

**AB VILNIAUS DEGTINĖ**

Interim Financial Statements  
for the nine-month period ended on the  
30<sup>th</sup> September 2013  
(unaudited)



## Contents

Company Information .....	3
Confirmation of the Responsible Persons .....	4
Statement on Financial Position .....	5
Comprehensive Income Statement .....	7
Statement of Changes in Equity .....	9
Cash Flows Statement .....	10
Notes .....	11



## **Company Information**

### **AB Vilniaus degtinė**

Telephone: + 370 5 233 08 19

Telefax: + 370 5 231 50 52

Company number: 120057287

Registered at: Panerių Str. 47, Vilnius, Lithuania

### **Management**

Juozas Daunys, Director General

Dalius Rutkauskas, Buying and selling director

Genadij Jurgelevič, Production Manager

### **Board**

Darius Žaromskis

Juozas Daunys

Dalius Rutkauskas

Genadij Jurgelevič

### **Auditor**

UAB Grant Thornton Rimess

### **Banks**

AB DNB bankas

AB SEB bankas

AB Swedbank



## **Confirmation of the Responsible Persons**

In accordance with the provisions Article 22 of Law on the Securities Market of the Republic of Lithuania and regulations for provision and preparation of periodical and additional information, confirmed by the Bank of Lithuania, we, the Director General of Juozas Daunys and Chief Financial Officer Renata Baliūnaitė of AB Vilniaus degtinė, confirm that as we know, the unaudited Interim Financial Statements of AB Vilniaus degtinė for the nine-month period ended on the 30<sup>th</sup> September, 2013, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, are realistic and properly show the assets, liabilities, financial condition, profit or loss, cash flows of AB Vilniaus degtinė.

Director General  
Juozas Daunys

Vilnius,  
29 November, 2013

Chief Financial Officer  
Renata Baliūnaitė



## Statement on Financial Position

As on the 30<sup>th</sup> of September

In LTL	Notes	30.09.2013	31.12.2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	14	31 018 635	33 009 853
Intangible assets	13	10 352 326	11 056 458
Financial assets	15	7 692 749	4 182 729
<b>Total non-current assets</b>		<b>49 063 710</b>	<b>48 249 040</b>
<b>Current assets</b>			
Inventories	16	7 535 892	9 537 895
Prepayments and future expenses	17	186 062	251 495
Trade receivables	18	22 385 014	28 351 868
Other receivables	12,19	18 579	126 567
Cash and cash equivalents	20	641	10 140
<b>Total current assets</b>		<b>30 126 188</b>	<b>38 277 965</b>
<b>TOTAL ASSETS</b>		<b>79 189 898</b>	<b>86 527 005</b>

Notes on pages 11-35 are an integral part of these financial statements.

Director General  
Juozas Daunys

Vilnius,  
29 November, 2013

Chief Financial Officer  
Renata Baliūnaitė



## Statement on Financial Position (cont'd)

As on the 30<sup>th</sup> of September

In LTL	Notes	30.09.2013	31.12.2012
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	21	24 408 431	24 408 431
Legal reserve	21	2 440 843	2 440 843
Retained earnings (loss)		10 123 315	9 473 464
<b>Total equity</b>		<b>36 972 589</b>	<b>36 322 738</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings			
	23	3 415 352	5 054 678
Governmental grants	24	9 056 619	9 657 138
Trade payables		89 631	137 573
Deferred tax liability	11	903 778	724 547
<b>Total non-current liabilities</b>		<b>13 465 380</b>	<b>15 573 936</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings			
	23	14 615 518	13 917 230
Trade payables		5 212 682	6 100 882
Other payables	25	8 923 729	14 612 219
<b>Total current liabilities</b>		<b>28 751 929</b>	<b>34 630 331</b>
<b>Total liabilities</b>		<b>42 217 309</b>	<b>50 204 267</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>79 189 898</b>	<b>86 527 005</b>

Notes on pages 11-35 are an integral part of these financial statements.

Director General  
Juozas Daunys

Vilnius,  
29 November, 2013

Chief Financial Officer  
Renata Baliūnaitė



## Comprehensive Income Statement

As on the 30<sup>th</sup> of September

In LTL	Notes	Jan-Sept 2013	Jan-Sept 2012
<b>Sales revenue</b>	4	<b>37 639 856</b>	<b>39 970 500</b>
Cost of sales		(25 834 383)	(28 812 275)
<b>Gross profit</b>	4	<b>11 805 473</b>	<b>11 158 225</b>
Other income	5	537 687	524 015
Sales and distribution expenses	6	(3 880 029)	(4 429 539)
Administrative expenses	7	(7 262 473)	(6 871 092)
Other expenses	5	(20 130)	(59 070)
<b>Result from operating activities</b>		<b>1 180 528</b>	<b>322 539</b>
Financial income	9	201 157	229 555
Financial expenses	9	(552 603)	(527 755)
<b>Profit (loss) before tax</b>		<b>829 082</b>	<b>24 339</b>
Corporate income tax	10	(179 231)	(35 769)
<b>Profit (loss) for the period</b>		<b>649 851</b>	<b>(11 430)</b>
Basic and diluted earnings (loss) per share	22	0.03	0.00
<b>Other general income (expenditure)</b>		<b>0</b>	<b>0</b>
<b>Total general income (expenditure), less taxes</b>		<b>649 851</b>	<b>(11 430)</b>

Notes on pages 11-35 are an integral part of these financial statements.

