Company Group ALITA, AB
ANNUAL REPORTS
2013

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Company Group ALITA, AB

Consolidated annual financial statements for the year ended 31 December 2013

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

Auditor

KPMG Baltics, UAB

Banks

Swedbank, AB
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Independent Auditor's Report

To the Shareholders of the Company Group ALITA AB

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Company Group ALITA, AB and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, set out on pages 8–49.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of these consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company Group ALITA, AB as at 31 December 2013, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Company code: 111494971
VAT code: LT114949716

Emphasis of Matter

Without qualifying our opinion, we draw attention that the subsidiary company AB Anykščių Vynas incurred a net loss of 438 thousand Litas for the year ended 31 December 2013 (2012: loss of 2,331 thousand Litas) and, as at that date, the subsidiary company had accumulated losses of 7,240 thousand Litas and net current liabilities of 6,489 thousand Litas. Under the agreement with the Bank, extended in December 2013, the subsidiary company was contractually committed to repay a credit facility of 7,432 thousand Litas by 31 March 2014; however, on 17 March 2014 agreement with the Bank was reached and credit facility was extended to 31 December 2014. The Management of the Group is in negotiation with the Bank and expects to reach an agreement with the Bank on the extension beyond 2015 of its repayment commitments. Management's projections for the subsidiary company and its assumptions used in the impairment testing of property, plant and equipment depend on the financing made available. Although Management remains confident of a successful outcome, and has therefore prepared these financial statements on the basis of the subsidiary company being a going concern, as at the date of this report, no extension beyond 2015 has been agreed. The subsidiary company's ability to continue as a going concern depends on the continued financial support by the Bank, the extension of repayment term for the credit facility and adequate financing for implementation of the forecasts, which have been developed by the Management and approved by the Board. Should the finance not be extended, it is unlikely that the subsidiary company could continue as a going concern. These financial statements do not reflect the adjustments, if any, that would be required if the subsidiary company is unable to continue as a going concern.

In addition, without qualifying our opinion, we draw your attention to Note 29 to the consolidated financial statements "Contingent liabilities and assets" which contains information relevant to the ability of the Company Group ALITA, AB to continue as a going concern and other matters considered to be fundamental to these financial statements. Note 29 includes information on an ongoing dispute between the Serbian Privatization Agency and the Company Group ALITA, AB and on a litigation between Plass Investments Limited, a minority shareholder and the Company Group ALITA, AB and its current majority shareholders. The final outcome of the litigation referred to in this Note is unknown at the date of signing these financial statements, although as referred to in Note 29, in respect of the shareholder litigation, a decision on 14 March 2014 of the Court of Appeals in Lithuania reversed previous judgments and found in favour of the existing majority shareholders of the Company Group ALITA, AB. The ability of the Company Group ALITA, AB to continue as a going concern depends on the final outcome of the litigation referred to above.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated annual report of the Company Group ALITA, AB for the year ended 31 December 2013, set out on pages 96–114 of the consolidated financial statements, and have not identified any material inconsistencies between the financial information included in the consolidated annual report and the consolidated financial statements of the Company Group ALITA, AB for the year ended 31 December 2013.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
19 March 2014

(in thousand Litas, unless otherwise stated)

Consolidated statement of financial position

	Notes	31 December 2013	31 December 2012*
Assets			
Intangible assets	6	165	435
Investment property	8	1,631	1,596
Property, plant and equipment	7	50,628	54,544
Available-for-sale financial assets	9	6,766	5,520
Deferred tax assets	27	167	1,037
Total non-current assets		**59,357**	**63,132**
Inventories	10	16,190	15,617
Prepayments	11	1,029	584
Trade accounts receivable	12	22,897	24,234
Other accounts receivable	13	312	295
Cash and cash equivalents	14	4,206	2,347
Total current assets		**44,634**	**43,077**
Total assets		**103,991**	**106,209**
Shareholders' equity			
Share capital	15	20,000	20,000
Share premium		74,198	74,198
Reserves		3,187	2,128
Retained earnings (accumulated losses)		(79,391)	(82,834)
Total equity attributable to the equity holders of the parent Company		**17,994**	**13,492**
Non-controlling interest		651	680
Total shareholders' equity		**18,645**	**14,172**
Liabilities			
Long-term bank loans and borrowings	18	36,588	44,778
Government grants	19	1,357	1,992
Employee benefits	20	905	290
Total non-current liabilities		**38,850**	**47,060**
Short-term bank loans and borrowings	18	28,080	24,162
Provisions	21	537	-
Trade accounts payable		7,893	11,064
Other accounts payable	17	9,986	9,751
Total current liabilities		**46,496**	**44,977**
Total liabilities and shareholders' equity		**103,991**	**106,209**

* change in classification of items is described in Note 4.

The notes on pages 12–49 are an integral part of these consolidated financial statements.

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

(in thousand Litas, unless otherwise stated)

Consolidated statement of comprehensive income

	Notes	2013	2012*
Gross sales revenue		155,393	136,546
Excise tax		(59,484)	(58,648)
Revenue		**95,909**	**77,898**
Cost of sales	26	(67,618)	(52,075)
Gross profit		**28,291**	**25,823**
Other income	24	983	268
Selling and distribution expenses	22	(12,521)	(10,078)
General and administrative expenses	23	(9,251)	(11,048)
Other expenses	24	(44)	(192)
Operating profit		**7,458**	**4,773**
Finance income	25	31	8
Finance costs	25	(2,778)	(3,085)
Net finance costs		**(2,747)**	**(3,077)**
Profit before income tax		**4,711**	**1,696**
Income tax	27	(775)	(510)
Net profit (loss)		**3,936**	**1,186**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability		(615)	-
Revaluation of property, plant and equipment		-	696
Effect of deferred tax		93	(104)
		(522)	**592**
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets	9	1,246	(334)
Effect of deferred tax	27	(187)	50
		1,059	**(284)**
Total other comprehensive income		**537**	**308**
Total comprehensive income for the reporting year		**4,473**	**1,494**
Net profit (loss) attributable to:			
Owners of the company		3,958	1,305
Non-controlling interest		(22)	(119)
Total net profit (loss)		**3,936**	**1,186**
Total comprehensive income attributable to:			
Owners of the company		4,502	1,613
Non-controlling interest		(29)	(119)
Total comprehensive income		**4,473**	**1,494**
Basic and diluted earnings per share (in Litas)	16	0.20	0.07

* change in classification of items is described in Note 4.

The notes on pages 12–49 are an integral part of these consolidated financial statements.

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

(in thousand Litas, unless otherwise stated)

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Compulsory reserve	Fair value reserve	Revaluation reserve	Retained earnings (accumulated losses)	Total shareholders' equity	Non-controlling interest	Total equity
		Attributable to equity holders								
Balance as at 31 December 2011		**20,000**	**74,198**	**5,083**	**(3,263)**	**-**	**(84,139)**	**11,879**	**799**	**12,678**
Net profit (loss) for the year		-	-	-	-	-	1,305	1,305	(119)	1,186
Other comprehensive income		-	-	-	(284)	592	-	308	-	308
Balance as at 31 December 2012		**20,000**	**74,198**	**5,083**	**(3,547)**	**592**	**(82,834)**	**13,492**	**680**	**14,172**
Net profit (loss) for the year		-	-	-	-	-	3,958	3,958	(22)	3,936
Other comprehensive income		-	-	-	1,059	-	(515)	544	(7)	537
Balance as at 31 December 2013		**20,000**	**74,198**	**5,083**	**(2,488)**	**592**	**(79,391)**	**17,994**	**651**	**18,645**

The notes on pages 12–49 are an integral part of these consolidated financial statements.

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

(in thousand Litas, unless otherwise stated)

Consolidated statement of cash flows

	Notes	2013	2012
Cash flow from operating activities:			
Net profit (loss)		3,936	1,186
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortisation	6, 7, 8, 19	3,418	4,153
Impairment and write-off of accounts receivable	12	26	66
Change in impairment of investment property and property, plant and equipment	7, 8	-	(76)
Write-offs of property, plant and equipment	7	108	867
(Profit) loss from sale of property, plant and equipment	24	(718)	133
Write-down of inventories	23	265	236
Provisions		537	-
Interest paid	25	2,169	2,586
Interest, dividend received	25	(31)	(1)
Deferred income tax	27	775	510
		10,485	9,660
Changes in current assets and current liabilities:			
(Increase) decrease in inventories	10	(838)	(1,931)
(Increase) decrease in trade accounts receivable	12	1,312	3,491
Increase (decrease) in prepayments	11	(446)	(58)
(Increase) decrease in other accounts receivable	13	(17)	227
Increase (decrease) in trade payables		(3,171)	823
Increase (decrease) in other accounts payable	17	6,787	(10,607)
Net cash flows from operating activities		**14,112**	**1,605**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	7	(473)	(110)
Acquisition of intangible assets	6	(27)	(116)
Proceeds from sale (write-off) of property, plant and equipment	24	1,338	(133)
Interest, dividend received	25	31	1
Net cash used in investing activities		**869**	**(358)**
Cash flows from financing activities:			
Loans received		-	7,000
Repayment of loans		(10,953)	(4,264)
Interest paid	24	(2,169)	(2,586)
Net cash used in financing activities		**(13,122)**	**150**
Increase (decrease) in cash and cash equivalents		**1,859**	**1,397**
Cash and cash equivalents at the beginning of the year		**2,347**	**950**
Cash and cash equivalents at the end of the year	14	**4,206**	**2,347**

The notes on pages 12–49 are an integral part of these consolidated financial statements.

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

(in thousand Litas, unless otherwise stated)

Notes

1. Reporting entity

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

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

As at 31 December 2013 the authorised share capital of the Company Group ALITA, AB amounted to 20,000,000 Litas and was divided into 20,000,000 ordinary registered shares with the nominal value of 1 Litas each.

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

The shareholders as at 31 December 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 is Sweden.

The Company Group ALITA, AB (the Parent or the Company) holds 18,980,045, or 94.90%, of the total registered shares in AB Anykščių Vynas, each of 1 Litas in nominal value. As at 31 December 2013 the authorised share capital of the subsidiary amounted to 20,000,000 Litas and was divided into 20,000,000 ordinary registered shares with the nominal value of 1 Litas each.

The consolidated financial statements include the parent Company Group ALITA, AB and its subsidiary AB Anykščių Vynas (94.90%). 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 (IFRSs) as adopted by the European Union. The Parent company also produces separate financial statements prepared in accordance with IFRSs as adopted by the EU.

These consolidated annual financial statements were prepared and signed by the management on 19 March 2014. The shareholders have a right to reject the consolidated financial statements and request that they be amended and reissued.

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

2. Basis of preparation (cont'd)

New standards, amendments and interpretations

The accounting policies applied by the Group to all reporting periods in these financial statements are consistently applied, unless otherwise stated. New and revised International Financial Reporting Standards and interpretations were issued that will be effective for the preparation of the consolidated financial statements of the Group for the reporting periods starting 1 January 2014. The Group has decided not to early adopt any of the revised, new standards and interpretations. Management's estimations on the first time adoption of the new and revised standards and interpretations are provided below.

(a) Changes in accounting policies

Except for the changes below and in Note 4, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

(i) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard (see Notes 5 (Financial risk management), 8 (Investment property), 9 (Available-for-sale financial assets)).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(ii) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group has modified the presentation of items in the statement of other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(iii) Other amendments to standards

The following amendments to standards with effective date of 1 January 2013 did not have any impact on these financial statements:

- Amendment to IFRS 7 – Offsetting of Financial Assets and Liabilities;
- Amendment to IAS 19 (2011) – Employee Benefits;
- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets.

(b) New standards and interpretations not yet adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Group as well as management's judgements regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Group does not plan to adopt these amendments, standards and interpretations early.

2. Basis of preparation (cont'd)

(b) New standards and interpretations not yet adopted (cont'd)

(i) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. The Group does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group does not expect the new Standard will have a material impact on the financial statements.

These standards are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

(ii) *Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)*

Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively) clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Group does not expect the Amendments to have any impact on the financial statements since the Group does not apply offsetting to any of its financial assets and financial liabilities and has not entered into master netting arrangements.

(iii) *Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)*

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period. The Amendments also require additional disclosures related to fair value hierarchy when an impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs of disposal. The Group does not expect the new Standard will have a material impact on the financial statements.

Basis of measurement

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

The consolidated financial statements are prepared on a going concern basis. More information on the measures applied by the Group to ensure its activity to continue as a going concern is disclosed in Note 31 "Information on the Group as a Going Concern".

Basis for consolidation

(i) Subsidiaries

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

(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.

