



Company Group ALITA, AB

Consolidated interim condensed financial
statements for the period ended
31 March 2013

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Company details

Company Group ALITA, AB

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Supervisory Council

Leena Maria Saarinen (Chairwoman)
Jan Aberg
Mats A Andersson (until 19/04/2013)
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 Miežiūnienė (Chief Accountant)

Auditor

KPMG Baltics, UAB

Banks

Swedbank, AB
AB Šiaulių Bankas
Nordea Bank Finland Plc Lithuania Branch

Consolidated statement of financial position

	Notes	<u>31 March 2013</u>	<u>31 December 2012</u>
Assets			
Intangible assets		368	435
Investment property		1,631	1,596
Property, plant and equipment		53,481	54,544
Available-for-sale financial assets	4	6,571	5,520
Deferred tax assets		879	1,037
Total non-current assets		<u>62 930</u>	<u>63,132</u>
Inventories	5	20,520	15,617
Prepayments		523	584
Trade accounts receivable	6	20,229	24,234
Other accounts receivable		185	295
Cash and cash equivalents		650	2,347
Total current assets		<u>42,107</u>	<u>43,077</u>
Total assets		<u>105,037</u>	<u>106,209</u>
Shareholders' equity			
Share capital		20,000	20,000
Share premium		74,198	74,198
Reserves		3,021	2,128
Accumulated losses/retained earnings		(85,174)	(82,834)
Total equity attributable to the equity holders of the parent Company		<u>12,045</u>	<u>13,492</u>
Non-controlling interest		639	680
Total shareholders' equity		<u>12,684</u>	<u>14,172</u>
Liabilities			
Government grants		1,833	1,992
Long-term employee benefits		290	290
Long-term bank loans and borrowings	8	42,711	44,778
Total non-current liabilities		<u>44,834</u>	<u>47,060</u>
Short-term bank loans and borrowings	8	22,484	22,278
Trade accounts payable		11,219	11,064
Other amounts payable	9	13,816	11,635
Total current liabilities		<u>47,519</u>	<u>44,977</u>
Total liabilities and shareholders' equity		<u>105,037</u>	<u>106,209</u>

General Director



Vaidas Mickus

Finance and IT Director



Justinas Damašas

Consolidated statement of comprehensive income

	Notes	Three month period ended 31 March	
		2013	2012
Revenue	10	15,755	13,192
Cost of sales		(13,017)	(10,415)
Gross profit		2,738	2,777
Other income		81	75
Selling and distribution expenses		(2,429)	(1,874)
General and administrative expenses		(1,988)	(3,072)
Other expenses		(114)	(19)
Operating profit		(1,712)	(2,113)
Finance income		-	9
Finance expenses		(669)	(817)
Net finance costs		(669)	(808)
Profit before income tax		(2,381)	(2,921)
Income tax		-	-
Net profit (loss)		(2,381)	(2,921)
Other comprehensive income			
Revaluation of property, plant and equipment			696
Effect of deferred tax			(104)
Net change in fair value of available-for-sale financial assets	4	1,051	645
Effect of deferred tax		(158)	(97)
Total other comprehensive income		893	1,140
Total comprehensive income for the reporting period		(1,488)	(1,781)
Net profit (loss) attributable to:			
Owners of the company		(2,340)	(2,861)
Non-controlling interest		(41)	(60)
Total net profit (loss)		(2,381)	(2,921)
Total comprehensive income attributable to:			
Owners of the company		(1,447)	(1,721)
Non-controlling interest		(41)	(60)
Total comprehensive income		(1,488)	(1,781)
Basic and diluted earnings (loss) per share (in Litus)	7	(0,12)	(0,14)