Director General  
Juozas Daunys

Vilnius,  
29 November, 2013

Chief Financial Officer  
Renata Baliūnaitė



## Comprehensive Income Statement

As on the 30<sup>th</sup> of September

In LTL	Notes	Jul-Sept 2013	Jul-Sept 2012
<b>Sales revenue</b>	4	<b>12 257 594</b>	<b>12 963 224</b>
Cost of sales		(8 004 393)	(9 482 111)
<b>Gross profit</b>	4	<b>4 253 201</b>	<b>3 481 113</b>
Other income	5	204 637	265 285
Sales and distribution expenses	6	(1 210 872)	(1 342 977)
Administrative expenses	7	(2 377 698)	(2 134 813)
Other expenses	5	(90 760)	(23 490)
<b>Result from operating activities</b>		<b>778 508</b>	<b>245 118</b>
Financial income	9	67 789	67 789
Financial expenses	9	(161 735)	(205 463)
<b>Profit (loss) before tax</b>		<b>684 562</b>	<b>107 444</b>
Corporate income tax	10	(119 036)	(25 807)
<b>Profit (loss) for the period</b>		<b>565 526</b>	<b>81 637</b>
Basic and diluted earnings (loss) per share	22	0.02	0.00
<b>Other general income (expenditure)</b>		<b>0</b>	<b>0</b>
<b>Total general income (expenditure), less taxes</b>		<b>565 526</b>	<b>81 637</b>

Notes on pages 11-35 are an integral part of these financial statements.

Director General  
Juozas Daunys

Vilnius,  
29 November, 2013

Chief Financial Officer  
Renata Baliūnaite



## Statement of Changes in Equity

As on the 30<sup>th</sup> of September

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
<b>Capital and reserves as on 1 January 2012</b>						
Profit (loss) for January-September of 2012		24 408 431	2 440 843	0	9 097 191 (11 430)	35 946 465 (11 430)
<b>Capital and reserves as on 30 September 2012</b>		<u>24 408 431</u>	<u>2 440 843</u>	<u>0</u>	<u>9 085 761</u>	<u>35 935 035</u>
<b>Capital and reserves as on 1 January 2013</b>						
Profit (loss) for January-September of 2013		24 408 431	2 440 843	0	9 473 464 649 851	36 322 738 649 851
<b>Capital and reserves as on 30 September 2013</b>	21	<u>24 408 431</u>	<u>2 440 843</u>	<u>0</u>	<u>10 123 315</u>	<u>36 972 589</u>

Notes on pages 11-35 are an integral part of these financial statements.

Director General  
Juozas Daunys  
Vilnius,  
29 November, 2013

Chief Financial Officer  
Renata Baliūnaitė



## Cash Flows Statement

As on the 30<sup>th</sup> of September

In LTL	Jan-Sept 2013	Jan-Sept 2012
Profit (loss) for the period	649 851	(11 430)
Depreciation and amortisation	2 703 016	2 450 899
Impairment of trade receivables and other receivables	(2 750)	(10 609)
Net financial expenses	217 725	264 972
Gain (loss) on disposal of non-current assets	13	15 297
Corporate income tax expenses	179 231	35 769
Net cash flows from ordinary activities before changes in working capital		
Change in inventories	2 002 003	668 208
Change in prepayments	65 433	(46 446)
Change in trade receivables and other receivables	2 765 432	4 573 199
Change in trade payables and other payables	(6 518 283)	(5 718 484)
Net cash flows from operating activities	(1 685 415)	(523 523)
Income tax paid	0	0
<b>Net cash flows from operating activities</b>	<b>2 061 671</b>	<b>2 221 375</b>
Interest	8 217	0
Proceeds from disposal of non-current assets	0	56 280
Acquisition of property, plant and equipment	(88 008)	(3 574 069)
Acquisition of intangible non-current assets	(17 686)	(9 940)
Acquisition of investments	(5 743)	0
<b>Net cash flows from investing activities</b>	<b>(103 220)</b>	<b>(3 527 729)</b>
Repayment of loans	(1 895 537)	(1 644 716)
Loans received	0	970 353
Increase (decrease) of other financial debt	779 004	969 350
Financial lease payments	(432 535)	(236 134)
Governmental grants received	0	1 815 551
Interest paid	(418 882)	(600 449)
<b>Net cash flows from financing activities</b>	<b>(1 967 950)</b>	<b>1 273 955</b>
<b>Net cash flows from operating, investing and financing activities</b>	<b>(9 499)</b>	<b>(32 399)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>10 140</b>	<b>46 600</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>641</b>	<b>14 201</b>

Notes on pages 11-35 are an integral part of these financial statements.

Director General  
Juozas Daunys

Chief Financial Officer  
Renata Baliūnaitė

Vilnius,  
29 November, 2013



## Notes

### 1 Reporting entity

AB Vilniaus Degtinė (hereinafter referred to as the Company) was registered on the 23<sup>rd</sup> of November 1990 and it is domiciled in Vilnius, Lithuania. The Company has a subsidiary in Rokiškis district. Fifty per cent of the ordinary nominal shares of UAB (Private Limited Company) Dunkeris LT, which was established in July 2013, are owned by the Company. UAB Dunkeris has only just begun to develop its operations in Lithuania.