2. Basis of preparation (cont'd)

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 IFRSs, 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 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.

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.

Determination of fair values

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment is included in the following notes:

Note 8 – Investment property
Note 9 – Available-for-sale financial assets

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.

The carrying amounts of property, plant and equipment are disclosed in Note 7.

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 profit or loss, 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.

The carrying amounts of receivables are disclosed in Notes 12 and 13.

Recognition of deferred tax asset

A deferred tax asset is recognised 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 reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amounts of deferred tax asset are disclosed in Note 27.

2. Basis of preparation (cont'd)

Use of estimates and judgments (cont'd)

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.

The carrying amounts of property, plant and equipment are disclosed in Note 7.

Going concern

For going concern judgment see Note 31.

Production costs

The allocation of fixed production overheads to cost of production is based on the normal capacity of the production facilities. The amount of fixed overhead allocated to each production unit is not increased as a consequence of low production. Unallocated overheads are recognised as an expense in a period in which they are incurred. Variable production overheads are allocated to each unit of production on the basis of actual use of the production facilities.

Measurement of defined benefit obligations

The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. Estimation of the future benefit involves actuarial assumptions, such as future salary increase and discount rate.

The key actuarial assumptions used for measurement of post-employment benefits and their carrying amounts are disclosed in Note 20.

3. Significant accounting principles

Foreign currency

Transactions in foreign currencies are translated into Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost or at fair value 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 recognised in profit or loss.

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 with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

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

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised on the trade date. Financial assets are derecognised 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. The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible. Financial liabilities are derecognised if the obligations of the Group specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3. Significant accounting principles (cont'd)

Financial instruments (cont'd)

Non-derivative financial instruments (cont'd)

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 amortised 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 equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Loans and borrowings and other financial liabilities, including trade payables are subsequently stated at amortised 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 exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value; directly attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for in profit or loss.

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.

Property, plant and equipment

Recognition and measurement

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

The buildings were accounted as follows:

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

According to the deemed cost exemption under IFRS 1, which permits the carrying amount of an item of property, plant and equipment to be measured at the date of first-time adoption of IFRS based on a deemed cost, the buildings acquired before 1 January 1996 were measured at indexed cost less indexed accumulated depreciation and estimated impairment losses, and these values were treated as deemed cost at that date. All property, plant and equipment acquired after 31 December 1995, is 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.

3. Significant accounting principles (cont'd)

Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

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 profit or loss.

Subsequent costs

The Group recognises 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 recognised in profit or loss as an expense as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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 profit or loss 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 profit or loss.

Intangible assets

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

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is charged to profit or loss on a straight-line basis. The Group's intangible assets are amortised over 1–3 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting principles (cont'd)

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. Investment property is initially measured at cost and subsequently at fair value at the end of each reporting period with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Investment property is derecognised when either it has been disposed or when an investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss in the year of retirement or disposal. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of a long term (over 18 months) operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

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 recognised as income in profit or loss.

3. Significant accounting principles (cont‘d)

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, and includes expenditure incurred in acquiring the inventories, production and conversion costs, and other costs inquired in bringing them to their existing location and condition.

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 and assets and liabilities of disposal groups held for sale, that are expected to be recovered primarily through sale within 12 months rather than through continuing use, are classified 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 recognised in profit or loss.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss 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 a specific asset level.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Any interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

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

3. Significant accounting principles (cont'd)

Impairment (cont'd)

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.

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 and reversals of impairment are stated in profit or loss under general and administrative expenses.

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 if there has been a change in the estimates used to determine the recoverable amount. 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

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Lithuanian legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings recognised as a liability in the Group's financial statements in the period when they are approved by the shareholders of the Group.

Government grants and subsidies

Two types of grants are recognised:

a) asset related grants are grants received as property, plant and equipment 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 recognised in profit or loss over the remaining period of useful life of the related property, plant and equipment, for which the grant was received.

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

Provisions

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

Employee benefits

Short-term employee benefits

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

Social security contributions

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

3. Significant accounting principles (cont'd)

Employee benefits (cont'd)

Termination benefits

Termination benefits are recognised in profit or loss 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.

Post-employment employee benefits

According to the collective agreements effective in the Group, each employee upon termination of employment at the retirement age, is entitled to receive a certain compensation. The compensation depends on the duration of the employment. The post-employment benefits are accounted as a defined benefit plan.

The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The Group holds no plan assets. The calculation of defined benefit obligations is performed annually using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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 recognised in profit or loss as the services are rendered. The revenue recognised 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, transfer usually occurs when the products are loaded for shipping from the Group's warehouse and the sales invoice is issued.

Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

Lease payments

Payments made under operating and other short term leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3. Significant accounting principles (cont'd)

Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), profit from sales of available-for-sale financial assets, changes in fair value of financial assets at fair value through profit or loss, currency exchange gain. Interest income is recognised in profit or loss 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 recognised in profit or loss using the effective interest method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to the items recognised through other comprehensive income or directly in equity, in which case it is recognised 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 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 that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority.

A deferred tax asset is recognised 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.

When calculating the income tax for 2014 and subsequent years, the amount of tax loss carried forward cannot exceed 70% of taxable profit of the tax period.

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.

The Group has two segments of operations, which are its reportable segments. These divisions offer different products and are managed separately because they require different technologies and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segment	**Operations**
Alcoholic beverages	Production and sales of various alcoholic beverages
Apple products	Production of apple juice, concentrated apple juice and other apple based non-alcohol products
Unallocated	Sales of raw materials and commodities, sales of products in specialized store and other

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.

3. Significant accounting principles (cont'd)

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 the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment property

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

Equity securities

The fair value of equity securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted or no active market exists, 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. Fair value of trade and other receivables with outstanding maturities shorter than six months with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial. 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. Market interest rate was determined at 2.8% as at 31 December 2013 (31 December 2012: 2.9%). For finance leases the market rate of interest is determined by reference to similar lease agreement. Fair value of shorter term financial liabilities with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial.

(in thousand Litas, unless otherwise stated)

4. Change in classification

(a) Classification of costs

During 2013, the Group modified the classification of certain cost items to reflect more appropriately the way in which economic benefits are derived from. Comparative amounts in the statement of comprehensive income were restated for consistency of presentation.

a) Before 1 January 2013 the costs relating to the collection of packaging materials of the products distributed in the Lithuanian market, being a fee paid to the government licensed agency or a state pollution tax were accounted under general and administrative expenses. After the review of the Group's accounting policy the management decided that these costs are part of the cost of sales. The Group's management believes that the change provides more accurate presentation of cost of sales and gross profit.

b) After the review of the costs allocation the Group's management decided that the administrative costs of the production units has to be reclassified to the cost of sales as indirect production costs.

c) The incidental revenue from the transportation service provided to the customers of the Group and related costs were reclassified to other activity income and expenses. Management believes that the change provides more relevant information about the main activities of the Group.

Reconciliation between the amounts of the specific line items of the statement of comprehensive income presented in the consolidated financial statements as at 31 December 2012 and the reclassified amounts of 2012 presented in the current financial statements is disclosed below:

	Previous financial statements as at 31 December 2012	**a)**	**b)**	**c)**	**Adjusted as at 31 December 2012**
Revenue	77,935			(37)	77,898
Cost of sales	(50,007)	(1,265)	(813)	10	(52,075)
Gross profit	**27,928**	**(1,265)**	**(813)**	**(27)**	**25,823**
Other income	231			37	268
Selling and distribution expenses	(9,502)		(576)		(10,078)
General and administrative expenses	(13,702)	1,265	1,389		(11,048)
Other expenses	(182)			(10)	(192)
Operating profit	**4,773**	**-**	**-**	**-**	**4,773**

(b) Tax loan reclassification

During 2013 the Group has changed the presentation of tax loans: now they are presented as long-term or short-term borrowings depending on terms of settlement. In the opinion of the management, this provides a better presentation of the liabilities of the Group. Comparative amounts in the statement of financial position were restated for consistency of presentation: tax loan amounting to 1,884 thousand Litas was reclassified from other accounts payable to short-term bank loans and borrowings as at 31 December 2013.

The reclassifications have no effect on the information in the statement of financial position as at 31 December 2013; therefore, the statement of financial position at the beginning of the preceding period is not presented.

(in thousand Litas, unless otherwise stated)

5. Financial risk management

The Group has exposure to the following risks:

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

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

The Board of Directors has responsibility for the establishment and oversight of the Group's risk management framework. The achievement of risk management goals in the Group is organized in such a way that risk management is a part of normal business operations and management. Risk management is a process of identifying, assessing and managing business risks that can prevent or jeopardize the achievement of business goals.

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

The Group does not use any derivative financial instruments to hedge against financial risks and, accordingly, does not apply hedge accounting.

Credit risk

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

Due to the nature of its operations, the Group has significant concentration of credit risk (over 55% of total turnover) with three major clients. The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history. The majority of the Group's foreign customers are insured by a credit insurance company, and they are provided with the appropriate amounts of credit limits. The Group provides payment discounts to the clients that pay in advance.

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

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

	Carrying amount	
	2013	**2012**
Trade accounts receivable	22,897	24,234
Other accounts receivable	312	295
Cash and cash equivalents	4,206	2,347
Total	**27,415**	**26,876**

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

	2013		**2012**	
	Total amount	**Impairment**	**Total amount**	**Impairment**
Not overdue	21,550	-	23,101	-
Overdue 0–30 days	1,242	-	942	-
Overdue 30–90 days	88	-	44	-
More than 90 days	516	(499)	621	(474)
Total	**23,396**	**(499)**	**24,708**	**(474)**

(in thousand Litas, unless otherwise stated)

5. Financial risk management (cont'd)

Credit risk (cont'd)

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

Although collection of loans and receivables could be influenced by economic factors, the management believes that there is no significant risk of loss to the Group beyond the allowances already recorded.

Liquidity risk

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

The management of the Group has agreed with the bank on the extension of the repayment term of the loan of the subsidiary AB Anykščių Vynas until 31 December 2014. It is believed that in the future the Group will be able to agree with the bank on new repayment schedule for the loan of the subsidiary AB Anykščių Vynas.

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

31 December 2013	**Carrying amount**	**Contractual net cash flows**	**6 months or less**	**6–12 months**	**1–2 years**	**2–5 years**
Financial liabilities						
Loans and borrowings	64,668	67,895	22,901	6,827	38,120	47
Trade accounts payable	7,893	7,893	7,893	-	-	-
Other accounts payable	7,854	7,854	7,854	-	-	-
Total	**80,415**	**83,642**	**38,648**	**6,827**	**38,120**	**47**

31 December 2012 *	**Carrying amount**	**Contractual net cash flows**	**6 months or less**	**6–12 months**	**1–2 years**	**2–5 years**
Financial liabilities						
Loans and borrowings	68,940	73,868	15,163	10,993	20,521	27,191
Trade accounts payable	11,064	11,064	11,064	-	-	-
Other accounts payable	8,641	8,641	8,641	-	-	-
Total	**88,645**	**93,573**	**34,868**	**9,109**	**20,521**	**27,191**

* - change in classification of items are described in Note 4.

Interest rate applied to the estimated cash flows discount:

	2013	**2012**
Loans and borrowings	2.8% – 5.9%	2.925% – 5.9%

Market risk

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

(in thousand Litas, unless otherwise stated)

5. Financial risk management (cont'd)

Market risk (cont'd)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Exposure to the interest rate risk arises from borrowings, loans issued and deposits placed. The interest rate risk depends also on the economic environments and changes in the banks' average interest rates.

The Group's borrowings are subject to variable interest rates related to LIBOR, VILIBOR and EURIBOR. As at 31 December 2013, the Group did not use any financial instruments to hedge against its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Variable interest rate financial liabilities were as follows:

	Contractual currency	2013	2012 *
Long-term loans and borrowings	EUR	32,882	40,338
Short-term loans and borrowings	EUR	14,888	16,161
Short-term loans and borrowings	LTL	13,169	9,224
Long-term loans and borrowings	LTL	3,625	3,108
Finance lease liabilities	EUR	104	109
Total		**64,668**	**68,940**

* - change in classification of items are described in Note 4.

The interest rate as to the agreements is from 2.8% to 5.9% as at 31 December 2013. The interest rate repricing is related to 3 or 6 months EURIBOR or VILIBOR.

The sensitivity of the profit or loss to an increase in the average annual interest rate for the Group's loans and borrowings by 0.5 percent, all other variables remaining constant, would increase the interest expenses and the loss for 2013 by approximately 323 thousand Litas.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Major currency risks of the Group occur due to the fact that the Group borrows foreign currency denominated funds as well as being involved in imports and exports. The Group does not use any financial instruments to manage its exposure to foreign exchange risk. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate of 3.4528 LTL for 1 EUR. The Group did not have any material exposure to other foreign currencies as at 31 December 2013.

