consolidated financial statements.

3. THE SHORT HISTORY OF THE ISSUER AND THE REVIEW OF THE MAIN PRODUCTS

The Company Group ALITA, AB was established on 7 October after the spin-off from AB Alita (subsequent name – AB ALT Investicijos). Based on the terms and conditions of the spin-off, the production activities (including activities related to the shares of Anykščių vynas, AB and Alita Distribution, UAB) and the related assets, rights and duties were transferred to the Company Group ALITA, AB.

The Company Group ALITA, AB and Anykščių vynas AB are two Lithuanian companies having the old wine production traditions and the Company Group ALITA, AB is the only company in Lithuania producing the drink “Samanė” according to the production traditions of our antecedents, and the only cognac having a Lithuanian name “Alita”. The main rules of these companies are to produce a qualitative product, to strive for the professional heights, to evoke major and major aims. The Lithuanian consumer is the priority of the companies. It is pleasant to hear that despite the negative changes in the market the Lithuanian consumers estimate the efforts to propose the drinks of the highest quality.

The most popular trademark is the sparkling wine “Alita”. The sparkling wine is one of the most important and representative product of the Company. The production of this wine is close to the classical production technology of champagne, because the same biochemical processes are taking place in the tanks during the fermentation as when you ferment champagne in the classical method in the bottles. During these processes the wine is saturated with carbonic acid naturally. In 2012 the labels of the sparkling wine “Alita” were changed receiving the favourable evaluation of the consumers. In 2012 the sparkling wine “Alita” sweet in the competition of Lithuanian Association of Trade Companies and the biggest trade networks was recognized as the most popular item in its category.

The consumers also appreciate brandies “Alita”, “Alita XO”, “Alita Reserva”. In 2011 the white brandy “Pure” with no analogue in the Lithuanian market was presented to the consumers. It was awarded the silver medal in the competition “Prodexpo 2012” in Moscow in 2012.

The other popular product is the natural cranberry kind of bitter “Bobelinė”. It is made from the natural juice of the picked up cranberry late in autumn, it is of luxuriant colour and aroma, of enduring taste. The kind of bitter is 20% and 35% alc. vol. In 2012 the new bitter “Božolinė” was presented to the consumers.

The subsidiary company Anykščių vynas AB, established in 1926, has the biggest experience in the production of the natural fruit-and berry wine. The Company began to produce the berry wine in 1927. The range was adjusted by the constant changing taste of the consumer, but the natural black currant wine remained one of the most popular. In 2007 the black currant wine was named after the Mindaugas castle Voruta, which, according to predictions of researchers, was near Anykščiai. Being popular several years ago the traditional Lithuanian drinks – natural wines – find their consumer and a team of admirers again. This was proved in December 2009, when the black currant wine “Voruta” was awarded the name of the Nation Heritage by the Ministry of Agriculture of Lithuania. The natural currant wine “Voruta” was awarded the gold medal in the competition “The Lithuanian Year Product 2010”. It was already the second award of this product. In 2009 “Voruta” was also awarded the gold medal in the competition of the alcoholic drinks “Zolotoj Grifon” in Yalta. In 2011 the natural wine “Voruta” was updated with a new taste – black rowan. This product was immediately recognized and in the competition “The Lithuanian Year Product 2011” it was awarded the gold medal.

3.1. Quality and environment managing systems

The Company Group ALITA, AB is continuously improving its quality management system in accordance with the requirements of EN ISO 9001:2008. The quality concept means not only the high quality of the final product, but also the market presentation of the product, fast and proper response to the consumers’ feedback.

The activity of each organization has an influence not only on the production quality but also on the environment, people and workers' health. In order to manage its activity, product influence upon the environment, the Company operates in conformity with the requirements of the standards of the Environment Management System EN ISO 14001:2004. On 27 June 2012 the recertification audits of the Management Quality System were performed in the Company Group ALITA, AB according to EN ISO 9001:2008 standard and Anti-pollution Management System according to EN ISO 14001:2004 standard. During the audit no discrepancies were detected and the above mention certificates (issued in 2011) were left in force till 25 August 2014.