AB Vilniaus Degtinė is a Lithuanian public listed company with shares traded on AB NASDAQ OMX Vilnius.

**As on the 30<sup>th</sup> of September 2013, its shares are held by the following shareholders**

Shareholder	Number of shares	Nominal value in LTL	Total value in LTL
Sobieski Sp.z.o.o.	16 668 632	1	16 668 632
Darius Žaromskis	3 602 498	1	3 602 498
Swedish clients Skandinaviska Enskilda Banken	2 233 476	1	2 233 476
Daiva Žaromskienė	1 220 422	1	1 220 422
Other shareholders	683 403	1	683 403
<b>Total capital</b>	<b>24 408 431</b>	<b>1</b>	<b>24 408 431</b>

The Company is primarily involved in the production of and trade in alcoholic beverages: vodkas, bitters, liqueurs and other alcoholic beverages. The facilities for alcoholic beverage production are located in Vilnius; however, the spirit production facilities are located with the subsidiary of the Company in Rokiškis district. Here produced electric and thermal energy. Part of electric energy is sold.

The Company has major sales in the local market. The sales to the European Union and foreign markets are continuously increasing. Their weight in the total sales volume are increasing.

The Company employed 141 staff members as on the 30<sup>th</sup> of September 2013 (145 staff members as on the 30<sup>th</sup> of September 2012).

### 2 Summary of significant accounting principles

#### Statement of compliance

Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. Interim Financial Statements are unaudited.

#### Basis of preparation

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

The preparation of the financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are correspond to the present circumstances. On the basis of the assumptions and estimates mentioned, the judgements about carrying values of assets and liabilities that are not readily apparent from other sources are made. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.



## **Notes**

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

#### **Basis of preparation (cont'd)**

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by Management on application of IFRS as adopted by the EU that have significant effect on the financial statements, and estimates of significant adjustments in the next year are discussed in separate Note.

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

#### **Foreign currency**

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

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

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

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

Cash and cash equivalents include cash balances and demand deposits.

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

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

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



## **Notes**

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

#### **Non-derivative financial instruments (cont'd)**

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

#### **Financial derivatives**

The Company did not use or have derivative financial instruments within the period ended on the 30<sup>th</sup> of September 2013.

#### **Non-current tangible assets**

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

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

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

##### **Subsequent costs**

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

##### **Depreciation**

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

The estimated useful lives are as follows:

- Buildings and structures                      8–20 years
- Plant and machinery                          5–20 years
- Vehicles    4–10 years
- Other assets                                        5–15 years

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



## Notes

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

#### Non-current intangible assets

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

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

- Software and licences 3 years
- Sobieski trademark 20 years

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

#### Leased assets

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

#### Inventories

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

The costs of inventories is determines based on FIFO principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity distributed according to norms calculated considering the use of production capacities.

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

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

#### Governmental grants

Grants are accounted following the principle of accumulation, i.e. received grants or parts thereof are recognised as used in the periods, within which grant-related costs are incurred.



## **Notes**

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

#### **Grants are related to assets**

Grants that are related to assets encompass grants received in the form of non-current assets or allotted for acquisition of non-current assets. Grants are accounted at the fair value of the assets received. Grants amortization is later reducing asset depreciation costs within the respective useful service life of the assets.

#### **Impairment**

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

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

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

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

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

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

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

#### **Reversals of impairment**

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



## **Notes**

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

#### **Reversals of impairment (cont'd)**

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

#### **Dividends**

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

#### **Employee benefits**

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

#### **Provisions**

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

#### **Revenue**

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

Revenue from the sale of goods is recognised in the income statement when significant risk and ownership is transferred to the buyer, when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognised net of VAT, excise tax and price discounts directly related to the sales.

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

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

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

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

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



## **Notes**

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

#### **Expenses**

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

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

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

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

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

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

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

##### **Corporate income tax**

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

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

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

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



## **Notes**

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

#### **Segment reporting**

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

#### **Basic and diluted earnings (loss) per share**

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

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

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing current situation and reasonable expected future events. Management of the Company, considering forecasts and budget, borrowing need, fulfilment of obligations, products and markets, financial risk management, having performed operation continuity assessment, considers that there are no obscurities in the assessment of continuity of the Company's activities or doubts concerning its further operation. The Company makes estimates and assumptions concerning future events. Resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

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

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

Management estimates future cash flows from the debtors based on historical loss experience of debtors with similar credit risk. The 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.



## Notes

### 3 Critical accounting estimates and judgements (cont'd)

#### Impairment losses on construction in progress

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

#### Impairment losses on building and land

In 2009 the building with land was purchased. In 2011 property valuations have been carried out and impairment losses on property were recognised.

#### Impairment losses on trademark

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

### 4 Segment reporting

Taking into account the share of sales of the products being sold, the segments are excluded – Finished alcoholic beverages, nutritional ethyl alcohol (rectified and distilled) and its products, denatured ethyl alcohol are produced in the Company and goods for resale (alcoholic beverages, non-alcoholic beverages, etc.). Other income as well as the revenues and costs of financial activity are not classified to the segments; profit taxes are controlled. The revenues from electric energy sales are classified to other income.