Borrowings and interest on borrowings are generally denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides a partial economic hedge without derivatives being entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

Market price risk

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

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

	Carrying amount	
	2013	**2012**
Available-for-sale financial assets	6,766	5,520
Total	**6,766**	**5,520**

(in thousand Litas, unless otherwise stated)

5. Financial risk management (cont'd)

Operating risk

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

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

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

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

Beverage	**Alcohol content by volume (most common)**	**Enacted excise tax rates effective starting 1 April 2014 (LTL for hectolitre)**	**Excise tax rates in 2012–2013 (LTL for hectolitre)**
Sparkling wine	11%	225 LT/HTL	198 LT/HTL
Wine	10.50%	225 LT/HTL	198 LT/HTL
Sparkling wine drink	7–8%	85 LT/HTL	58 LT/HTL
Cider	4.7%	85 LT/HTL	58 LT/HTL
Fortified wine	18%	400 LT/HTL	304 LT/HTL
Cocktails	5–6%	4,460 LT/100%/HTL	4,416 LT/100%/HTL
Strong alcohol drinks	37.5–50%	4,460 LT/100%/HTL	4,416 LT/100%/HTL

Financial instruments: fair values and risk management

The Group has available-for-sale financial assets that are valued at fair value and amount to 6,766 thousand Litas. These investments are measured using direct input from the market (Level 1 fair value measurement). The Group does not use any instruments to manage the risks related to the changes in the fair value of these instruments. All other financial assets and liabilities of the Group are not measured at fair value and the carrying amount of those financial assets and financial liabilities approximates their fair value.

(in thousand Litas, unless otherwise stated)

5. Financial risk management (cont'd)

Capital management

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

As at 31 December 2013 the equity of the Company Group ALITA, AB met the requirement of the Law on Companies that the company's equity may not be lower than ½ of the authorised capital.

6. Intangible assets

	Software	Other intangible assets	Total
Cost			
Balance as at 1 January 2013	1,564	1,858	3,422
Acquisitions	27	-	27
Balance as at 31 December 2013	**1,591**	**1,858**	**3,449**
Accumulated amortisation and impairment:			
Balance as at 1 January 2013	1,427	1,560	2,987
Amortisation for the period	81	216	297
Balance as at 31 December 2013	**1,508**	**1,776**	**3,284**
Carrying amounts as at 31 December 2013	**83**	**82**	**165**

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

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

Amortisation is recorded under general and administrative expenses.

(in thousand Litas, unless otherwise stated)

7. Property, plant and equipment

	Buildings	Vehicles and equipment	Other property, plant and equipment	Construc-tion in progress	Total
Cost					
Balance as at 1 January 2013	74,294	110,813	11,478	13	196,598
Acquisitions	43	399	98	28	568
Disposals and write-offs	(1,314)	(1,453)	(74)	-	(2,841)
Balance as at 31 December 2013	**73,023**	**109,759**	**11,502**	**41**	**194,325**
Accumulated depreciation and impairment:					
Balance as at 1 January 2013	36,274	94,476	11,304	-	142,054
Depreciation for the period	1,259	2,386	111	-	3,756
Disposals and write-offs	(718)	(1,308)	(87)	-	(2,113)
Balance as at 31 December 2013	**36,815**	**95,554**	**11,328**	**-**	**143,697**
Carrying amounts as at 31 December 2013	**36,208**	**14,205**	**174**	**41**	**50,628**

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

(in thousand Litas, unless otherwise stated)

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

Property, plant and equipment, and investment property with the carrying value of 47,945 thousand Litas as at 31 December 2013 (31 December 2012: 49,523 thousand Litas) have been pledged for loans and borrowings (Note 18).

The Group's property, plant and equipment and investment property with the carrying value of 51,382 thousand Litas as at 31 December 2013 (2012: 56,140 thousand Litas) are insured against fire, natural forces and other damages.

The carrying amount of vehicles and equipment under finance lease was 130 thousand Litas as at 31 December 2013 (31 December 2012: 184 thousand Litas).

Depreciation

Depreciation is allocated as follows:

	2013	2012*
Cost of sales and inventories (finished goods)	2,607	2,868
Depreciation of boiler house for which the grant was received	635	635
General and administrative expenses	282	745
Selling and distribution expenses	232	239
Total	**3,756**	**4,487**

* - change in classification of items is described in Note 4.

Impairment

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

Long-term activity forecasts are based on the management's assessments regarding the future business activities and on the ability of the subsidiary company to get long-term financing prolonged as well as financing for the working capital of approximately 2 million Litas for the processing of apple. Short term financing will be secured from short-term bank loans or customer financing. The assumptions used are based on the almost complete use of the optimized human resources capacities and on the ability of the subsidiary company to retain its market share and to recover the lost markets in certain segments.

Based on the performed assessment, the management of the Group has determined that the property, plant and equipment of the subsidiary company have not impaired. The 10% discount rate and 0.25% long-term growth rate for the periods subsequent to the forecasted period were used for the calculation of the value in use.

The change of the discount rate significantly influences the discounted cash flows, amounting to approximately 19.5 million Litas, under which the assets' value in use is estimated. The table with potential discount rates and long-term growth rates after the projection period together with potential impairment (losses) as calculated using these rates, is presented below.

Discount rate	**Long-term growth rate after the projection period**			
	1.25%	0.75%	0.25%	0.00%
9.65%	-	-	-	-
10.00%	-	-	-	-
10.35%	-	-	-	172
10.70%	-	33	546	784
11.05%	150	669	1,139	1,358
11.40%	788	1,264	1,696	1,899
11.75%	1,384	1,822	2,221	2,408

(in thousand Litas, unless otherwise stated)

8. Investment property

	2013	2012
Balance as at 1 January	1,596	900
Acquisitions	35	-
Reclassification from property, plant and equipment	-	696
Balance as at 31 December	**1,631**	**1,596**

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

Fair values of the properties have been determined as at March 2012 by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The management has estimated that there was no change in the fair value of the properties since the independent valuation. Should the published indexes or observables prices of similar properties change by more than 15% from the index as of the last independent valuation or in case the management of the Group determines that there might be a change in the fair value of the assets – an independent valuation will be performed.

The fair value measurement for investment property of 1,631 thousand Litas has been categorized as a Level 2 in the fair value hierarchy.

The rental income of the investment properties amounted to 33 thousand Litas in 2013 (2012: 31 thousand Litas) and the maintenance costs of this property amounted to 17 thousand Litas in 2013 (2012: 20 thousand Litas).

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

9. Available-for-sale financial assets

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

	2013	2012
Acquisition cost of AB Šiaulių Bankas shares	9,693	9,693
Total	**9,693**	**9,693**
(Decrease) in fair value at the beginning of the year	(4,173)	(3,839)
Increase (decrease) in fair value during the period	1,246	(334)
(Decrease) in fair value at the end of the year	**(2,927)**	**(4,173)**
Total	**6,766**	**5,520**

As at 31 December 2013, the Company Group ALITA, AB owned 2.95% or 7,366,679 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 share price in the active market of AB Šiaulių Bankas. Increase in fair value of 1,246 thousand Litas for the shares in AB Šiaulių Bankas has been recognised in other comprehensive income (Note 15).

The fair value measurement for available-for-sale financial assets of 6,766 thousand Litas has been categorized as a Level 1 in the fair value hierarchy.

According to contractual obligations assumed together with other shareholders of AB Šiaulių Bankas, the rights to dispose 7,366,679 registered shares of AB Šiaulių Bankas owned by the Company Group ALITA, AB are restricted. The restrictions are in force until the majority shareholder owns a certain amount of shares of AB Šiaulių Bankas.

(in thousand Litas, unless otherwise stated)

10. Inventories

	2013	2012
Raw materials	3,285	3,824
Packing materials	2,715	2,868
Auxiliary materials and supplies	522	343
Work in progress	5,254	4,294
Finished goods	4,344	4,195
Goods for resale	70	93
Total	**16,190**	**15,617**

Write-down of inventories to net realizable value amounts to 615 thousand Litas at 31 December 2013 (2012: 666 thousand Litas). The total value of inventories expensed as cost of sales and general and administrative expenses in the statement of comprehensive income for the year 2013 was equal to 56,937 thousand Litas (41,904 thousand Litas in 2012).

In 2013 the Group did not fully use its production capacities; therefore, overhead production costs amounting to 620 thousand Litas (2012: 808 thousand Litas) incurred due to unused capacities were recognised under general and administrative expenses for the current year.

The Group has insured inventories for the amount of 27,402 thousand Litas against natural calamities, fire, and other damages. Inventories for the amount of 16,190 thousand Litas are pledged to the bank for loans and borrowings (Note 18).

Write-down of inventories is recorded under:

	2013	2012
Auxiliary materials and supplies	435	454
Finished goods	80	162
Work in progress	100	50
Total	**615**	**666**

11. Prepayments

	2013	2012
Prepayments to local suppliers	509	158
Prepayments to foreign suppliers	291	260
Other prepayments and deferred costs	229	166
Total	**1,029**	**584**

12. Trade accounts receivable

	2013	2012
Trade accounts receivable, gross	23,396	24,708
Impairment at the beginning of the year	(474)	(416)
Write-off of doubtful trade receivables	-	8
Additional impairment during the period	(25)	(66)
Impairment at the end of the year	**(499)**	**(474)**
Total	**22,897**	**24,234**

13. Other accounts receivable

	2013	2012
Receivable import VAT	-	23
Deposits	180	180
Other accounts receivable	132	92
Total	**312**	**295**

(in thousand Litas, unless otherwise stated)

14. Cash and cash equivalents

	2013	2012
Cash at banks	4,206	2,347
Cash in hand	-	-
Total	**4,206**	**2,347**

To secure the long-term loans and borrowings, the Group pledged all the current and future Group's funds at banks (Note 18).

15. Shareholders' equity

Share capital

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

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

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

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

All shares are fully paid.

The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to receive dividends as declared from time to time, and to capital repayment in case of decrease in capital and other rights set by the legislation. One ordinary share gives a right to one vote at the shareholders' meeting. Restrictions to the rights of shareholder FR&R Invest IGA S.A. are disclosed in Note 29.

Legal reserve

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

Revaluation reserve

Revaluation of property, plant and equipment before reclassification to investment property is accounted in revaluation reserve.

Fair value reserve

Fair value reserve comprises the change in the value of available-for-sale financial assets (Note 9).

	Increase (decrease) in value	Deferred income tax	Increase (decrease) in value after recognition of deferred tax
Increase (decrease) in fair value during the period	(334)	50	(284)
Fair value reserve as at 31 December 2012	**(4,173)**	**626**	**(3,547)**
Increase (decrease) in fair value during the period	1,246	(187)	1,059
Fair value reserve as at 31 December 2013	**(2,927)**	**439**	**(2,488)**

16. Basic and diluted earnings per share

Basic earnings per share are calculated as follows:

	2013	2012
Net profit (loss), attributable to the shareholders	3,958	1,305
Number of shares at the end of the period (thousand)	20,000	20,000
Weighted average number of shares during the period (thousands)	20,000	20,000
Basic and diluted earnings per share (Litas)	**0.20**	**0.07**

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

17. Other accounts payable

	2013	2012*
Value added tax (VAT)	3,628	2,844
Excise duty	2,087	4,467
Salaries and related taxes	1,115	740
Package tax	833	-
Vacation reserve	705	569
Advances received	56	102
Accrued expenses and other accounts payable	1,562	1,029
Total	**9,986**	**9,751**

* - change in classification of items is described in Note 4.

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

	2013	2012*
Long-term loans and borrowings	36,507	44,778
Long-term portion of lease liabilities	81	-
Total non-current financial liabilities	**36,588**	**44,778**
Current portion of long-term loans	8,271	6,337
Short-term loans and borrowings	19,786	17,716
Current portion of long-term lease liabilities	23	109
Total current financial liabilities	**28,080**	**24,162**
Total financial liabilities	**64,668**	**68,940**

* - change in classification of items is described in Note 4.

As at 31 December 2013, the Group has long-term loans amounting to 44,778 thousand Litas with the repayment terms in 2016 and 2017. Current portion of these long-term loans amounts to 8,271 thousand Litas. The average variable interest rate of these loans was from 2.8% to 5.9% in 2013.