The Company Group ALITA, AB carried out the environmental objectives and targets. The main source of pollution is the boiler room but pollution ration into atmosphere had not been exceeded during the last years. The Company had no fines or restrictions or halts of production activities because of the environmental damage. There were no other risk factors or accidents.

On 26 April 2012 Alytus region Environmental Protection Department conducted a comprehensive environmental review. During the inspection no failures were found.

On 12 November 2012 Drugs, Tobacco and Alcohol Control Department conducted chemicals and drugs storage and use review. No violations of legal requirements were found.

On 30 November 2012 Alytus region Environmental Protection Department, Law and Administration Division, Tax Control Subdivision, reviewed the calculation of tax on pollution from mobile sources, from stationary sources and tax on packaging waste, its declaration and payment. No violations were detected.

The measures under the Environment Protection project were implemented. During 2012 the Company had used 2,796 MWh (2011 – 2,937 MWh) of electricity, 33.8 thousand m^3 (2011 – 39.5 thousand m^3) of water and 718.2 thousand m^3 (2011 – 806.0 thousand m^3) of natural gas.

The Company has the agreements with packaging waste recyclers. During 2012 the Company bought 4,064 tons of glass packaging, 10 tons of plastic packaging, 4 tons of PET packaging, 170 tons of paper and cardboard packaging, 4 tons of wooden packaging waste recycling services.

The special attention is paid to the quality of production. The quality of production is controlled by the manufacturing technology laboratory workers, who are working in accordance with ISO 9001 and MS RVASVT Quality Management System instructions. In the year 2012 there were no official complaints from consumers or regulatory authorities on the quality of productions. The manufacturing technology laboratory workers continuously evolve their knowledge by learning new local and EU legal requirements for production of beverages, examine new inspection methods of alcohol drinks, apply technological changes and changes to control methods.

On 4 October 2012 the Company's laboratory was certified for the wine, fermented beverages, ciders, fruit wines, spirit drinks, alcohol cocktails, ethyl alcohol physical and chemical parameters analysis. The certification is valid until 4 October 2015.

The Company's production laboratory has the Certificate approved by the Environmental Protection Agency which allows making the emission measurements and analyses of environment pollution.

3.2. Belonging to the associated organizations

The Company Group ALITA, AB belongs to these associated structures:

- Vilnius Chamber of Commerce, Industry and Crafts;
- Lithuanian Association of Food Industry;
- The Association of Companies Selling Alcoholic Drinks;
- The Lithuanian Industrial Confederation;
- The Association GS1 LITHUANIA;
- The National Association of Power Nets.

The Company does not take part in the capital of the above mentioned structures but it is a member and pays the membership fees.

3.3. Short review of Issuer's activities

The Company Group ALITA, AB is the biggest producer of naturally fermented sparkling wine in the Baltic States. The Company produces naturally fermented sparkling wines and several kinds of spirits: alcohol cocktails, vodka, brandy, cognac, bitters and strong grain drinks. The Company's products are highly popular in the Lithuanian market and also exported to other countries – Latvia, Estonia, United Kingdom, Ireland, Russia, USA, Finland, Germany, Bulgaria, Lebanon, China, Japan and other countries.

The Company works in the light of business plan made in 2010; the plan includes not only the strategy of the Company Group ALITA, AB, but also of the whole group till the year 2014; this confirms the company's vitality and continuation of the activity.

The information about the Company's sales volumes is included in Note 26 to the audited separate financial statements and Note 25 to the consolidated financial statements.

During the year 2012, exports sales of alcohol drinks expanded by 51%, and export part in the total sales expanded by 20%. This is the third year of the ongoing upward trend in the main export markets – Latvia (33%), Estonia (30%), UK (22%) and other (44%). Special results were achieved in the Russian market with the increase in sales more than 4 times. The highest export sales growth was achieved in carbonated beverages, sparkling wine and alcohol cocktails categories. Exports of the special technology fortified fruit wines were started. Also, the export of sparkling wine to the Far East – China, Lebanon, was started.