#### Revenue and gross profit for January-September 2013

In LTL	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	30 455 368	4 661 202	456 573	2 066 713	37 639 856
Gross profit	11 056 843	486 285	(11 291)	273 636	11 805 473

#### Revenue and gross profit for January-September 2012

In LTL	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	26 740 797	10 567 710	104 459	2 557 534	39 970 500
Gross profit	10 663 109	193 414	47 448	254 254	11 158 225



## Notes

### 4 Segment reporting (cont'd)

#### Revenue and gross profit for July-September 2013

In LTL	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	10 845 465	304 780	407 989	699 360	12 257 594
Gross profit	4 115 959	86 188	(35 476)	86 530	4 253 201

#### Revenue and gross profit for July-September 2012

In LTL	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	8 827 596	3 298 829	18 354	818 445	12 963 224
Gross profit	3 253 485	144 269	10 181	73 178	3 481 113

The Company's primary activities are carried out in the Lithuanian market, in the EU countries and other foreign markets. In January-September 2013, sales to EU and other foreign markets amounted to LTL 7 360 402 (in January-September 2012 – LTL 11 786 386), in July-September 2013, sales to EU and other foreign markets amounted to LTL 1 319 492 (in July-September 2012 – LTL 3 799 101). Considering the share of product sales in foreign markets in total revenue, no geographical segments are singled out.

In LTL	Jan-Sept 2013	Jan-Sept 2012
<b>5 Income and expenses of other activities</b>		
Lease of premises and utilities	83 048	82 785
Income from sales of materials and spare parts	100 840	145 119
Electricity sales profit	221 347	0
Other income	132 452	296 111
Total other income	537 687	524 015
Other expenses	(20 130)	(30 424)
Loss from sales of intangible asstes	0	(15 296)
Loss from sales of electricity	0	(13 350)
Loss from sales of materials and spare parts	0	0
Total other expenses	(20 130)	(59 070)
<b>Net income and expenses of other activities</b>	<b>517 557</b>	<b>464 945</b>



## Notes

In LTL	Jul-Sept 2013	Jul-Sept 2012
<b>Income and expenses of other activities</b>		
Lease of premises and utilities	28 101	27 333
Income from sales of intangible asstes	0	3 629
Income from sales of materials and spare parts	0	51 717
Electricity sales profit	140 832	0
Other income	35 704	182 606
Total other income	204 637	265 285
Other expenses	(6 979)	(10 141)
Loss from sales of materials and spare parts	(83 781)	0
Loss from sales of electricity	0	(13 349)
Total other expenses	(90 760)	(23 490)
<b>Net income and expenses of other activities</b>	<b>113 877</b>	<b>241 795</b>
In LTL	Jan-Sept 2013	Jan-Sept 2012
<b>6 Sales and distribution expenses</b>		
Advertising expenses	(2 364 459)	(2 528 923)
Personnel expenses	(603 091)	(649 191)
Transportation expenses	(469 435)	(822 669)
Market research expenses	(69 837)	(41 022)
Packaging expenses	(57 550)	(54 521)
Other expenses	(315 657)	(333 213)
<b>Total sales and distribution expenses</b>	<b>(3 880 029)</b>	<b>(4 429 539)</b>
In LTL	Jul-Sept 2013	Jul-Sept 2012
<b>Sales and distribution expenses</b>		
Advertising expenses	(784 435)	(789 326)
Personnel expenses	(193 341)	(203 944)
Transportation expenses	(111 000)	(241 670)
Market research expenses	0	(12 416)
Packaging expenses	(15 686)	(13 404)
Other expenses	(106 410)	(82 217)
<b>Total sales and distribution expenses</b>	<b>(1 210 872)</b>	<b>(1 342 977)</b>



## Notes

In LTL		Jan-Sept 2013	Jan-Sept 2012
<b>7</b>	<b>Administrative expenses</b>		
	Personnel expenses	(2 237 132)	(2 123 225)
	Operating taxes	(1 117 916)	(972 240)
	Repairs and maintenance	(205 889)	(225 889)
	Amortisation and depreciation	(1 368 223)	(1 337 781)
	Consulting and training expenses	(300 026)	(363 646)
	Maintenance of cargo vehicles	(411 473)	(273 905)
	Security expenses	(150 474)	(169 374)
	Communications and IT maintenance expenses	(114 311)	(85 114)
	Utilities	(370 701)	(376 747)
	Other expenses	(986 328)	(943 171)
	<b>Total administrative expenses</b>	<b>(7 262 473)</b>	<b>(6 871 092)</b>
In LTL		Jul-Sept 2013	Jul-Sept 2012
	<b>Administrative expenses</b>		
	Personnel expenses	(695 092)	(670 326)
	Operating taxes	(349 497)	(304 501)
	Repairs and maintenance	(74 100)	(82 214)
	Amortisation and depreciation	(473 951)	(435 629)
	Consulting and training expenses	(160 682)	(99 862)
	Maintenance of cargo vehicles	(125 287)	(103 835)
	Security expenses	(50 700)	(45 147)
	Communications and IT maintenance expenses	(38 209)	(28 680)
	Utilities	(93 712)	(39 260)
	Other expenses	(316 468)	(325 359)
	<b>Total administrative expenses</b>	<b>(2 377 698)</b>	<b>(2 134 813)</b>
In LTL		Jan-Sept 2013	Jan-Sept 2012
<b>8</b>	<b>Personnel expenses</b>		
	Wages and salaries	(2 523 660)	(2 404 066)
	Vacation reserve	(271 393)	(325 343)
	Guarantee fund contributions	(5 622)	(5 502)
	Social security contributions	(871 464)	(845 218)
	<b>Total personnel expenses</b>	<b>(3 672 139)</b>	<b>(3 580 129)</b>