Swedbank, AB had granted a credit line amounting to 8,632 thousand Litas to the Group's subsidiary company. In June 2013, after the sale of the boiler-house buildings owned by Group's subsidiary, 1,200 thousand Litas were repaid to the bank, and on 4 July 2013 the credit limit was decreased to 7,432 thousand Litas and repayment term extended till 31 March 2014. Before these financial statements were authorized for issue, the repayment term had been extended till 31 December 2014. The average variable interest rate during 2013 was 2.8%.

As at 31 December 2013 the Group had used 6,806 thousand Litas from the factoring limit amounting to 7,000 thousand Litas. The average variable interest rate was 3.2% in 2013.

In August 2013 the Parent company and the State Tax Inspectorate signed the agreement for the 7,099 thousand Litas tax loan. The final loan maturity date was set on December 2014, and interest rate was 0.01% per day. To secure the commitments the Company had pledged property, plant and equipment of carrying value of 4,603 thousand Litas. As at 31 December 2013 the amount payable under this agreement was 4,212 thousand Litas.

(in thousand Litas, unless otherwise stated)

18. Long-term and short-term bank loans and borrowings (cont'd)

In September 2013 the Group's subsidiary and the State Tax Inspectorate signed the agreement for the 1,651 thousand Litas tax loan. The final loan maturity date was set on 30 April 2014, and interest rate was 0.01% per day. As at 31 December 2013 the amount payable under this agreement was 1,336 thousand Litas. In 2012 the Group's subsidiary and the State Tax Inspectorate signed same type of agreement for 2,424 thousand Litas with maturity in December 2013. As at 31 December 2012 the amount payable under this agreement was 1,884 thousand Litas.

The Group was in compliance with all the covenants as provided in the credit agreements or had waivers from the banks that no action will be taken should there be a non compliance.

To secure the long-term loans and borrowings under the respective credit agreements, the Group pledged property with a carrying value of 36,872 thousand Litas as at 31 December 2013, equipment with the carrying value of 11,073 thousand Litas as at 31 December 2013, inventories of 16,190 thousand Litas, all the current and future Group's funds at banks, trademarks, shares of the Group companies, all current and future land lease rights, rights to amounts receivable according to the list and bill of exchange for 5,000 thousand Litas.

Long-term finance lease liabilities are payable as follows:

As at 31 December 2013:	**Future minimum lease payments**	**Interest**	**Present value of finance lease payments**
Less than one year	27	4	23
Between one and five years	93	12	81
Total	**120**	**16**	**104**

As at 31 December 2012:	**Future minimum lease payments**	**Interest**	**Present value of finance lease payments**
Less than one year	111	2	109
Total	**111**	**2**	**109**

19. Government grants

	2013	**2012**
Asset related grants		
Balance as at 1 January	1,992	2,627
Amortisation	(635)	(635)
Balance as at 31 December	**1,357**	**1,992**
Income related grants		
Balance as at 1 January	-	99
Funds used for compensation of costs	-	(99)
Balance as at 31 December	**-**	**-**
Balance of the funds, received from EU structural funds	**1,357**	**1,992**

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

(in thousand Litas, unless otherwise stated)

20. Post-employment employee benefits

	Net defined benefit liability	
	2013	**2012**
Balance at 1 January	**290**	**290**
Included in profit or loss	-	-
Included in other comprehensive income	615	-
Balance at 31 December	**905**	**290**

Based on the defined benefit plan, the Group holds no assets for fulfilment of respective liabilities. Increase in amount of 615 thousand Litas in defined benefit liability is due to changes in actuarial assumptions.

The key actuarial assumptions used for measurement of post-employment benefits as at 31 December 2013 and the sensitivity of the defined benefit obligation to reasonably possible changes to one of those assumptions, holding other assumptions constant, are the following:

			Impact on defined benefit obligation	
Assumption	**Base**	**Change by**	**On increase**	**On decrease**
Annual salary increase	2%	0.5%	32	(33)
Discount rate	5%	0.5%	(33)	24

21. Provisions

In 2012 the State Tax Inspectorate performed a tax inspection in the subsidiary company of the Group, during which an additional VAT payable to the budget in the amount of 413 thousand Litas, as well as late payment interest, amounting to 83 thousand Litas and 41 thousand Litas of penalties were calculated for the year 2010.

The management of the Group does not agree to the decision at State Tax Inspectorate; therefore, the management has filed a case to revoke the decision.

In June 2013 Vilnius District Administrative Court rejected a claim of the subsidiary company of the Group regarding the decision of the State Tax Inspectorate to pay VAT to the budget. On 25 June 2013 the subsidiary company appealed this decision to Supreme Administrative Court of Lithuania; however, the appeal was rejected on 5 March 2014. The Group has recognised a provision amounting to 537 thousand Litas for the unpaid VAT. Accumulated costs are recognised under general and administrative expenses (413 thousand Litas) and finance costs (124 thousand Litas).

22. Selling and distribution expenses

Selling and distribution expenses consist of:

	2013	**2012***
Advertising	7,295	6,320
Sales and marketing expenses	2,583	1,668
Transportation and logistics	1,336	832
Warehousing	1,075	992
Depreciation	232	239
Other	-	27
Total	**12,521**	**10,078**

* - change in classification of items is described in Note 4.

(in thousand Litas, unless otherwise stated)

23. General and administrative expenses

	2013	2012*
Salaries, wages and social security	3,432	3,412
Maintenance and repairs, energy costs	1,304	1,634
Advisory services	1,120	2,292
Tax expenses (other than income tax)	958	705
Indirect costs related to production when full capacities are not used	620	804
Depreciation and amortisation	576	1,047
Write-down of aged and slow moving inventories	265	236
Insurance expenses	192	184
Charity and support	26	15
Impairment of trade and other accounts receivable	25	66
Other	733	653
Total	**9,251**	**11,048**

* - change in classification s of items is described in Note 4.

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

	2013	2012*
Cost of sales	4,833	4,312
General and administrative expenses	3,432	3,412
Selling and distribution expenses	2,637	1,885
Total	**10,902**	**9,609**

* - changes in classification of items are described in Note 4.

Staff costs by type:

	2013	2012
Salaries	7,450	6,679
Social insurance tax	2,537	2,265
Bonuses	576	196
Redundancy compensations	227	403
Other employee benefits	93	66
Other forms of remuneration	19	-
Total	**10,902**	**9,609**

24. Other income (expenses)

	2013	2012*
Services rendered	326	233
Gain from disposed property, plant and equipment	610	-
Other income	47	35
Total income	**983**	**268**
Cost of services rendered	(44)	(59)
Loss from disposed property, plant and equipment	-	(133)
Total expenses	**(44)**	**(192)**

* - change in classification of items is described in Note 4.

(in thousand Litas, unless otherwise stated)

25. Finance income (expenses)

	2013	2012
Dividend income	29	-
Interest income	2	1
Penalties, delinquency charges received	-	7
Total income	**31**	**8**
Interest expenses	(2,169)	(2,586)
Interest on overdue payments	(356)	(340)
Currency exchange gain (loss), net	-	(5)
Other finance expenses	(253)	(154)
Total expenses	**(2,778)**	**(3,085)**

26. Information according to business and geographic segments

Geographic segments

	2013	2012*
Revenue from domestic market customers	71,130	65,164
Revenue from foreign customers	24,779	12,734
Total	**95,909**	**77,898**

* - change in classification of items is described in Note 4.

All the Group’s assets are located in Lithuania.

(in thousand Litas, unless otherwise stated)

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

Business segment information for the year ended 31 December 2013 is presented below:

	Produced alcoholic products	Apple products	Unallocated	Total
Net segment sales revenue	86,681	7,751	1,477	95,909
Cost of sales, including depreciation	(60,383)	(6,228)	(1,007)	(67,618)
Gross profit	**26,298**	**1,523**	**470**	**28,291**
Other income	-	-	983	983
Operating expenses	(12,650)	(166)	(7,869)	(20,685)
Impairment of property	(277)	-	-	(277)
Other expenses	-	-	(44)	(44)
Depreciation and amortisation	(205)	(70)	(535)	(810)
Operating result	**13,166**	**1,287**	**(6,996)**	**7,458**
Finance income	-	-	31	31
Finance expenses	-	-	(2,778)	(2,778)
Income tax income (expenses)	-	-	(775)	(775)
Net result for the year before non-controlling interest	**13,088**	**1,415**	**(10,567)**	**3,936**
Net result for the year, attributable to non-controlling interest	-	-	22	22
Net result for the year, attributable to shareholders	**13,088**	**1,415**	**(10,545)**	**3,958**
Segment assets				
Non-current assets	42,632	3,421	13,304	59,357
Inventories	15,648	-	542	16,190
Other current assets	28,296	21	127	28,444
Total segment assets	**86,576**	**3,442**	**13,973**	**103,991**
Segment liabilities				
Government grants	1,357	-	-	1,357
Employee benefits	-	-	905	905
Financial liabilities*	6,806	-	57,862	64,668
Trade accounts payable	7,383	-	510	7,893
Other liabilities and provisions	8,776	-	1,747	10,523
Total segment liabilities	**24,322**	**-**	**61,024**	**85,346**
Acquisition of intangible assets, property, plant and equipment and investment property	408	-	222	630

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

(in thousand Litas, unless otherwise stated)

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

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

	Produced alcoholic products	Apple products	Unallocated	Total
Net segment sales revenue	72,609	3,801	1,488	77,898
Cost of sales, including depreciation	(48,823)	(2,562)	(690)	(52,075)
Gross profit	**23,786**	**1,239**	**798**	**25,823**
Other income	-	-	268	268
Operating expenses	(8,898)	(14)	(10,708)	(19,620)
Impairment of property	(130)	(91)	-	(221)
Other expenses	-	-	(192)	(192)
Depreciation and amortisation	(140)	(70)	(1,075)	(1,285)
Operating result	**14,618**	**1,064**	**(10,909)**	**4,773**
Finance income	-	-	8	8
Finance expenses	-	-	(3,085)	(3,085)
Income tax income (expenses)	-	-	(510)	(510)
Net result for the year before non-controlling interest	**14,618**	**1,064**	**(14,496)**	**1,186**
Net result for the year, attributable to non-controlling interest	-	-	119	119
Net result for the year, attributable to shareholders	**14,618**	**1,064**	**(14,377)**	**1,305**
Segment assets				
Non-current assets	43,141	3,681	16,310	63,132
Inventories	15,180	-	437	15,617
Other current assets	26,926	320	214	27,460
Total segment assets	**85,247**	**4,001**	**16,961**	**106,209**
Segment liabilities				
Government grants	1,992	-	-	1,992
Employee benefits	290	-	-	290
Financial liabilities**	7,000	-	61,940	68,940
Trade accounts payable	10,311	-	753	11,064
Other liabilities	8,779	-	972	9,751
Total segment liabilities	**28,372**	**-**	**63,665**	**92,037**
Acquisition of intangible assets and property, plant and equipment	-	-	226	226

* - change in classification of items is described in Note 4.

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

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

	2013	2012
Customer 1	23,974	19,125
Customer 2	18,147	21,151
Customer 3	10,616	9,071
Total net sales	**52,737**	**49,347**

(in thousand Litas, unless otherwise stated)

27. Current and deferred tax

	2013	2012
Current tax expense	-	-
Deferred tax expense	775	510
Total income tax expense recognised in profit or loss	**775**	**510**

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of multiple factors, including interpretations of tax law and prior experience.