This is the result of the successful cooperation with the main retail chains in the Baltic States and outsourcing projects. In 2012, private brands exports were actively developed, assortment for existing customers was expanded and new contracts for production of carbonated beverages were signed.

The project "ALITA AB export promotion of alcoholic beverages" was successfully finished in 2012. The project was made under EU economic growth program "New opportunities". Using the structural support of the EU, the Company participated in international exhibitions, the support was allocated for research of new opportunities and marketing activities. During the project it participated in seven exhibitions in Russia, France, Germany, the Netherlands, Bulgaria, where the new cooperation and export opportunities were found. The Czech alcohol market research was bought and used. Also, the EU support has opened the way to one of the most promising Russian markets and to gaining positions in the mentioned countries.

Much attention is paid to the development of new products and their quality. 38 new products were presented to the consumers in 2012.

4. FINANCE

The consolidated activity results for 2012 of the Company Group ALITA, AB according to the International Financial Reporting Standards are 1.7 million LTL (0.56 million EUR) net profit before taxes. During the 12 months of 2011 the restated consolidated loss before tax was 6.4 million LTL (1.8 million EUR).

The consolidated sales revenues for the 12 months of 2012 amounted to 77.9 million LTL (22.7 million EUR) and in comparison with the same period of 2011, sales revenues decreased by 8.2%.

The Company found mistakes made in the Company's separate and the Group's consolidated financial statements of 2011 and corrected them in the consolidated financial statements for the 12 months period of 2012. Accordingly, comparative information in the statement of financial position as at 31 December 2011 was restated. More detailed information is presented in Note 4 to the separate and consolidated financial statements for the 12 months period of 2012.

Other financial information is presented in the separate and consolidated financial statements for the annual period ended 31 December 2012.

The consolidated and separate financial statements of the Company Group ALITA, AB can be found at NASDAQ OMX Vilnius website www.nasdaqomx.com/vilnius and at the Company Group ALITA, AB website www.alita.lt/investuotojams.

5. THE COMPANY AND THE SOCIETY

The Company Group ALITA, AB and Anykščių vynas AB contribute to the social and cultural life of the country and towns where the companies are settled. In 2012 the budget of the Republic of Lithuania received 86.4 million LTL in the form of different taxes. The taxes divided up as follows (thousands of LTL):

The name of the tax	The Company Group ALITA, AB	Anykščių vynas AB	Total
Excise duty	54,001.4	8,126.7	**62,128.1**
Value added tax	16,980.0	2,704.4	**19,684.4,**
Social insurance fees	2,368.0	800.0	**3,168.0**
Income tax from the salary	815.8	258.3	**1,074.1**
Other taxes	227.6	87.8	**315.4**
Total	**74,392.8**	**11,977.2**	**86,370.0**

The Company Group ALITA, AB and Anykščių vynas AB concluded the collective agreements where the benefits for the social care were foreseen, giving the allowances to the Company workers. In 2012 the Company paid 89.9 thousand LTL, Anykščių vynas AB paid 18.1 thousand LTL to different payouts for the employees. Every year the money is dedicated for the social-cultural program for the Group's workers.

6. THE COMPANY'S PLANS AND PROJECTIONS

The economic and social situation will have the main impact for the sales growth in 2013, so it is difficult to forecast the Company's turnover and profit. The main goals planned for 2013:

- operational efficiency and cost optimization;
- brands promotion;
- new markets;
- assortment optimization considering market changes;
- increasing profitability and market share;
- cash flows improvement;
- simplification of internal processes.

The management and the shareholders are active in order to ensure the financial stability of the Company, to balance the cash flows. Over the past few years many funds have been provided for investments and many production improvement and efficiency issues were solved. Due to this the Company's needs for investments in 2013 decreased and amounted to 316 thousand LTL.