## Notes

In LTL	Jul-Sept 2013	Jul-Sept 2012
<b>Personnel expenses</b>		
Wages and salaries	(806 555)	(783 274)
Vacation reserve	(77 196)	(87 539)
Guarantee fund contributions	(1 839)	(1 804)
Social security contributions	(277 220)	(271 650)
<b>Total personnel expenses</b>	<b>(1 162 810)</b>	<b>(1 144 267)</b>

Redundancy pays for January-September 2013, inclusive of social security contributions and guarantee fund contributions, amounted to LTL 16 781 (in January-September 2012 - LTL 31 829), for July-September 2013, inclusive of social security contributions and guarantee fund contributions, amounted to LTL 0 (in July-September 2012 - LTL 10 487).

Personnel expenses for the management (directors) in January-September 2013 amounted to LTL 406 780 (in January-September 2012 - LTL 341 608), of which were amounted to LTL 0 for redundancy pays. No loans and (or) indemnities were granted to the management (directors) and no other financial liabilities or non-financial obligations were undertaken. Other significant transactions for details to Note 27.

Average number of staff members on payroll for January-September 2013 was 138 (142 for January-September 2012).

Average number of managers (directors) for January-September 2013 was 3 (3 for January-September 2012).

In LTL	Jan-Sept 2013	Jan-Sept 2012
<b>9 Financial income and expenses</b>		
Interest income	201 157	201 894
Foreign exchange gain	0	27 650
Other income	0	11
<b>Total financial income</b>	<b>201 157</b>	<b>229 555</b>
Interest expenses	(418 883)	(466 867)
Foreign exchange loss	(7 344)	0
Other expenses	(126 376)	(60 888)
<b>Total financial expenses</b>	<b>(552 603)</b>	<b>(527 755)</b>
<b>Financial income and expenses, net</b>	<b>(351 446)</b>	<b>(298 200)</b>



## Notes

In LTL		Jul-Sept 2013	Jul-Sept 2012		
<b>Financial income and expenses</b>					
Interest income		67 789	67 789		
Foreign exchange gain		0	0		
Total financial income		67 789	67 789		
Interest expenses		(136 940)	(161 082)		
Other expenses		(17 304)	(38 172)		
Foreign exchange loss		(7 491)	(6 209)		
Total financial expenses		(161 735)	(205 463)		
<b>Financial income and expenses, net</b>		<b>(93 946)</b>	<b>(137 674)</b>		
In LTL		Jan-Sept 2013	Jan-Sept 2012		
10	<b>Corporate income tax expenses</b>				
Change in deferred income tax		(179 231)	(35 769)		
<b>Total corporate income tax expenses</b>		<b>(179 231)</b>	<b>(35 769)</b>		
11	<b>Deferred tax</b>	30.09.2013	31.12.2012		
In LTL		Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
Deferred tax asset		5 451 734	817 760	5 872 564	880 885
Deferred tax liability		(11 476 921)	(1 721 538)	(10 702 880)	(1 605 432)
<b>Net deferred tax liability</b>			<b>(903 778)</b>		<b>(724 547)</b>
In LTL		Jan-Sept 2013	Jan-Sept 2012		
<b>Change in the deferred tax</b>					
Deferred tax liability at the beginning of the period		(724 547)	(605 508)		
Deferred tax expenses		(179 231)	(35 769)		
<b>Deferred tax liability at the end of the period</b>		<b>(903 778)</b>	<b>(641 277)</b>		



## Notes

### 12 Corporate income tax

In LTL	Jan-Sept 2013	Jan-Sept 2012
Overpaid corpor. income tax (liability) at the beginning of the period	0	0
Current income tax for the period	0	0
<b>Overpaid corpor. income tax (liability) at the end of the period</b>	<b>0</b>	<b>0</b>

### 13 Intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2012	45 820	547 300	18 913 672	19 506 792
Additions	0	9 940	0	9 940
Cost as of 30 September 2012	45 820	557 240	18 913 672	19 516 732
Accumulated amortisation as of 1 January 2012	42 195	524 874	6 935 013	7 502 082
Amortisation	1 125	8 079	709 262	718 466
Accumulated amortisation as of 30 September 2012	43 320	532 953	7 644 275	8 220 548
<b>Net book value as of 30 September 2012</b>	<b>2 500</b>	<b>24 287</b>	<b>11 269 397</b>	<b>11 296 184</b>
Cost as of 1 January 2013	45 820	557 240	18 913 672	19 516 732
Additions	0	17 686	0	17 686
Cost as of 30 September 2013	45 820	574 926	18 913 672	19 534 418
Accumulated amortisation as of 1 January 2013	43 695	535 882	7 880 697	8 460 274
Amortisation	1 125	11 431	709 262	721 818
Accumulated amortisation as of 30 September 2013	44 820	547 313	8 589 959	9 182 092
<b>Net book value as of 30 September 2013</b>	<b>1 000</b>	<b>27 613</b>	<b>10 323 713</b>	<b>10 352 326</b>

All amortisation expenses are included under administrative expenses.