General Director



Vaidas Mickus

Finance and IT Director



Justinas Damašas

Consolidated statement of changes in equity

Notes	Attributable to equity holders							Total equity
	Share capital	Share premium	Compulsory reserve	Fair value reserve	Revaluation reserve	Retained earnings (accumulated losses)	Total shareholders' equity	
Balance as at 31 December 2011	20,000	74,198	5,083	(3,263)	-	(84,139)	11,879	12,678
Net profit (loss) for the period	-	-	-	-	-	(2,861)	(2,861)	(2,921)
Total other comprehensive income	-	-	-	548	592	-	1,140	1,140
Balance as at 31 March 2012	20,000	74,198	5,083	(2,715)	592	(87,000)	10,158	10,897
Net profit (loss) for the period	-	-	-	-	-	4,166	4,166	4,107
Total other comprehensive income	-	-	-	(832)	-	-	(832)	(832)
Balance as at 31 December 2012	20,000	74,198	5,083	(3,547)	592	(82,834)	13,492	14,172
Net profit (loss) for the period	-	-	-	-	-	(2,340)	(2,340)	(2,381)
Total other comprehensive income	-	-	-	893	-	-	893	893
Balance as at 31 March 2013	20,000	74,198	5,083	(2,654)	592	(85,174)	12,045	12,684

General Director

Vaidas Mickus

Finance and IT Director

Justinas Damašas

Consolidated statement of cash flows

	Notes	Three month period ended 31	
		March	
		2013	2012
Cash flow from operating activities:			
Net profit (loss)		(2,381)	(2,921)
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization		906	1,130
Impairment of investment property and property, plant and equipment		-	16
Write-offs of property, plant and equipment		108	-
(Profit) loss from sale of property, plant and equipment		-	(4)
Write-down of inventories		18	3
Interest paid		535	733
		<u>(814)</u>	<u>(1,043)</u>
Changes in current assets and current liabilities:			
(Increase) decrease in inventories		(4,921)	570
(Increase) decrease in trade accounts receivable		4,005	15,045
Increase (decrease) in prepayments		61	(182)
(Increase) decrease in other accounts receivable		110	(13)
Increase (decrease) in trade account payables		155	(3,617)
Increase (decrease) in other account payables		2,181	(10,422)
Net cash flows from operating activities		<u>777</u>	<u>338</u>
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(72)	(10)
Acquisition of intangible assets		(6)	-
Sale (write-off) of property, plant and equipment		-	4
Net cash used in investing activities		<u>(78)</u>	<u>(6)</u>
Cash flows from financing activities:			
Loans received		645	-
Repayment of loans		(2,506)	(420)
Interest paid		(535)	(733)
Net cash used in financing activities		<u>(2,396)</u>	<u>(1,153)</u>
Increase (decrease) in cash and cash equivalents		<u>(1,697)</u>	<u>(821)</u>
Cash and cash equivalents in the beginning of the year		<u>2,347</u>	<u>905</u>
Cash and cash equivalents at the end of the year		<u>650</u>	<u>84</u>

General Director



Vaidas Mickus

Finance and IT Director



Justinas Damašas

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 March 2013 the authorised share capital of the Company Group ALITA, AB amounted to 20,000,000 Litass and was divided into 20,000,000 ordinary registered shares with the nominal value of 1 Litass 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 March 2013 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 in 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 Litass in nominal value.

The consolidated financial statements include the parent Company Group ALITA, AB and its subsidiary AB Anykščių Vynas (94.90%).

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

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.

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.

(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.

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.

2. Basis of preparation (cont'd)

Use of estimates and judgments (cont'd)

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.

3. Significant accounting principles

Foreign currency

Transactions in foreign currencies are translated into Litass 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 rate 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.

3. Significant accounting principles (cont'd)

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.

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, if 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.

3. Significant accounting principles (cont'd)

Determination of fair values (cont'd)

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.

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. Available-for-sale financial assets

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

	31 March 2013	31 December 2012
AB Šiaulių Bankas shares	9,693	9,693
Total	9,693	9,693
Increase (decrease) in fair value in the beginning of the period	(4,173)	(3,839)
Increase (decrease) in fair value during the period	1,051	(334)
Increase (decrease) in fair value at the end of the period	(3,122)	(4,173)
Total	6,571	5,520

As at 31 March 2013, 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 1,051 thousand Litas for the shares in AB Šiaulių Bankas has been recognized in other comprehensive income.

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.

5. Inventories

	31 March 2013	31 December 2012
Raw and auxiliary materials	11,621	7,035
Work-in-process and finished goods	8,827	8,489
Goods for resale	72	93
Total cost of inventories at the end of the period	20,520	15,617

Write-down of inventories to net realizable value amounts to 452 thousand Litas at 31 March 2013 (2012: 666 thousand Litas).