General Manager Vaidas Mickus

Disclosure form concerning the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius

Company Group ALITA, AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLI-CABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
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 optimize shareholder value.	Yes	The Company publishes the policy of the Company development and objectives in the annual and interim reports published on the websites of Vilnius Stock Exchange and the Company.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Board of the Company has developed long-term and short-term strategic objectives for the development of the activity of the Company. The management of the Company and the managers of respective fields put every endeavour to implement these objectives: the structure of the Company and units of the group companies is optimised, responsible persons and specialists improve their qualification.
1.3. Supervisory and management bodies of the Company should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Supervisory Council, the Board and the manager shall implement this recommendation.
1.4. Supervisory and management bodies of the company 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.	Yes	The Company respects the rights and interests of its shareholders, employees, clients, customers, and other persons related to the activity of the Company, complies with the requirements of the Labour Code, the provisions of agreements entered into with customers and suppliers. Relevant information about the Company is published in the websites of the Vilnius Stock Exchange and the Company, in the Republic press. The Company takes an active part in the town events, cooperates with the suppliers and creditors, organizes actions for the buyers, makes inquiries and evaluates the remarks and responses of the customers about the Company activities and production.

Principle II: The corporate governance framework **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.**		
2.1. Besides mandatory bodies provided for in the Law of the Republic of Lithuania on Companies – a general shareholders' 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 General Meeting of Shareholders, the Supervisory Council (came into operation on 6 October 2011 after the registration of the amended Articles of Association of the Company with the Register of Legal Entities), the Board and the manager of the Company are the bodies of the Company.
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 Supervisory Council of the Company is responsible for effective supervision of the activities of the management bodies of the Company (i.e. to elect and remove the Board members; if the Company operates unprofitably, to consider whether the Board members fit to perform their duties; to supervise the activity of the Board and the manager of the Company; to submit its proposals and comments to the General Meeting of Shareholders on the Company's operating strategy, the activity of the Board and the manager of the Company; to carry out other activities assigned to it by laws and other regulations). The Board of the Company is responsible for proper strategic management of the Company (i.e. to approve the business strategy of the Company, to adopt the most important decisions prescribed by legal acts regarding the organisational and management structure of the Company, transactions, different obligations to be assumed, etc.).
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.	Not applica-ble	The Company has both the Board and the Supervisory Council.
2.4. The collegial supervisory body to be elected by the general shareholders' 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.[1]	Yes	After the amendment of the Articles of Association of the Company, a collegial supervisory body elected by the General Meeting of Shareholders, i.e. the Supervisory Council, came into operation on 6 October 2011. Candidates to members of the Supervisory Council are nominated and the voting for these candidates is conducted in compliance with the procedure prescribed by laws and following the Shareholders' Agreement(s), in so far it is authorised by the laws of the Republic of Lithuania.

[1] Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

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.[2]	Yes	Under the Articles of Association, the Board of the Company consists of 4 members. On 23 July 2012 3 Board members (out of 4 possible) were elected. Under the Articles of Association, the Supervisory Council consists of 4 members. All 4 members of the Supervisory Council are elected. Every member has one vote when decisions are taken by these bodies.
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	Members of the Supervisory Council are elected for the maximum period stipulated by the Law on Companies – 4 years; the number of their terms of office is not limited. Furthermore, there are no restrictions as to the re-election of members. The General Meeting of Shareholders may remove the Supervisory Council or its members before the expiry of the term of office thereof. A member of the Supervisory Council may also resign from office before the expiry of his term of office by giving a written notice in this regard to the Company at least 14 calendar days in advance. The procedure for removing a member of the Supervisory Council is not easier that the removal procedure applied to a Board member.
2.7. Chairman of the collegial body elected by the general shareholders' 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 shareholders' meeting. When a company chooses departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairperson of the Supervisory Council was not the Director of the Company; his present or former offices are not an obstacle for implementing independent and impartial supervisions.