The reconciliation of effective tax rate is as follows:

	2013		2012	
Profit before tax		**4,711**		**1,696**
Income tax using standard tax rate	15.0%	707	15.0%	254
Non-taxable income related to prior period corrections	-	-	(23.9%)	(407)
Other non-taxable income	(0.1%)	(4)	(0.1%)	(1)
Non-deductible expenses	3.0%	143	29.6%	502
Change in deductible temporary expenses not previously recognised	(1.3%)	(63)	9.2%	157
Support	(0.2%)	(8)	0.3%	5
Total	**16.4%**	**775**	**30.1%**	**510**

Tax loss carried forward is as follows:

	2013	2012
Tax loss carried forward as at 1 January	**31,308**	**30,713**
Set-off with current tax	(5,824)	(1,926)
Tax loss for the period	-	2,521
Tax loss carried forward as at 31 December	**25,484**	**31,308**

Calculation of deferred tax is as follows:

	2013		2012	
	Temporary differences	**Deferred tax**	**Temporary differences**	**Deferred tax**
Deferred tax asset				
Available-for-sale financial assets	2,927	439	4,173	626
Accrued expenses	1,361	204	947	142
Investment property	1,326	199	1,441	216
Employee benefits	905	136	290	44
Write-down of inventories to net realizable value	615	92	666	100
Impairment of trade and other receivables	499	75	474	71
Impairment of property, plant and equipment	206	31	285	43
Tax loss carried forward	25,484	3,822	31,308	4,696
Total deferred tax asset		**4,998**		**5,938**
Unrecognised deferred tax asset		(3,892)		(3,936)
Total recognised deferred tax asset		**1,106**		**2,002**
Deferred tax liability				
Carrying amount of property, plant and equipment for which tax relief was applied	(5,564)	(835)	(5,739)	(861)
Revaluation of property, plant and equipment before reclassification to investment property	(696)	(104)	(696)	(104)
Total recognised deferred tax liability		**(939)**		**(965)**
Net deferred tax asset		**167**		**1,037**

(in thousand Litas, unless otherwise stated)

27. Current and deferred tax (cont'd)

Unrecognised deferred tax asset is as follows:

	2013		2012	
	Temporary differences	**Unrecog-nised deferred tax**	**Temporary differences**	**Unrecog-nised deferred tax**
Tax losses carried forward	24,900	3,735	25,403	3,810
Impairment of property, plant and equipment	206	31	285	43
Impairment of trade debtors	383	57	224	34
Write-down of inventories to net realizable value	275	41	171	26
Vacation reserve	185	28	155	23
Total unrecognised part of deferred tax asset	**25,949**	**3,892**	**26,238**	**3,936**

Part of deferred tax asset has not been recognised in respect of deductible temporary differences and tax losses carried forward due to high uncertainty if enough taxable profit will be available in the foreseeable future against which the Group could utilise the benefits.

Under current legislation, the Group's tax losses can be carried forward for indefinite period of time, if economic activity from which the losses originated is continued. When calculating the income tax for 2014 and subsequent years, the amount of tax loss carried forward cannot exceed 70% of taxable profit of the tax period.

The amounts recognised in other comprehensive income are as follows:

	2013			2012		
	Before tax	**Tax (expense) benefit**	**Net of tax**	**Before tax**	**Tax (expense) benefit**	**Net of tax**
Available-for-sale financial assets	1,246	(187)	1,059	(334)	50	(284)
Revaluation of property, plant and equipment	-	-	-	696	(104)	592
Remeasurements of defined benefit liability	(615)	93	(522)	-	-	-
Total	**631**	**(94)**	**537**	**362**	**(54)**	**308**

In 2013 and 2012, current income tax rate is 15%.

The change in deferred tax could be presented as follows:

	2013	2012
Deferred tax asset (liability) as at 1 January	**1,037**	**1,602**
Recognised in comprehensive income	(775)	(510)
Recognised in other comprehensive income	(94)	(54)
Rounding effect	(1)	(1)
Deferred tax asset (liability) as at 31 December	**167**	**1,037**

(in thousand Litas, unless otherwise stated)

28. Transactions with related parties

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

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

- Legal entities related to Supervisory Council members

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

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

Transactions with related parties

	2013	2012
Consultancy services provided by legal entities related to Supervisory Council members	176	751

Amounts payable to related parties

	2013	2012
Amounts payable to legal entities related to Supervisory Council members	32	21

During 2013 the costs related to remuneration of the Group’s management, 11 directors and department managers and chief accountants (11 in total in 2012), amounted to 1,757 thousand Litas, including bonuses of 267 thousand Litas (2012: 1,579 thousand Litas, including bonuses of 111 thousand Litas).

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

29. Contingent liabilities and assets

Emission allowances

As at 31 December 2013 the Group companies have 19,617 units of greenhouse gas emission allowances unused (21,876 units as at 31 December 2012). The allowances are valued at zero value.

Third party inventories held

The Group stores 1,500 t of apple concentrate at the storage facilities in the subsidiary (estimated value of 6,215 thousand Litas). The apple juice was produced and sold by the subsidiary during the year 2013 and the buyer is entitled to storage services until end of May 2014. The Group has insured these inventories for the amount of 8,000 thousand Litas against natural calamities, fire and other damages.

Guarantees, warranties issued

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

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

(in thousand Litas, unless otherwise stated)

29. Contingent liabilities and assets (cont'd)

Operating leases as a lessee

The Group rents land plots from the State. The annual rent fee in 2013 amounted to 95 thousand Litas (2012: 101 thousand Litas). The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land. No provision is included in the consolidated financial statements as at 31 December 2013 as the management was not able to estimate the terms and volume of such works.

The Group rents several motor cars and office premises according to the operating lease agreements. The leases expire in 2016 and 2017.

As 31 December 2013 and 2012, the future minimum lease payments under non-cancellable leases were payable as follows:

	2013	2012
Less than one year	223	208
Between one and five years	566	789
More than five years	-	-
	789	**997**

The lease expenses recognised in profit or loss amounted to 208 thousand Litas (2012: 73 thousand Litas).

Contingencies related with payment of taxes

According to effective tax legislation, the tax authorities may at any time perform investigation of the Group's accounting registers and records for the period of five years preceding the accounting tax period, as well as calculate additional taxes and penalties. Except for those mentioned in Note 21, management is not aware of any circumstances which would cause calculation of additional significant tax liabilities.

Main court and arbitration proceedings

1. The Vilnius Regional Administrative Court is examining the administrative case initiated by Plass Investments Limited against the Bank of Lithuania, in which Plass Investments Limited requests the court inter alia to annul the resolution of the Bank of Lithuania, dated 6 August 2013, to reapprove the circular of the mandatory non-competitive official tender offer to buy-up the remaining voting shares of the Company Group ALITA AB, dated 2 November 2011 and provided by FR&R Invest IGA S.A. The Company Group ALITA AB is involved in the case as a third person. In the opinion of the management of the Company Group ALITA AB, the claim of Plass Investments Limited is ungrounded and should be dismissed.

2. After examination of appeals of the Company, FR&R Invest IGA S.A. and Vytautas Junevičius regarding abolishment of the decision of the Kaunas Regional Court of 27 March 2013, on 14 March 2014 Lithuanian Court of Appeals rendered the decision, according to which the court abolished the decision of the Kaunas Regional Court of 27 March 2013 and adopted a new decision – to dismiss a claim of minority shareholder Plass Investments Limited regarding invalidation of the decisions of the extraordinary general meeting of shareholders, dated 3 October 2011 on reduction and increase of the Company's authorised capital, Articles of Association of the Company and of Share Subscription Agreement of 6 October 2011, concluded by the Company and FR&R Invest IGA S.A. Following the indicated decision the Lithuanian Court of Appeals also abolished all below specified interim measures applied by the Kaunas Regional Court. The decision of the Lithuanian Court of Appeals of 14 March 2014 became valid as from its adoption.

As was previously reported, on 27 March 2013 the Kaunas Regional Court has satisfied the claim of Plass Investments Limited and inter alia decided:

(i) to invalidate the decisions of the extraordinary general meeting of shareholders of the Company of 3 October 2011 regarding the reduction of the authorised capital of the Company by reducing Company Group ALITA, AB authorised capital from 27,153,193 Litas to 3,126,000 Litas in a way of nullification of the Company's shares and approval of a new wording of Articles of Association of Company Group ALITA, AB, also to invalidate the wording of Articles of Association of 3 October 2011, according to which the authorised capital of the Company is 3,126,000 Litas, from the moment of registration of the Articles of Association;

29. Contingent liabilities and assets (cont'd)

(ii) to invalidate the decisions of the extraordinary general meeting of shareholders of the Company of 3 October 2011 regarding the increase of the authorised capital, by increasing the Company's authorized capital from 3,126,000 Litas to 20,000,000 Litas in a way of issuing a new emission of shares of Company Group ALITA, AB, also decisions regarding the revocation of the pre-emptive right of Company Group ALITA, AB shareholders to acquire newly issued shares of Company Group ALITA, AB and the provision of the right to acquire thereof to FR&R Invest IGA S.A., and to invalidate the wording of Articles of Association of Company Group ALITA, AB of 3 October 2011, according to which the authorised capital of Company Group ALITA, AB is 20,000,000 Litas from the moment of registration of the Articles of Association;
(iii) to invalidate the Share Subscription Agreement concluded between the Company Group ALITA, AB and FR&R Invest IGA S.A., dated 6 October 2011, from the moment of conclusion.

In the same civil case the Kaunas Regional Court applied interim measures. 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 to 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.

The Lithuanian Court of Appeals by its decision of 14 March 2014 abolished all the above specified interim measures applied by the Kaunas Regional Court.

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.

The 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 the 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 the Company Group ALITA, AB in Serbia received the Privatisation agency's appeal; on 4 March 2014 the Company has received information that the Serbian Commercial Appellate Court annulled the decision of lower instance court – the Belgrade (Serbia) Commercial Court – and returned the case for re-examination to the Belgrade Commercial Court), and, furthermore,

29. Contingent liabilities and assets (cont'd)

(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 ungrounded and are expected 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 the 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.

4. On 23 September 2013 AB Anykščių Vynas received the announcement from the Panevėžys Regional Court on the claim provided by Plass Investments Limited, the shareholder of AB Anykščių Vynas, regarding invalidation of the Agreement on purchase-sale of the boiler house and of the movable and immovable assets related thereto, concluded on 20 June 2013 by and between AB Anykščių Vynas (the seller) and the buyer, as well as on application of restitution, related to execution of this agreement (AB Anykščių Vynas and the buyer of the mentioned assets are included as the respondents in the case). In opinion of AB Anykščių Vynas the claim of Plass Investments Limited is unfounded and should be dismissed.

30. Subsequent events

On 24 January 2014 the Company Group ALITA, AB and the subsidiary AB Anykščių Vynas signed a factoring agreements with Swedbank Lizingas, UAB to finance the receivable amounts up to 9,858 and 500 thousand Litas accordingly till 30 November 2014.

As noted in Note 21, on 5 March 2014 the Supreme Administrative Court of Lithuania rejected the appellation and left the decision of Vilnius District Administrative Court unchanged. The subsidiary company is obliged to pay VAT to the state budget of 413 thousand Litas, as well as late payment interest, amounting to 83 thousand Litas and 41 thousand Litas of penalties, 537 thousand Litas in total.

On 17 March 2014, the subsidiary company and the bank signed an agreement on the extension of deadline for repayment of credit line facility by the 31 December 2014.

On 14 March 2014 the Company received a judgement from Lithuanian Court of Appeals by which the court abolished the decision of the Kaunas Regional Court of 27 March 2013 and dismissed a claim of minority shareholder Plass Investments Limited. Further details on the judgement of Lithuanian Court of Appeals are provided in Note 29.

31. Information on the Group as a going concern

During 2013 the Group's current liabilities exceeded the current assets by 1,862 thousand Litas. As described in more detail in Note 29, the Group is a party to several legal actions involving significant claims against it. Although the management of the Group believes that all of them are ungrounded and are or will be contested there is a risk that significant amounts or other types of claims will be awarded and that could have a material negative effect on the Group's ability to continue as a going concern. However, the management of the Group believes none of these legal claims will be satisfied and the Group's exposure will be limited to legal fees paid and payable to lawyers as the management considers the possibility to claim these costs from the claimants as remote.

The Groups subsidiary AB Anykščių Vynas has earned net loss of 438 thousand Litas during the year 2013 (2,331 during the year 2012). Its current liabilities exceed current assets by 6,489 thousand Litas. As mentioned in Note 30 the subsidiary has managed to prolong the maturity of credit line facility till 31 December 2014. The management of the Group is constantly negotiating a more long term solution with the bank in order to secure the subsidiaries activities.