6. Trade accounts receivable

Trade accounts receivable consist of:

	31 March 2013	31 December 2012
Trade accounts receivable, gross	20,703	24,708
Impairment in the beginning of the period	(474)	(416)
Write-off of doubtful trade receivables	-	8
Additional impairment during the period	-	(66)
Impairment at the end of the period	(474)	(474)
Total	20,229	24,234

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

7. Basic and diluted earnings (loss) per share

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

	Three month period ended 31 March	
	2013	2012
Net profit (loss), attributable to the shareholders	(2,340)	(2,861)
Number of shares at the end of the period (thousand)	20,000	20,000
Basic and diluted earnings (loss) per share (Litass)	(0,12)	(0,14)

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.

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

	31 March 2013	31 December 2012
Long-term loans and borrowings	42,711	44,778
Long-term portion of lease liabilities	-	-
Total non-current financial liabilities	42,711	44,778
Current portion of long-term loans and lease liabilities	6,852	6,446
Short-term loans and borrowings	15,632	15,832
Total current financial liabilities	22,484	22,278
Total financial liabilities	65,195	67,056

As at 31 March 2013, the Group has long-term loans amounting to 49,532 thousand Litass with the repayment term in 2016. Current portion of these long-term loans amounts to 6,821 thousand Litass. The average variable interest rate of these loans was from 2.925 % to 5.9 % in 2013.

The Group's subsidiary company has a credit line facility amounting to 8,632 thousand Litass (EUR 2,500 thousand) with Swedbank, AB. The loan was due on 30 June 2013. As at 31 March 2013, 8,632 thousand Litass had been drawn. The effective interest rate in the first quarter of 2013 was 2.90%.

As at 31 March 2013 the Group's all available factoring limit amounts to 7,000 thousand litass was used. The average variable interest rate of these loans was 3.2 % in 2013.

To secure the long-term loans and borrowings under the respective credit agreements, the Group pledged property, equipment, inventories, 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 Litass.

9. Other amounts payable

	31 March 2013	31 December 2012
Excise duty	7,878	6,351
Value added tax (VAT)	3,229	2,844
Salaries and related taxes	883	740
Vacation reserve	569	569
Advances received	139	102
Other amounts payable	1,118	1,029
Total	13,816	11,635

In August 2012, the Company concluded a deferred settlement agreement with the State Tax Inspectorate for the amount of 2,424 thousand Litass subject to 0.01% daily interest rate, for which deferral of payment of excise duty and value added tax is distributed over the period till 22 December 2013.

10. Segment information

Business segments

	Three month period ended 31 March			
	2013		2012	
	Net sales	Gross profit	Net sales	Gross profit
Produced alcoholic products	15,062	2,820	12,531	2,718
Apple products	15	(92)	82	(83)
Unallocated	678	11	579	142
Total	15,755	2,738	13,192	2,777

Geographic segments

	Three month period ended 31 March	
	2013	2012
	Revenue from domestic market customers	12,983
Revenue from foreign customers	2,772	2,114
Total	15,755	13,192

All the Group's assets are located in Lithuania.

11. Legal events

Main court and arbitration proceedings

1. 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. Plass Investments Limited has appealed the judgement of Vilnius Regional Administrative Court dated 20 February 2013 to the Supreme Administrative Court of Lithuania.

2. The Kaunas Regional Court has examined 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 Litass to 3,126,000 Litass and on the increase of the share capital of the company from 3,126,000 Litass to 20,000,000 Litass, 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 Litass, 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 Litass.

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 Litass to 3,126,000 Litass 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 Litass, 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 Litass to 20,000,000 Litass 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 Litass 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 of Kaunas Regional Court is ungrounded and Company Group ALITA, AB has filed an appeal.

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 a few interim measures. 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.

3. 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).

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.

12. Subsequent events

As at 19 April 2013 the annual General Shareholders’ meetings of the Company group ALITA AB and Anykščių vynas AB were held, in which financial statements for the year 2012 of both of the companies were approved, the parent Company's consolidated financial statements were approved and the audit company was elected and payment terms established for the audit of the financial statements for the year 2013.

13. Information about audit

Interim consolidated financial statements were not audited. The audit will be performed for the full financial year 2013.

The comparative information was taken from interim consolidated financial statements and audited consolidated financial statements for the year 2012, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

General Director

Vaidas Mickus

Finance and IT Director

Justinas Damašas