[2] Definitions *'executive director'* and *'non-executive director'* are used in cases when a company has only one collegial body.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' 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.[3]**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' 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	Under the Articles of Association (registered with the Register of Legal Entities on 6 October 2011), the General Meeting of Shareholders elects the Supervisory Council. Candidates to members of the Supervisory Council are nominated and the voting for these candidates is conducted in compliance with the procedure prescribed by laws and following the Shareholders' Agreement(s), in so far it is authorised by the laws of the Republic of Lithuania. The Supervisory Council submits its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, set of annual financial statements, draft of profit/loss appropriation and the annual report of the Company as well as the activities of the Board and the manager of the Company, informs the meeting of shareholders in case the financial standing of the Company has deteriorated below the values presented in the Strategic Business Plan.
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 shareholders' 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 information about the candidates to members of the Supervisory Council is put in the papers of the General Meeting (where the candidates are nominated in advance) and the shareholders may familiarise with such information beforehand in accordance with the procedure prescribed by the Law of the Republic of Lithuania on Companies. The data on the members of the Supervisory Council is compiled, specified and presented in the Annual Report of the Company and the Register of Legal Entities of the Republic of Lithuania.
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	The candidates to members of the Supervisory Council inform the General Meeting about their education, working experience and expertise. The Annual Report provides the composition of the Supervisory Council, the education and working experience of its members.

[3] Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined 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. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes/No	The members of the Supervisory Council of the Company have the proper qualification, long-term expertise and versatile knowledge and experience to fulfil their tasks properly; however, no periodical evaluation takes place. The members of the audit committee have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. The Company has no remuneration committee. The Board of the Company implements separate functions of the committee.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with 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.	No	New members of the Supervisory Council familiarise with their duties, the Company and its activity individually. No annual review is conducted subject to the condition that persons participating in the activity of the Company and other organisations have sufficient knowledge and skills.
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[4] number of independent[5] members.	No	Until now the Company has not assessed the independency of members of elected collegial bodies and the content of the definition of adequacy of independent members has not been discussed. In any case, in performing their duties, the members of the Supervisory Council try to avoid conflicts of interest. The General Meeting of Shareholders, which has elected the candidates who receive the most votes, decides whether or not to have an independent member in the Supervisory Council. In nominating their candidates to the Supervisory Council and voting for them, the shareholders follow their own opinion which candidates will represent their interests the best.

[4] The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

[5] It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

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 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: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 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; 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); 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); 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, counselling and consulting services), major client or organization receiving significant payments from the company or its group;	No	The documents governing the activity of collegial bodies of the Company do not define the independency criteria for collegial bodies; however, considering the provided criteria, it could be stated that the members of the Supervisory Council of the Company are not independent.

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; 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 a collegial body elected by the general shareholders' meeting is the supervisory board) 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; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 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 shareholders' 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.		
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.	No	The Company has not established additional criteria regarding the independency of the members of the Supervisory Council.

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	The Company has not applied the disclosure of independence criteria referred to in the Code in practice yet (see items 3.6, 3.7).
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 has not applied the evaluation and disclosure practice of independence of the members of a collegial body yet (see items 3.6, 3.7).
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.[6]. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	See items 3.6, 3.7.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' 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.[8]	Yes	Under the Articles of Association of the Company, the Supervisory Council assesses the financial standing of the Company, among other things, by comparing financial performance of the Company reflected in the financial statements against the values of the Strategic Business Plan. The Supervisory Council submits its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, set of annual financial statements, draft of profit/loss appropriation and the annual report of the Company as well as the activities of the Board and the manager of the Company, and performs other functions assigned to it in the Articles of Association of the Company and the Law on Companies.

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

[7] See Footnote 3.