## Notes

### 14 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Constructi on in progress	Other	Total
Cost as of 1 January 2012	23 914 695	30 696 310	1 202 862	2 179 839	4 035 809	542 029	62 571 544
Additions	1 501 607	1 446 693	0	38 965	561 454	158 932	3 707 651
Write-off and sale of	(105 727)	(26 106)	(2 400)	(4 980)	0	0	(139 213)
Reclassificationnns	10 785 831	(7 556 758)	0	0	(2 687 044)	(542 029)	0
Cost as of the 30 September 2012	36 096 406	24 560 139	1 200 462	2 213 824	1 910 219	158 932	66 139 982
Accumulated impairment of 1 January 2012	2 371 448	0	0	0	477 555	0	2 849 003
Loss of impairment	0	0	0	0	0	0	0
Accumulated impairment of 30 September 2012	2 371 448	0	0	0	477 555	0	2 849 003
Accumulated depreciation as of 1 January 2012	9 112 318	15 276 096	963 781	2 049 093	286 533	0	27 687 821
Write-off and sale of	(34 801)	(26 102)	(2 398)	(4 335)	0	0	(67 636)
Depreciation	616 007	905 629	90 300	48 864	71 633	0	1 732 433
Depreciation (grants)	56 230	77 219	0	0	0	0	133 449
Accumulated depreciation as of 30 September 2012	9 749 754	16 232 842	1 051 683	2 093 622	358 166	0	29 486 067
<b>Net book value as of 30 September 2012</b>	<b>23 975 204</b>	<b>8 327 297</b>	<b>148 779</b>	<b>120 202</b>	<b>1 074 498</b>	<b>158 932</b>	<b>33 804 912</b>
Cost as of 1 January 2013	36 096 406	24 225 356	1 200 462	2 142 060	1 910 219	0	65 574 503
Additions	0	347 402	199 504	18 606	1 000	24 000	590 512
Write-off and sale of	0	(189 482)	(10 924)	(2 479)	0	0	(202 885)
Reclassificationnns	0	0	0	0	0	0	0
Cost as of 30 September 2013	36 096 406	24 383 276	1 389 042	2 158 187	1 911 219	24 000	65 962 130
Accumulated impairment of 1 January 2013	2 371 448	0	0	0	477 555	0	2 849 003
Accumulated impairment of 30 September 2013	2 371 448	0	0	0	477 555	0	2 849 003
Accumulated depreciation as of 1 January 2013	10 108 503	16 089 856	1 074 081	2 061 163	382 044	0	29 715 647
Write-off and sale of	0	(189 474)	(10 922)	(2 476)	0	0	(202 872)
Depreciation	823 217	967 408	83 752	35 188	71 633	0	1 981 198
Depreciation (grants)	253 032	347 487	0	0	0	0	600 519
Accumulated depreciation as of 30 September 2013	11 184 752	17 215 277	1 146 911	2 093 875	453 677	0	32 094 492
<b>Net book value as of 30 September 2013</b>	<b>22 540 206</b>	<b>7 167 999</b>	<b>242 131</b>	<b>64 312</b>	<b>979 987</b>	<b>24 000</b>	<b>31 018 635</b>



## Notes

In LTL		Jan-Sept 2013	Jan-Sept 2012
<b>14</b>	<b>Property, plant and equipment (cont'd)</b>		
	<b>Distribution of depreciation costs</b>		
	Cost of sales and write-off	1 200 536	1 005 798
	Inventories	114 547	76 896
	Administrative and other expenses	666 115	649 739
	<b>Total distribution of depreciation cost</b>	<b>1 981 198</b>	<b>1 732 433</b>
In LTL		30.09.2013	31.12.2012
<b>15</b>	<b>Financial assets</b>		
	Long-term loans granted	3 164 077	3 164 077
	Interest receivable	1 211 592	1 018 652
	Investments in associated companies	5 743	0
	Trade receivables from comp. from the group	3 311 337	0
	<b>Total financial assets</b>	<b>7 692 749</b>	<b>4 182 729</b>
Term of repayment of the loan and interest – August 2015. The loan was issued in Euros.			
In LTL		30.09.2013	31.12.2012
<b>16</b>	<b>Inventories</b>		
	Raw materials	5 057 434	6 518 216
	Finished goods	1 599 571	1 846 446
	Goods for resale	781 629	1 102 115
	Work in progress	97 258	71 118
	<b>Total inventories</b>	<b>7 535 892</b>	<b>9 537 895</b>
As of 30 <sup>th</sup> of September 2013, the remainder of grain stored at the third parties warehouses is worth of LTL 135 323, of bottles worth of LTL 31 541.			
In LTL		30.09.2013	31.12.2012
<b>17</b>	<b>Prepayments and deferred expenses</b>		
	Prepayments to suppliers	24 809	76 767
	Deferred advertising expenses	88 426	62 289
	Other expenses	72 827	112 439
	<b>Total prepayments and deferred expenses</b>	<b>186 062</b>	<b>251 495</b>