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

32. Information related with the reorganization of the operations

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

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

General Director	Vaidas Mickus
Finance and IT Director	Justinas Damašas

Company Group ALITA, AB

Separate annual financial statemenrs for
the year ended 31 December 2013

Company details

Company Group ALITA, AB

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Supervisory Council

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Jan Aberg
Mats A Andersson (up till 19/04/2013)
Vytautas Junevičius

Board of Directors

Carl Andreas de Neergaard (Chairman)
Vaidas Mickus
Algirdas Ragelis

Auditor

KPMG Baltics, UAB

Banks

Swedbank, AB
AB Šiaulių Bankas
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Independent Auditor's Report

To the Shareholders of the Company Group ALITA, AB

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of the Company Group ALITA, AB ("the Company"), which comprise the separate statement of financial position as at 31 December 2013, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, set out on pages 54–95.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of these separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of these separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Company code: 111494971
VAT code: LT114949716

Opinion

In our opinion, the financial statements give a true and fair view of the unconsolidated financial position of the Company Group ALITA, AB as at 31 December 2013, and of its unconsolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 29 to the separate financial statements "Contingent liabilities and assets" which contains information relevant to the ability of the Company to continue as a going concern and other matters considered to be fundamental to these financial statements. Note 29 includes information on an ongoing dispute between the Serbian Privatization Agency and the Company and on a litigation between Plass Investments Limited, a minority shareholder and the Company and its current majority shareholders. The final outcome of the litigation referred to in this Note is unknown at the date of signing these financial statements, although as referred to in Note 29, in respect of the shareholder litigation, a decision on 14 March 2014 of the Court of Appeals in Lithuania reversed previous judgments and found in favour of the existing majority shareholders of the Company. The ability of the Company to continue as a going concern depends on the final outcome of the litigation referred to above.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the annual report of the Company Group ALITA, AB for the year ended 31 December 2013, set out on pages 96–114 of the separate financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the separate financial statements of the Company Group ALITA, AB for the year ended 31 December 2013.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
19 March 2014

(in thousand Litas, unless otherwise indicated)

Separate statement of financial position

	Notes	31 December 2013	31 December 2012
Assets			
Intangible assets	6	274	435
Investment property	8	1,631	1,596
Property, plant and equipment	7	33,299	35,971
Investments in subsidiaries	9	9,699	9,699
Available-for-sale financial assets	10	6,766	5,520
Deferred tax assets	27	976	1,897
Total non-current assets		**52,645**	**55,118**
Inventories	11	13,310	13,589
Prepayments	12	999	581
Trade accounts receivable	13	20,980	22,258
Other accounts receivable	14	271	254
Cash and cash equivalents	15	4,171	2,197
Total current assets		**39,731**	**38,879**
Total assets		**92,376**	**93,997**
Shareholders' equity	16		
Share capital		20,000	20,000
Share premium		74,198	74,198
Reserves		3,187	2,128
Retained earnings (accumulated losses)		(81,691)	(85,360)
Total shareholders' equity		**15,694**	**10,966**
Liabilities			
Government grants	20	1,357	1,992
Long-term bank loans and borrowings	19	39,488	47,678
Employee benefits	21	734	290
Total non-current liabilities		**41,579**	**49,960**
Short-term bank loans and borrowings	19	19,312	13,646
Trade accounts payable		7,135	10,564
Accounts payable to subsidiaries	28	-	93
Other accounts payable	18	8,656	8,768
Total current liabilities		**35,103**	**33,071**
Total liabilities and shareholders' equity		**92,376**	**93,997**

The notes on pages 58–95 are an integral part of these separate financial statements.

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

(in thousand Litas, unless otherwise indicated)

Separate statement of comprehensive income

	Notes	2013	2012*
Gross sales revenue		127,805	116,961
Excise tax		(49,234)	(50,613)
Revenue	**26**	**78,571**	**66,348**
Cost of sales	26	(53,263)	(42,130)
Gross profit		**25,308**	**24,218**
Other income	24	976	700
Selling and distribution expenses	22	(11,157)	(9,168)
General and administrative expenses	23	(7,444)	(9,234)
Other expenses	24	(492)	(382)
Operating profit		**7,191**	**6,134**
Finance income	25	31	7
Finance costs	25	(2,375)	(2,743)
Net finance costs		**(2,344)**	**(2,736)**
Profit before income tax		**4,847**	**3,398**
Income tax	27	(801)	(539)
Net profit (loss)		**4,046**	**2,859**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability		(444)	-
Revaluation of property, plant and equipment	8	-	696
Effect of deferred tax		67	(104)
		(377)	592
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets	10	1,246	(334)
Effect of deferred tax		(187)	50
		1,059	(284)
Total other comprehensive income		682	308
Total comprehensive income for the reporting year		**4,728**	**3,167**
Basic and diluted earnings per share (in Litas)	17	0.20	0.14

* change in classification of items is described in Note 4.

The notes on pages 58–95 are an integral part of these separate financial statements.

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

(in thousand Litas, unless otherwise indicated)

Separate statement of changes in equity

	Notes	Share capital	Share premium	Compulsory reserve	Fair value reserve	Revaluation reserve	Retained earnings (accumulated losses)	Total equity
Balance as at 31 December 2011		**20,000**	**74,198**	**5,083**	**(3,263)**	**-**	**(88,219)**	**7,799**
Comprehensive income								
Net profit (loss)							2,859	2,859
Other comprehensive income					(284)	592		308
Total comprehensive income		**-**	**-**	**-**	**(284)**	**592**	**2,859**	**3,167**
Balance as at 31 December 2012		**20,000**	**74,198**	**5,083**	**(3,547)**	**592**	**(85,360)**	**10,966**
Comprehensive income								
Net profit (loss)							4,046	4,046
Other comprehensive income					1,059		(377)	682
Total comprehensive income		**-**	**-**	**-**	**1,059**	**-**	**3,669**	**4,728**
Balance as at 31 December 2013		**20,000**	**74,198**	**5,083**	**(2,488)**	**592**	**(81,691)**	**15,694**

The notes on pages 58–95 are an integral part of these separate financial statements.

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

(in thousand Litas, unless otherwise indicated)

Separate statement of cash flows

	Notes	2013	2012
Cash flow from operating activities:			
Net profit (loss)		4,046	2,859
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortisation	6, 7, 8, 20	2,718	3,253
Impairment and write-off of trade accounts receivable	13	25	66
Change in impairment of investment property and property, plant and equipment	7, 8	-	(76)
Write-offs of property, plant and equipment	7	108	866
(Profit) loss from sale of property, plant and equipment	24	(13)	133
Write-down of inventories	23	78	131
Interest paid	25	2,000	2,310
Interest, dividend received	25	(31)	-
Deferred income tax	27	801	539
		9,732	10,081
Changes in current assets and current liabilities:			
Decrease (increase) in inventories	11	201	(3,782)
Decrease (increase) in trade accounts receivable	13	1,253	2,411
Decrease (increase) in prepayments	12	(418)	(130)
Decrease (increase) in other accounts receivable	14	(17)	66
Increase (decrease) in trade and other accounts payable	18	3,465	(7,521)
Net cash flows from operating activities		**14,216**	**1,125**
Cash flows from investing activities:			
Acquisition of property, plant and equipment and investment property	7, 8	(391)	(110)
Acquisition of intangible assets	6	(164)	(116)
Proceeds from sale (write-off) of property, plant and equipment		35	(133)
Interest, dividend received	23	31	-
Net cash used in investing activities		**(489)**	**(359)**
Cash flows from financing activities:			
Loans received	19	-	7,100
Repayment of loans		(9,753)	(4,264)
Interest paid	25	(2,000)	(2,310)
Net cash used in financing activities		**(11,753)**	**526**
Increase (decrease) in cash and cash equivalents	15	**1,974**	**1,292**
Cash and cash equivalents at the beginning of the year		**2,197**	**905**
Cash and cash equivalents at the end of the year		**4,171**	**2,197**

The notes on pages 58–95 are an integral part of these separate financial statements.

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

(in thousand Litas, unless otherwise indicated)

Notes

1. Reporting entity

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

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

As at 31 December 2013 the authorised share capital of the Company Group ALITA, AB amounted to 20,000,000 Litas and was divided into 20,000,000 ordinary registered shares with the nominal value of 1 Litas each.

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

The shareholders as at 31 December 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 is Sweden.

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

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

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Company also produces consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

These separate annual financial statements were prepared and signed by the management of the Company on 19 March 2014. The shareholders of the Company have a right to reject the financial statements and request that they be amended and reissued.

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

2. Basis of preparation (cont'd)

New standards, amendments and interpretations

(a) Changes in accounting policies

Except for the changes below and in Note 4, the Company has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

(i) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Company has included additional disclosures in this regard (see Notes 5 (Financial risk management), 8 (Investment property), 10 (Available-for-sale financial assets)).

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

(ii) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Company has modified the presentation of items in the statement of other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(iii) Other amendments to standards

The following amendments to standards with effective date of 1 January 2013 did not have any impact on these financial statements:

- Amendment to IFRS 7 – Offsetting of Financial Assets and Liabilities;
- Amendment to IAS 19 (2011) – Employee Benefits;
- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets.

(b) New standards and interpretations not yet adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Company as well as management's judgements regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Company does not plan to adopt these amendments, standards and interpretations early.

(i) IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. Also, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The standard no longer addresses the principle of control and requirements relating to the presentation of consolidated financial statements, which have been incorporated into IFRS 10, *Consolidated Financial Statements*. The Company does not expect IAS 27 (2011) to have a material impact on the financial statements, since it does not result in a change in the entity's accounting policy.

2. Basis of preparation (cont'd)

New standards, amendments and interpretations (cont'd)

(ii) *Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)*

Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively) clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Company does not expect the Amendments to have any impact on the financial statements since the Company does not apply offsetting to any of its financial assets and financial liabilities and has not entered into master netting arrangements.

(iii) *Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)*

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period. The Amendments also require additional disclosures related to fair value hierarchy when an impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs of disposal. The Company does not expect the new Standard will have a material impact on the financial statements.

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.

Functional and presentation currency

These financial statements are presented in Litas, which is the Company'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 IFRSs, 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 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.

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.

Determination of fair values

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment is included in the following notes:

Note 8 – Investment property

Note 10 – Available-for-sale financial assets

Impairment losses on property, plant and equipment

The carrying amounts of the Company'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).

2. Basis of preparation (cont'd)

Use of estimates and judgments (cont'd)

Impairment losses on property, plant and equipment (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. 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.

The carrying amounts of property, plant and equipment are disclosed in Note 7.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Company 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.

The carrying amounts of receivables are disclosed in Notes 13 and 14.

Impairment losses for investments in subsidiaries

The amounts of the Company's investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investments is estimated. If the shares of a subsidiary are quoted in an active market, recoverable amount is estimated based on the shares quoted price. When the quoted price is lower than the acquisition cost of the shares, impairment is recognised in profit or loss. If no active market exists for the shares of subsidiaries, then the recoverable amount is calculated by discounting the estimated future cash flows 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 investments. If the recoverable amount of shares is lower than their acquisition cost, impairment is recognised in profit or loss.

The carrying amounts of investments in subsidiaries are disclosed in Note 9.

Recognition of deferred tax asset

A deferred tax asset is recognised 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 reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amounts of deferred tax asset are disclosed in Note 27.

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.

The carrying amounts of property, plant and equipment are disclosed in Note 7.

Going concern

In October 2011 the Company Group ALITA, AB agreed with its main bank on a loan restructuring whereby the loan outstanding was reduced from 138,179 thousand Litas to 47,107 thousand Litas and the repayment schedule extended to April 2016. Further information on this transaction is disclosed in Note 16. In the opinion of the Company's management, this agreement enabled and enables the Company to continue as a going concern, and therefore, the financial statements have been prepared on a going concern basis. More information on the agreements with banks is presented in Note 16 "Shareholders' Equity" and in Note 19 "Long-term and Short-term Bank Loans and Borrowings". More information on the measures applied by the Company to ensure its activity to continue as a going concern is disclosed in Note 31 "Information on the Company as a Going Concern".

2. Basis of preparation (cont'd)

Use of estimates and judgments (cont'd)

Production costs

The allocation of fixed production overheads to cost of production is based on the normal capacity of the production facilities. The amount of fixed overhead allocated to each production unit is not increased as a consequence of low production. Unallocated overheads are recognised as an expense in a period in which they are incurred. Variable production overheads are allocated to each unit of production on the basis of actual use of the production facilities.

Measurement of defined benefit obligations

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. Estimation of the future benefit involves actuarial assumptions, such as future salary increase and discount rate.

The key actuarial assumptions used for measurement of post-employment benefits and their carrying amounts are disclosed in Note 21.

3. Significant accounting principles

Foreign currency

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

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 with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

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

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised on the trade date. Financial assets are derecognized if the contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. The Company also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible. Financial liabilities are derecognised if the obligations of the Company specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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 amortised cost using the effective interest rate method, less impairment losses, if any. Short-term receivables are not discounted.

3. Significant accounting principles (cont'd)

Financial instruments (cont'd)

Non-derivative financial instruments (cont'd)

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 equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Loans and borrowings and other financial liabilities, including trade payables are subsequently stated at amortised 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 exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value; directly attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for in profit or loss.

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.

Property, plant and equipment

Recognition and measurement

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

The buildings were accounted as follows:

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

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

All property, plant and equipment acquired after 31 December 1995, is 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.

3. Significant accounting principles (cont'd)

Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

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 profit or loss.

Subsequent costs

The Company recognises 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 Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

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 profit or loss 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 profit or loss.