[8] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

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) maintain under all circumstances 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/No	According to the information available to the Company, the members of its Supervisory Council act in good faith with regard to the Company, in the interest of the Company and its shareholders and not in their own or third party interests, ensuring that their independency when taking decisions is maintained. The Company has no independent members of the Supervisory Council.
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[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The members of the Supervisory Council actively participate in the meetings of the Supervisory Council and devote sufficient time and attention to the performance of their duties. No member of the Supervisory Council has participated in less than half of the meetings of the Supervisory Council yet.
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	The Company complies with the specified recommendations, the Supervisory Council treats all the shareholders of the Company fairly and impartially. The members of collegial bodies, prior to taking any decision the criteria of which are stipulated in the Articles of Association, consider the impact of the decision on the shareholders. The shareholders are provided with information in accordance with the procedure prescribed in the Articles of Association, and no more information than required by legal acts is provided to the shareholders.

[9] It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

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 Articles of Association of the Company registered with the Register of Legal Entities on 6 October 2011 state that the Supervisory Council of the Company adopts decisions on conclusion and terms and conditions of transactions with the members of the Board and/or the manager of the Company. The Articles of Association of the Company also provide that the Board makes decisions on the performance or the carrying out of any transaction, contract or arrangement (including the waiver, compromise, assertion or enforcement of any claim or right), or the entry into, or the amendment, modification, extension or termination of any contract or other arrangement between the Company and any of its shareholders, or Related Person(s) of such shareholder or Related Persons of the Company (such decisions of the Board require the approval from the Supervisory Council).
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[10]. 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. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes/No	The persons that elected the members of the Supervisory Council do not affect the work and decisions of the Supervisory Council. The members of the Supervisory Council are authorised to receive the information and documents necessary to perform their duties properly through the Board and the manager of the Company. The collegial bodies of the Company are provided with all financial means and other conditions necessary for their work. The Company has no Remuneration Committee.

[10] In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

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[11]. 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.	Yes/No	The Supervisory Council has no independent members. However, activities of the collegial body are organized so the members of the body have significant influence over material issues, where conflicts of interests are highly possible. The issues related to nomination of the members of the Board of the Company, approval of transactions with the Related Persons. Nomination and remuneration committees are not formed, however the Board carries out separate functions attributable to such committees, i.e. the Board assesses the skills, knowledge and experience of individual directors on a regular basis, considers the general policy of application of the remuneration (including incentives) system. The functions of Audit Committee are established in Audit Committee Regulation approved in Shareholders meeting.
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 exercise independent judgement and integrity when exercising its functions as well as 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.	Yes/No	The Supervisory Council is fully responsible for decisions attributable to its field of competence. Nomination and remuneration committees are not formed, however the Board carries out separate functions attributable to such committees, i.e. the Board assesses the skills, knowledge and experience of individual directors on a regular basis, considers the general policy of application of the remuneration (including incentives) system.

[11]The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

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 two members. Majority of the members of each committee should be constituted from independent members of the 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. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes/No	The Audit Committee consisted of 3 members, one of which is independent. Nomination and remuneration committees are not formed, however the Board carries out separate functions attributable to such committees, i.e. the Board assesses the skills, knowledge and experience of individual directors on a regular basis, considers the general policy of application of the remuneration (including incentives) system.
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	Nomination and remuneration committees are not formed, however the Board carries out separate functions attributable to such committees, i.e. the Board assesses the skills, knowledge and experience of individual directors on a regular basis, considers the general policy of application of the remuneration (including incentives) system.
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.	Yes/No	Audit Committee has the right to invite the Director of the Company, Board members (member), members (member) of the Supervisory Council, employees responsible for finance and accounting, as well as external auditors. Decisions and other written documents approved by the Audit Committee are presented to the Director, the Board and the Supervisory Council of the Company. Decisions and other written documents are recommendatory for the Company. Nomination and remuneration committees are not formed, however the Board carries out separate functions attributable to such committees, i.e. the Board assesses the skills, knowledge and experience of individual directors on a regular basis, considers the general policy of application of the remuneration (including incentives) system.