## Notes

In LTL	30.09.2013	31.12.2012
<b>18 Trade receivables</b>		
Trade receivables from comp. not from the group	19 189 368	23 100 782
Impairment allowance from comp. not from the group	(148 022)	(149 249)
Trade receivables from comp. from the group	3 343 668	5 400 335
<b>Net trade receivables</b>	<b>22 385 014</b>	<b>28 351 868</b>
In LTL	30.09.2013	31.12.2012
<b>Change in impairment of receivables for bad debts</b>		
Impairment allow. for bad debts at the beginning of the period	(149 249)	(188 082)
Impairment allowance	0	(1 614)
Reverse of impairment allowance	1 227	40 447
<b>Impairment allowance for bad debts at the end of the period</b>	<b>(148 022)</b>	<b>(149 249)</b>
Impairment losses are recognized to pay overdue for 1 year or more.		
In LTL	30.09.2013	31.12.2012
<b>19 Other receivables</b>		
Other receivables	18 579	126 567
Doubtful receivables	487 815	489 338
<b>Total other receivables before write-down allowance</b>	<b>506 394</b>	<b>615 905</b>
Impairment allowance	(487 815)	(489 338)
<b>Total other receivables, net</b>	<b>18 579</b>	<b>126 567</b>
In LTL	30.09.2013	31.12.2012
<b>Change in impairment allowance of receivables</b>		
Impairment allow. for receivables at the beginning of the period	(489 338)	(495 581)
Reverse of impairment allowance	1 523	6 243
<b>Impairment allowance for receivables at the end of the period</b>	<b>(487 815)</b>	<b>(489 338)</b>



## Notes

In LTL	30.09.2013	31.12.2012
<b>20 Cash and cash equivalents</b>		
Cash at bank and in hand	641	84 035
Limited use of the cash with the bank account (decision of the Council of the EU to Belarus)	0	(73 895)
<b>Total cash and cash equivalents</b>	<b>641</b>	<b>10 140</b>

## 21 Capital and reserves

### Share capital

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

### Legal reserve

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

## 22 Basic and diluted earnings (loss) per share

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

	Jan-Sept 2013	Jan-Sept 2012
Number of shares	24 408 431	24 408 431
Profit (loss) for the period attributable to the equity holders, in LTL	649 851	(11 430)
<b>Basic and diluted earnings (loss) per share, in LTL</b>	<b>0.03</b>	<b>0.00</b>

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



## Notes

In LTL	30.09.2013	31.12.2012
<b>23 Interest bearing loans and borrowings</b>		
<b>Non-current liabilities</b>		
Bank loans	3 159 141	5 054 678
Financial lease (leasing) liabilities	256 211	0
<b>Total non-current liabilities</b>	<b>3 415 352</b>	<b>5 054 678</b>
<b>Current liabilities</b>		
Overdraft, factoring	11 923 476	11 144 472
Bank loans	2 527 383	2 527 383
Financial lease (leasing)	164 659	245 375
<b>Total current liabilities</b>	<b>14 615 518</b>	<b>13 917 230</b>
<b>Total</b>	<b>18 030 870</b>	<b>18 971 908</b>

In LTL	Total	Up to 1 year	1-5 years	Over 5 ears
<b>Terms and repayment schedule</b>				
Bank overdraft	9 805 591	9 805 591	0	0
Factoring	2 117 885	2 117 885	0	0
Bank loans	5 686 524	2 527 383	3 159 141	0
Financial lease	420 870	164 659	256 211	0
<b>Total financial liabilities</b>	<b>18 030 870</b>	<b>14 615 518</b>	<b>3 415 352</b>	<b>0</b>

Redemption date of long-term credits – December 2015, of credit lines – August 2014, of factoring – September 2014. In order to secure the bank loans, the Company has pledged its assets. For further comments refer to Note 28.

Under financial lease agreements, the Company's assets consist of vehicles. Financial lease terms are up to 3 years.

In LTL	30.09.2013	31.12.2012
<b>24 Governmental grants</b>		
Balance value at the beginning of the period	9 657 138	8 175 209
Grants received	0	1 815 551
Amortization	(600 519)	(333 622)
<b>Balance value at the end of the period</b>	<b>9 056 619</b>	<b>9 657 138</b>

The support was granted of the Project "Using distillery refuse (broga) for the production of electric power" for acquisition of non-current assets. The Project was finished in 2012. Part of the produced electric power is sold, and another part is used in the industrial activities of the Company. The amortization of the grant is accounted in the items of the „cost of sales" of the Comprehensive Income Statement. The amortization of the grant decreases the cost of depreciation of the related non-current tangible assets.



## Notes

In LTL	30.09.2013	31.12.2012
<b>25 Other payables</b>		
Payable excise tax	6 059 422	8 896 667
Payable VAT	2 049 696	4 875 666
Wages, vacation reserve and social security	663 816	482 905
Other taxes payable	56 173	189 849
Accrued expenses	29 176	126 919
Other payables	65 446	40 213
<b>Total other payables</b>	<b>8 923 729</b>	<b>14 612 219</b>

## 26 Financial risk management

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

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

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

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

### Credit risk

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

The Company controls credit risk or risk by using credit conditions and procedures of market analysis. The Company has no significant credit risk concentration because it is distributed among different buyers.

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



## **Notes**

### **26 Financial risk management (cont;d)**

#### **Liquidity risk**

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

The Company's policy is to maintain sufficient cash to cover planned operating expenditure, including financial liabilities; such security does not cover the influence unforecastable force majeure (such as natural calamities). Moreover, the Company has concluded a contracts for bank overdrafts in LTL and EUR.