Intangible assets

Intangible assets, comprising trade marks, computer software and other licenses that are acquired by the Company, are stated at cost less accumulated amortisation and impairment.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortisation is charged to profit or loss on a straight-line basis. The Company's intangible assets are amortised over 1–3 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting principles (cont'd)

Investment property

Investment properties of the Company 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. Investment property is initially measured at cost and subsequently at fair value at the end of each reporting period with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Investment property is derecognized when either it has been disposed or when an investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit and loss in the year of retirement or disposal. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of a long term (over 18 months) operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Leased assets

Leases, in terms of which the Company 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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

Investments in subsidiaries

Investments in subsidiaries are accounted for at acquisition cost less 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. At 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.

3. Significant accounting principles (cont'd)

Emission allowances (cont'd)

The Company 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 recognised as income in profit or loss.

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, and includes expenditure incurred in acquiring the inventories, production and conversion costs, and other costs inquired in bringing them to their existing location and condition.

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 Company 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 and assets and liabilities of disposal groups held for sale, that are expected to be recovered primarily through sale within 12 months rather than through continuing use, are classified 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 recognised in profit or loss.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss 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 Company on terms that the Company 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 Company considers evidence of impairment for receivables at a specific asset level.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Any interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

3. Significant accounting principles (cont'd)

Impairment (cont'd)

Financial assets (cont'd)

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

Non-financial assets

The carrying amounts of the Company'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.

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 and reversals of impairment are stated in profit or loss under general and administrative expenses.

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 if there has been a change in the estimates used to determine the recoverable amount. 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

The ability of the Company to declare and pay dividends is subject to the rules and regulations of the Lithuanian legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings and recognised as a liability in the Company's financial statements in the period when they are approved by the shareholders of the Company.

Government grants and subsidies

Two types of grants are recognised:

a) asset related grants are grants received as property, plant and equipment 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 recognised in profit or loss over the remaining period of useful life of the related property plant and equipment, for which the grant was received.

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

Provisions

A provision is recognised if, as a result of a past event, the Company 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.

3. Significant accounting principles (cont'd)

Employee benefits (cont'd)

Social security contributions

The Company 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 Company makes payments of the set size to the Fund and, it no legal or constructive obligations to continue payment of contributions shall be fulfilled if the Fund does not have sufficient assets to make payments to all employees for the work performed in the reporting and previous periods. The social security contributions are recognised as an expense on an accrual basis and are included within personnel expenses.

Termination benefits

Termination benefits are recognised in profit or loss when the Company 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 Company 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.

Post-employment employee benefits

According to the collective agreement effective in the Company, each employee upon termination of employment at the retirement age, is entitled to receive a certain compensation. The compensation depends on the duration of the employment. The post-employment benefits are accounted as a defined benefit plan.

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The Company holds no plan assets. The calculation of defined benefit obligations is performed annually using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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 recognised in profit or loss as the services are rendered. The revenue recognised 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 Company's warehouse and the sales invoice is issued.

3. Significant accounting principles (cont'd)

Revenue (cont'd)

Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

Lease payments

Payments made under operating and other short term leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), profit from sales of available-for-sale financial assets, changes in fair value of financial assets at fair value through profit or loss, currency exchange gain. Interest income is recognised in profit or loss 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 recognised in profit or loss using the effective interest method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to the items recognised through other comprehensive income or directly in equity, in which case it is recognised 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 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 that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority.

A deferred tax asset is recognised 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.

When calculating the income tax for 2014 and subsequent years, the amount of tax loss carried forward cannot exceed 70% of taxable profit of the tax period.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including transactions with any of the Company's other components). All operating segments' operating results are reviewed regularly by the Company'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.

3. Significant accounting principles (cont'd)

Segment reporting (cont'd)

The Company has two segments of operations, which are its reportable segments. These divisions offer different products and are managed separately because they require different technologies and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segment	**Operations**
Alcoholic beverages	Production and sales of various alcoholic beverages
Apple products	Production of apple juice, concentrated apple juice and other apple based non-alcohol products
Unallocated	Sales of raw materials and commodities, sales of products in specialized store and other

Earnings per share

The Company presents data of basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company 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 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.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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 Company'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.

(in thousand Litas, unless otherwise indicated)

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 or no active market exists, 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. Fair value of trade and other receivables with outstanding maturities shorter than six months with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial. 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. Market interest rate was determined at 2.8% as at 31 December 2013 (31 December 2012: 2.9%). For finance leases the market rate of interest is determined by reference to similar lease agreement. Fair value of shorter term financial liabilities with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial.

4. Change in classification

During 2013, the Company modified the classification of certain cost items to reflect more appropriately the way in which economic benefits are derived from. Comparative amounts in the statement of comprehensive income were restated for consistency of presentation.

a) Before 1 January 2013 the costs relating to the collection of packaging materials of the products distributed in the Lithuanian market, being a fee paid to the government licensed agency or a state pollution tax, were accounted for under general and administrative expenses. After the review of the Company's accounting policy the management decided that these costs are a part of the cost of sales. Management believes that the change provides more accurate presentation of cost of sales and gross profit.
b) After the review of the costs allocation the management decided that the administrative costs of the production units has to be reclassified to cost of sales as indirect production costs.
c) The incidental revenue from the transportation service provided to the customers of the Company and related costs were reclassified to other activity income and expenses. Management believes that the change provides more relevant information about the main activities of the Company.

Reconciliation between the amounts of the specific line items of the statement of comprehensive income presented in the financial statements as at 31 December 2012 and the reclassified amounts of 2012 presented in the current financial statements is disclosed below:

	Previous financial statements as at 31 December 2012	**a)**	**b)**	**c)**	**Adjusted as at 31 December 2012**
Revenue	66,385			(37)	66,348
Cost of sales	(40,454)	(1,193)	(493)	10	(42,130)
Gross profit	**25,931**	**(1,193)**	**(493)**	**(27)**	**24,218**
Other income	663			37	700
Selling and distribution expenses	(8,723)		(445)		(9,168)
General and administrative expenses	(11,365)	1,193	938		(9,234)
Other expenses	(372)			(10)	(382)
Operating profit	**6,134**	**-**	**-**	**-**	**6,134**

The reclassification has no effect on the information in the statement of financial position; therefore, the statement of financial position at the beginning of the preceding period is not presented.

(in thousand Litas, unless otherwise indicated)

5. Financial risk management

The Company has exposure to the following risks:

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

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

The Board of Directors has responsibility for the establishment and oversight of the Company's risk management framework. The achievement of risk management goals in the Company is organized in such a way that risk management is a part of normal business operations and management. Risk management is a process of identifying, assessing and managing business risks that can prevent or jeopardize the achievement of business goals.

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

The Company does not use any derivative financial instruments to hedge against financial risks and, accordingly, does not apply hedge accounting.

Credit risk

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

Due to the nature of its operations, the Company has significant concentration of credit risk (over 58 % of total turnover) with three major clients.

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Consequently, the Company considers that its maximum exposure is reflected by the amount of trade receivables (Note 13), net of impairment losses recognised at the date of the statement of financial position, other accounts receivable and cash and cash equivalents. Cash and cash equivalents comprise cash on hand and cash held at Lithuanian banks; therefore, the related credit risk is minimal.

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

	Carrying amount	
	2013	**2012**
Trade accounts receivable	20,980	22,258
Other accounts receivable	271	254
Cash and cash equivalents	4,171	2,197
Total	**25,422**	**24,709**

(in thousand Litas, unless otherwise indicated)

5. Financial risk management (cont'd)

Credit risk (cont'd)

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

	2013		2012	
	Total amount	**Impairment**	**Total amount**	**Impairment**
Not overdue	19,621	-	21,731	-
Overdue 0–30 days	1,220	-	454	-
Overdue 30–60 days	122	-	22	-
Overdue 61–90 days	-	-	-	-
More than 90 days	333	(316)	342	(291)
Total	**21,296**	**(316)**	**22,549**	**(291)**

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

Although collection of loans and receivables could be influenced by economic factors, the management believes that there is no significant risk of loss to the Company beyond the allowances already recorded.

Liquidity risk

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

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

31 December 2013	**Carrying value**	**Contractual net cash flows**	**6 months or less**	**6–12 months**	**1–2 years**	**2–5 years**
Financial liabilities						
Loans and borrowings	58,800	62,317	14,161	6,871	38,295	2,990
Trade accounts payable	7,135	7,135	7,135	-	-	-
Other accounts payable	6,763	6,763	6,763	-	-	-
Financial guarantees issued	-	7,432	7,432	-	-	-
Total	**72,698**	**83,647**	**35,491**	**6,871**	**38,295**	**2,990**

31 December 2012	**Carrying value**	**Contractual net cash flows**	**6 months or less**	**6–12 months**	**1–2 years**	**2–5 years**
Financial liabilities						
Loans and borrowings	61,324	66,392	6,411	9,019	20,721	30,241
Trade accounts payable	10,564	10,564	10,564	-	-	-
Accounts payable to subsidiaries	93	93	93	-	-	-
Other accounts payable	7,815	7,815	7,815	-	-	-
Financial guarantees issued	-	8,632	8,632	-	-	-
Total	**79,796**	**93,496**	**33,515**	**9,019**	**20,721**	**30,241**

Interest rate applied to the estimated cash flows discount:

	2013	**2012**
Loans and borrowings	2.826% – 5.9%	2.925% – 5.9%

(in thousand Litas, unless otherwise indicated)

5. Financial risk management (cont'd)

Market risk

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

(i) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Exposure to the interest rate risk arises from borrowings, loans issued and deposits placed. The interest rate risk depends also on the economic environments and changes in the banks' average interest rates.

The Company's borrowings are subject to variable interest rates related to VILIBOR and EURIBOR. As at 31 December 2013, the Company did not use any financial instruments to hedge against its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Variable interest rate financial liabilities were as follows:

	Contractual currency	2013	2012
Long-term loans and borrowings	EUR	32,882	40,338
Short-term loans and borrowings	LTL	11,833	7,529
Long-term loans and borrowings	LTL	6,525	7,340
Short-term loans and borrowings	EUR	7,456	6,008
Finance lease liabilities	EUR	104	109
Total		**58,800**	**61,324**

The interest rate as to the agreements is from 2.826% to 5.9% as at 31 December 2013. The interest rate repricing is related to 3 or 6 months EURIBOR or VILIBOR.

The sensitivity of the profit or loss to an increase in the average annual interest rate for the Company's loans and borrowings by 0.5 percent, all other variables remaining constant, would increase the interest expenses and decrease the profit for 2013 by approximately 294 thousand Litas.

(ii) *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Major currency risks of the Company Group ALITA, AB occur due to the fact that the Company borrows foreign currency denominated funds as well as being involved in imports and exports. The Company does not use any financial instruments to manage its exposure to foreign exchange risk. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate of 3.4528 LTL for 1 EUR. The Company did not have any material exposure to other foreign currencies as at 31 December 2013.

Borrowings and interest on borrowings are generally denominated in currencies that match the cash flows generated by the underlying operations of the Company. This provides a partial economic hedge without derivatives being entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

(iii) *Market price risk*

Available-for-sale financial assets are measured at fair value and therefore the Company considers that its exposure to market price risk is reflected by the amount of available-for-sale financial assets net of decrease in fair value. The exposure to the market price risk as at the reporting date was as follows:

	Carrying amount	
	2013	**2012**
Available-for-sale financial assets	6,766	5,520
Total	**6,766**	**5,520**

(in thousand Litas, unless otherwise indicated)

5. Financial risk management (cont'd)

Operating risk

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

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

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

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

Beverage	Alcohol content by volume (most common)	Enacted excise tax rates effective starting 1 April 2014 (LTL for hectolitre)	Excise tax rates in 2012–2013 (LTL for hectolitre)
Sparkling wine	11%	225 LT/HTL	198 LT/HTL
Wine	10.50%	225 LT/HTL	198 LT/HTL
Sparkling wine drink	7–8%	85 LT/HTL	58 LT/HTL
Cider	4.7%	85 LT/HTL	58 LT/HTL
Fortified wine	18%	400 LT/HTL	304 LT/HTL
Cocktails	5–6%	4,460 LT/100%/HTL	4,416 LT/100%/HTL
Strong alcohol drinks	37.5–50%	4,460 LT/100%/HTL	4,416 LT/100%/HTL

Financial instruments: fair values and risk management

The Company has available-for-sale financial assets that are valued at fair value and amount to 6,766 thousand Litas. These investments are measured using direct input from the market (Level 1 fair value measurement). The Company does not use any instruments to manage the risks related to the changes in the fair value of these instruments. All other financial assets and liabilities of the Company are not measured at fair value and the carrying amount of those financial assets and financial liabilities approximates their fair value.