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 shareholders' 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	Nomination and remuneration committees are not formed, however the Board carries out separate functions attributable to such committees, i.e. the Board assesses the skills, knowledge and experience of individual directors on a regular basis, considers the general policy of application of the remuneration (including incentives) system.

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, 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; 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; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) 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); 7) 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.	No	Nomination and remuneration committees are not formed, however the Board carries out separate functions attributable to such committees, i.e. the Board assesses the skills, knowledge and experience of individual directors on a regular basis, considers the general policy of application of the remuneration (including incentives) system.

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: 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; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 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. 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. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 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); 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; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment 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;	Yes	The functions of Audit Committee are established in Audit Committee Regulation approved in Shareholders meeting. They comply with recommendations stated under item 4.14 of this Code.

4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' 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; 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; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 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 vehicles (organizations) and justification of such operations. 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.		

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. 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. 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. 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-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	Corporate documents of the Company do not provide for individual evaluation of the activity of a collegial body because the legal acts of the Republic of Lithuania do not require doing so. Decisions regarding the Company's activities are adopted by the Board, which is accountable to the General Meeting.

Principle V: The working procedure of the company's collegial bodies **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.**		
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	The chairperson of the Board and the chairperson of the Supervisory Council implement these recommendations.
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[12].	Yes	The Board of the Company organises its meetings at least once a month. When necessary, its meetings are held several times a month. The Supervisory Council organises its meetings at least once a quarter.
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 Supervisory Council and of the Board are informed about the future meeting in advance; the material for the discussion is handed in the fixed time.

[12] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

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-coordinating 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 Company complies with the provisions of this recommendation.
Principle VI: The equitable treatment of shareholders and shareholder rights **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.**		
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	The authorized capital of the Company consists of the ordinary registered shares that grant equal rights to all the shareholders.
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	In annual and half-yearly reports of the issuer, the Company discloses detailed information enabling an investor to draw valid conclusions on the acquisition of and the rights carried by the shares. The information is published in the Central Storage Facility (www.crib.lt) and on the website of the Company.
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 shareholders' meeting.[13] 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.	No	The Company's Articles of Association provide the list of decisions taken by the Board or the Supervisory Council that do not require the consent of the General Meeting. For certain decisions referred to in the Articles of Association, the Board needs to obtain the approval of the Supervisory Council. The possibility to get acquainted and to take part in making important decisions to the Company is not given to all the shareholders.
6.4. Procedures of convening and conducting a general shareholders' 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.	Yes	The convocation of the General Meeting is published in the Central Storage Facility (www.crib.lt) and on the website of the Company under the established procedure. The shareholders are allowed to get acquainted with the Company documents related to the agenda of the General Meeting, the terms and procedure prescribed in the Law of the Republic of Lithuania on Companies and in the Articles of Association of the Company.

[13] The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' 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 Lithuanian, 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	The Company publishes the documents prepared for the General Meeting, including draft resolutions and adopted decisions, in the Central Storage Facility (www.crib.lt) and on the website of the Company. The information related to the General Meeting convened and the decisions taken thereat is provided in the information system of the stock exchange and on the website of the Company in the Lithuanian and English languages.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' 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 may exercise the right to participate in the General Meeting either in person or through a proxy provided the person has a properly executed power of attorney. The Company also makes it possible for the shareholders to vote by filling up a general voting bulletin in absentia, as it is foreseen by the Law of the Republic of Lithuania on Companies.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company does not follow this recommendation. There was no need and request of the shareholders.