#### **Market risk**

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

#### **Interest rate risk**

The Company's borrowings are subject to variable interest rates related to EURIBOR, LIBOR EUR and VILIBOR. As of 30<sup>th</sup> September 2013, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

#### **Foreign exchange risk**

The functional currency of the Company is Litas (LTL). The Company does not face foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas or Euro. The risk related to the transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to Euro at a fixed rate 3.4528. The Company did not have any material exposure in other foreign currencies.

#### **Capital management**

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

The Board also strives for maintaining the balance between higher return, which could be achieved through a higher level of borrowed funds, and safety, which is provided by a higher level of owner's equity. Equity makes at least 50 percent of authorised capital with share premium.

The Company's capital management policy did not change.



## Notes

### 27 Related party transactions

#### Related parties of the Company are:

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

#### Parent and ultimate parent companies are as follows:

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

#### Other main related parties are:

Company, person	Relationship
UAB Belvedere prekyba	Belvedere group company
Belvedere Scandinavia A/S	Belvedere group company
Sobieski Destylarnia S.A.	Belvedere group company
Vinimpex PLC	Belvedere group company
UAB Belvedere Baltic	Belvedere group company
Fabryka Wodek Polmos Landut	Belvedere group company
PHP Wiesław Wawrzyniak	Belvedere group company
Moncigale S.A.S.	Belvedere group company
Gognac Gautier	Belvedere group company
Marie Brizard&Roger Inten.	Belvedere group company
Marie Brizard Espagne	Belvedere group company
IOOO Galiart	Belvedere group company
Chais Beaucairois SAS	Belvedere group company
Domain Menada Sp. Z.o.o.	Belvedere group company
Belvedere Distribution SIA	Belvedere group company
Natural persons	Shareholders
Natural persons	Board members
Natural persons	Management members (directors)



## Notes

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

#### Sales to and purchases from related parties

	Type of transaction	Jan-Sept 2013	Jan-Sept 2012
Purchases	Inventories	461 151	459 656
Purchases	Other expenses	0	12 555
Purchases	Services	344 964	407 347
<b>Total purchases</b>		<b>806 115</b>	<b>879 558</b>
Sales	Inventories incl. excise tax	32 720 623	38 190 394
Sales	Other income	201 147	201 894
Sales	Services	79 799	77 969
<b>Total sales incl. excise tax</b>		<b>33 001 569</b>	<b>38 470 257</b>
Excise tax		(21 222 899)	(20 863 901)
<b>Total sales net of excise tax</b>		<b>11 778 670</b>	<b>17 606 356</b>

#### Balances outstanding with related parties

	30.09.2013	31.12.2012
<b>Trade receivables</b>	<b>11 030 674</b>	<b>9 583 064</b>
<b>Trade payables</b>	<b>271 865</b>	<b>275 724</b>

Impairment loss of amounts receivable were not recognised. Information on the loans granted to the associated company and amounts of interest payable (in this note provided as amounts receivable) is provided in Note 15. Raw materials for alcoholic beverages production as well as alcoholic beverages are purchased from Belvedere group companies. Alcoholic beverages and rectified ethyl alcohol are sold to Belvedere group companies. Interest rates and all outstanding related party transactions are priced at market prices.

Personnel expenses to the Company's management (directors) is enclosed in the Note 8.

### 28 Off-balance liabilities

#### As a security for the loan facilities, the following assets have been pledged

In LTL	30.09.2013	31.12.2012
Carrying amount of pledged buildings and structures	21 913 002	22 969 072
Carrying amount of pledged equipments	5 624 169	6 347 275
Carrying amount of pledged trademarks	10 323 713	11 032 975
Carrying amount of pledged inventories	7 535 892	9 537 895
Cash and cash equivalents in accounts of bank	0	9 202
Amounts receivable from buyers (the right of claim)	22 385 014	27 000 000
Rights of land lease	0	0

The Company controls and executes the financial liabilities, indices set by the bank and additional requirements.



## Notes

### 29 Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties at market prices but not in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Fair value of assets and liabilities provided in the balance sheet as on the 30<sup>th</sup> of September 2013 does not significantly differ from their carrying amount, except for non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

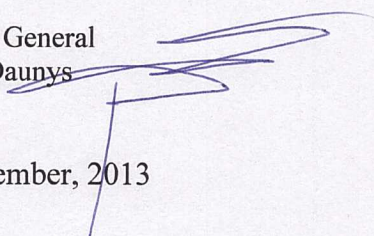
#### **Financial assets and financial liabilities as on the 30<sup>th</sup> of September 2013**

In LTL	Carrying amount	Fair value
Granted long-term loans and other receivables, investments	7 692 749	7 692 749
Advance payments and deferred expenditure	186 062	186 062
Trade receivables	22 385 014	22 385 014
Other receivables	18 579	18 579
Cash and cash equivalents	641	641
<b>Total financial assets</b>	<b>30 283 045</b>	<b>30 283 045</b>
Loan and other interest-bearing amounts	18 030 870	18 030 870
Trade payables	5 302 313	5 302 313
Other payables	8 923 729	8 923 729
<b>Total financial liabilities</b>	<b>32 256 912</b>	<b>32 256 912</b>

### 30 Events after the reporting period

After the reporting period there were no events which influence the financial results of the Company.

Director General  
Juozas Daunys



Vilnius,  
29 November, 2013

Chief Financial Officer  
Renata Baliūnaitė