Principle VII: The avoidance of conflicts of interest and their disclosure **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.**		
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/No	Under the Company's opinion there were cases of failure to comply with this principle in 2012, connected with the bonuses to the former members of the managing bodies of the Company.
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 shareholders' 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	The Articles of Association of the Company registered with the Register of Legal Entities on 6 October 2011 state that the Supervisory Council of the Company adopts decisions on conclusion and terms and conditions of transactions with the members of the Board and/or the manager of the Company. The Articles of Association of the Company also provide that the Board makes decisions on the performance or the carrying out of any transaction, contract or arrangement (including the waiver, compromise, assertion or enforcement of any claim or right), or the entry into, or the amendment, modification, extension or termination of any contract or other arrangement between the Company and any of its shareholders, or Related Person(s) of such shareholder or Related Persons of the Company (such decisions of the Board require the approval from the Supervisory Council). Under the Articles of Association, a Board member must conclude transactions with the Company on an arm's length basis.
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/No	The members of the Board and of the Supervisory Council of the Company have familiarised with these provisions and must comply with these recommendations. Under the Articles of Association of the Company, Supervisory Council decisions to approve decisions to conclude Company's contracts with related parties (including with the members of the Supervisory Council), have to be taken unilaterally.

Principle VIII: Company's remuneration policy **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.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not make a public statement of the Company's remuneration policy because it is the internal and confidential document of the Company. The general information on the average sizes of the payments of the separate groups of the workers and the total sum of the payoffs to the Company managers is stated in the Annual Report openly.
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.	Not applicable	See item 8.1.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;	Not applicable	See item 8.1.

12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.		
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, inter alia, 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.	Not applicable	See item 8.1.
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. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: 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; 2) The remuneration and advantages received from any undertaking belonging to the same group; 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; 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; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 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: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 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; 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;	Not applicable	See item 8.1.

4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 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. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report 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.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Not applicable	See item 8.1.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Not applicable	See item 8.1.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Not applicable	See item 8.1.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	There is no such practice in the Company.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	There is no such practice in the Company.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	There is no such practice in the Company.

8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	There is no such practice in the Company.
8.13. Shares should not vest for at least three years after their award.	Not applicable	There is no such practice in the Company.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	There is no such practice in the Company.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	There is no such practice in the Company.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	There is no such practice in the Company.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	There is no such practice in the Company.
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.	No	There is no such practice in the Company.

8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	There is no such practice in the Company.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 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. 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.	No	There is no such practice in the Company.
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 shareholders' approval.	No	There is no such practice in the Company.
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.	No	There is no such practice in the Company.

8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, 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.	No	There is no such practice in the Company.
Principle IX: The role of stakeholders in corporate governance **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.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The rights of stakeholders that are protected by law 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.	Yes	The stakeholders can take part in the Company management as far as the laws of the Republic of Lithuania allow.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The regulation is followed as far as it is allowed by the laws of the Republic of Lithuania.

Principle X: Information disclosure and transparency **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.**		
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; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. 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.	Yes/No	The information, provided in these recommendations, except the information about remuneration referred to in item 4, is disclosed in these sources: in the Annual Report, Consolidated Financial Statements and in its Explanatory Notes, in the Reports about the essential events. This information is published in the Central Storage Facility (www.crib.lt) or on the website of the Company.
10.2. It is recommended to the company, which is the parent of other companies, 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.	Yes	The consolidated results of the activities of the Company group are disclosed.
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.	Yes	The information on the qualification and experience of the members of the collegial bodies is disclosed in the Annual Report. The payment policy is not disclosed openly because it is the internal and confidential Company document. The general information on the average sizes of the payments and the total sum of the payoffs to the Company managers is stated in the Annual Report openly.
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.	No	There is no such practice in the Company.

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.	Yes	The vital information is published in the Central Storage Facility (www.crib.lt) and on the website of the Company in the Lithuanian and English languages.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge 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.	Yes	The vital information is published in the Central Storage Facility (www.crib.lt) and on the website of the Company in Lithuanian and English.
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 about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company takes account of this recommendation and publishes this information on the website.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The independent auditor carries out the audit of the Company's annual financial statements and the audit of the annual report.
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 shareholders' meeting.	No	The Board proposes a candidate firm of auditors to the General Meeting.
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 shareholders' meeting.	Not applicable	The audit firm of the Company did not receive any payment for non-audit services from the Company.