(in thousand Litas, unless otherwise indicated)

5. Financial risk management (cont'd)

Capital management

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

As at 31 December 2013 the Company's equity met the requirement of the Law on Companies that the Company's equity may not be lower than ½ of the authorised capital.

6. Intangible assets

	Trade marks	Software	Other intangible assets	Total
Cost				
Balance as at 1 January 2013	-	1,564	1,414	2,978
Acquisitions	137	27	-	164
Balance as at 31 December 2013	**137**	**1,591**	**1,414**	**3,142**
Accumulated amortisation and impairment				
Balance as at 1 January 2013	-	1,427	1,116	2,543
Amortisation for the period	28	81	216	325
Balance as at 31 December 2013	**28**	**1,508**	**1,332**	**2,868**
Carrying amounts as at 31 December 2013	**109**	**83**	**82**	**274**

	Trade marks	Software	Other intangible assets	Total
Cost				
Balance as at 1 January 2012	-	1,448	1,414	2,862
Acquisitions		116	-	116
Balance as at 31 December 2012	**-**	**1,564**	**1,414**	**2,978**
Accumulated amortisation and impairment				
Balance as at 1 January 2012	-	1,406	839	2,245
Amortisation for the period	-	21	277	298
Balance as at 31 December 2012	**-**	**1,427**	**1,116**	**2,543**
Carrying amounts as at 31 December 2012	**-**	**137**	**298**	**435**

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

Amortisation is recorded under general and administrative expenses.

(in thousand Litas, unless otherwise indicated)

7. Property, plant and equipment

	Buil-dings	Vehicles and equipment	Other property, plant and equipment	Construc-tion in progress	Total
Cost					
Balance as at 1 January 2013	45,195	64,108	4,822	-	114,125
Acquisitions	43	319	96	28	486
Disposals and write-offs	-	(1,398)	(68)	-	(1,466)
Balance as at 31 December 2013	**45,238**	**63,029**	**4,850**	**28**	**113,145**
Accumulated depreciation and impairment:					
Balance as at 1 January 2013	22,936	50,561	4,657	-	78,154
Depreciation for the period	795	2,154	79	-	3,028
Disposals and write-offs	-	(1,268)	(68)	-	(1,336)
Balance as at 31 December 2013	**23,731**	**51,447**	**4,668**	**-**	**79,846**
Carrying amounts as at 31 December 2013	**21,507**	**11,582**	**182**	**28**	**33,299**

	Land	Buil-dings	Vehicles and equipment	Other property, plant and equipment	Construc-tion in progress	Total
Cost						
Balance as at 1 January 2012	28	43,168	66,341	7,206	-	116,743
Acquisitions	-	-	-	110	-	110
Disposals and write-offs	(28)	(628)	(1,450)	(174)	-	(2,280)
Transfers between captions	-	3,128	(808)	(2,320)	-	-
Revaluation before reclassification to investment property	-	696	-	-	-	696
Transfers to investment property	-	(1,169)	-	-	-	(1,169)
Transfers from current assets	-	-	25	-	-	25
Balance as at 31 December 2012	**-**	**45,195**	**64,108**	**4,822**	**-**	**114,125**
Accumulated depreciation and impairment:						
Balance as at 1 January 2012	-	20,031	49,608	6,888	-	76,527
Depreciation for the period	-	836	2,634	120	-	3,590
Disposals and write-offs	-	(228)	(1,014)	(172)	-	(1,414)
Transfers to investment property	-	(473)	-	-	-	(473)
Reversal of impairment	-	(76)	-	-	-	(76)
Transfers between captions	-	2,846	(667)	(2,179)	-	-
Balance as at 31 December 2012	**-**	**22,936**	**50,561**	**4,657**	**-**	**78,154**
Carrying amounts as at 31 December 2012	**-**	**22,259**	**13,547**	**165**	**-**	**35,971**

Property, plant and equipment with a carrying amount of 31,494 thousand Litas as at 31 December 2013 (31 December 2012: 32,168 thousand Litas) have been pledged for loans and borrowings (Note 19).

The Company’s property, plant and equipment and investment property with the carrying amount of 34,930 thousand Litas as at 31 December 2013 (2012: 37,666 thousand Litas) are insured against fire, natural forces and other damages.

The carrying amount of vehicles and equipment under finance lease was 130 thousand Litas as at 31 December 2013 (31 December 2012: 184 thousand Litas).

(in thousand Litas, unless otherwise indicated)

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

Depreciation

Depreciation is allocated as follows:

	2013	2012*
Cost of sales and inventories (finished goods)	2,003	2,110
Depreciation of boiler house for which the grant was received	635	635
General and administrative expenses	224	681
Selling and distribution expenses	166	164
Total	**3,028**	**3,590**

* - change in classification of items is described in Note 4.

8. Investment property

	2013	2012
Balance as at 1 January	1,596	900
Acquisitions	35	-
Reclassification from property, plant and equipment	-	696
Balance as at 31 December	**1,631**	**1,596**

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

Fair values of the properties have been determined as at March 2012 by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The management has estimated that there was no change in the fair value of the properties since the independent valuation. Should the published indexes or observables prices of similar properties change by more than 15% from the index as of the last independent valuation or in case the management of the Company determines that there might be a change in the fair value of the assets – an independent valuation will be performed.

The fair value measurement for investment property of 1,631 thousand Litas has been categorized as a Level 2 in the fair value hierarchy.

The rental income of the investment properties amounted to 33 thousand Litas in 2013 (2012: 31 thousand Litas) and the maintenance costs of this property amounted to 17 thousand Litas in 2013 (2012: 20 thousand Litas).

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

9. Investments in subsidiaries

Investments consist of the following:

	2013	2012
Acquisition cost of AB Anykščių Vynas	33,365	33,365
Impairment	(23,666)	(23,666)
Total, net	**9,699**	**9,699**

As at 31 December 2013, the Company held 94.90% or 18,980,045 ordinary registered shares of the company AB Anykščių Vynas with a nominal value of 1 Litas each. As at 31 December 2011 the impairment was determined by reference to the market value of the company's quoted shares. In 2012 and 2013, public circulation of the shares was too low to provide reliable information about the fair value of the share; therefore, the estimation of the impairment was based on the discounted cash flows of the subsidiary company. No further impairment was determined.

(in thousand Litas, unless otherwise indicated)

9. Investments in subsidiaries (cont'd)

Long-term activity forecasts are based on the assessments of the management of the subsidiary company regarding the company's future business activities and on its ability to secure long-term and working capital financing. The assumptions used are based on the almost complete use of the optimized human resources capacities and on the company's ability to retain its market share and to recover the lost markets in certain segments. The 10% discount rate and 0.25% long-term growth rate for the periods subsequent to the forecasted period were used for the calculation of the value in use. The value in use method is used as the subsidiary is considered to be a one cash generating unit.

The Company has pledged the shares of the subsidiary to the bank for the loans issued (Note 19). Also the Company issued a guarantee for the subsidiary (Note 29).

The main financial indicators of the subsidiary:

	AB Anykščių Vynas	
	2013	**2012**
Non-current assets	20,229	21,911
Current assets	5,165	4,291
Total assets	**25,394**	**26,202**
Non-current liabilities	980	861
Current liabilities	11,654	11,998
Total liabilities	**12,634**	**12,859**
Net assets	**12,760**	**13,343**
Income	20,299	12,470
Expenses	(20,737)	(14,801)
Net profit (loss)	**(438)**	**(2,331)**
Assets attributable to the Company	24,099	24,866
Profit (loss) attributable to the Company	(416)	(2,212)

10. Available-for-sale financial assets

	2013	**2012**
Acquisition cost of AB Šiaulių Bankas shares	9,693	9,693
(Decrease) in fair value at the beginning of the year	(4,173)	(3,839)
Increase (decrease) in fair value during the period	1,246	(334)
(Decrease) in fair value at the end of the year	**(2,927)**	**(4,173)**
Total	**6,766**	**5,520**

As at 31 December 2013, the Company Group ALITA, AB owned 2.95% or 7,366,679 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 share price in the active market of AB Šiaulių Bankas. Increase in fair value of 1,246 thousand Litas for the shares in AB Šiaulių Bankas has been recognised in other comprehensive income (Note 16).

The fair value measurement for available-for-sale financial assets of 6,766 thousand Litas has been categorized as a Level 1 in the fair value hierarchy.

According to contractual obligations assumed together with other shareholders of AB Šiaulių Bankas, the rights to dispose 7,366,679 registered shares of AB Šiaulių Bankas owned by the Company Group ALITA, AB are restricted. The restrictions are in force until the majority shareholder owns a certain amount of shares of AB Šiaulių Bankas.

(in thousand Litas, unless otherwise indicated)

11.Inventories

	2013	2012
Raw materials	3,120	3,640
Packing materials	2,435	2,698
Auxiliary materials and supplies	495	238
Work in progress	3,359	3,926
Finished goods	3,871	3,049
Goods for resale	30	38
Total	**13,310**	**13,589**

Write-down of inventories to net realizable value amounts to 340 thousand Litas at 31 December 2013 (2012: 495 thousand Litas). The total value of inventories expensed as cost of sales and general and administrative expenses in the statement of comprehensive income for the year 2013 was equal to 44,899 thousand Litas (36,233 thousand Litas in 2012).

In 2013 the Company did not fully use its production capacities; therefore, overhead production costs amounting to 564 thousand Litas (2012: 574 thousand Litas) incurred due to unused capacities were recognised under general and administrative expenses for the current year.

The Company has insured inventories for the amount of 19,402 thousand Litas against natural calamities, fire, and other damages. All of the inventories of the Company are pledged for the bank loans and borrowings (Note 19).

Write-down of inventories is recorded under:

	2013	2012
Auxiliary materials and supplies	340	374
Finished goods	-	71
Work in progress	-	50
Total	**340**	**495**

12. Prepayments

Prepayments consist of:

	2013	2012
Prepayments to local suppliers	509	158
Prepayments to foreign suppliers	291	260
Other prepayments and deferred costs	199	163
Total	**999**	**581**

13. Trade accounts receivable

Trade accounts receivable consist of:

	2013	2012
Trade accounts receivable	21,034	22,549
Trade accounts receivable due from subsidiary company	262	-
Total	**21,296**	**22,549**
Impairment at the beginning of the year	(291)	(233)
Additional impairment during the period	(25)	(66)
Write-off of doubtful trade receivables	-	8
Impairment at the end of the year	**(316)**	**(291)**
Total	**20,980**	**22,258**

(in thousand Litas, unless otherwise indicated)

14. Other accounts receivable

Other accounts receivable consist of:

	2013	**2012**
Receivable import VAT	-	23
Deposits	139	139
Other accounts receivable	132	92
Total	**271**	**254**

15. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	**2012**
Cash at banks	4,171	2,197
Cash in hand	-	-
Total	**4,171**	**2,197**

To secure the long-term loans and borrowings, the Company pledged all the current and future Company's funds at banks (Note 19).

16. Shareholders' equity

Share capital

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

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

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

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

All shares are fully paid.

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

Legal reserve

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

16. Shareholders' equity (cont'd)

Revaluation reserve

Revaluation of property, plant and equipment before reclassification to investment property is accounted in revaluation reserve.

Fair value reserve

Fair value reserve comprises the change in the value of available-for-sale financial assets (Note 10).

	Increase (decrease) in value	**Deferred income tax**	**Increase (decrease) in value after recognition of deferred tax**
Increase (decrease) in fair value during the period	(334)	50	(284)
Fair value reserve as at 31 December 2012	**(4,173)**	**626**	**(3,547)**
Increase (decrease) in fair value during the period	1,246	(187)	1,059
Fair value reserve as at 31 December 2013	**(2,927)**	**439**	**(2,488)**

17. Basic and diluted earnings per share

	2013	**2012**
Net profit (loss), attributable to the shareholders	4,046	2,859
Number of shares at the end of the period (thousand)	20,000	20,000
Weighted average number of shares during the period (thousands)	20,000	20,000
Basic and diluted earnings per share (in Litas)	**0.20**	**0.14**

The Company has no dilutive potential shares or convertibles. The diluted earnings per share are the same as the basic earnings per share.

18. Other accounts payable

	2013	**2012**
Value added tax (VAT)	3,337	2,548
Excise duty	1,507	4,093
Salaries and related taxes	1,000	644
Packaging tax	766	-
Vacation reserve	520	414
Advances received	56	66
Import VAT	-	23
Accrued expenses and other accounts payable	1,470	980
Total	**8,656**	**8,768**

(in thousand Litas, unless otherwise indicated)

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

	2013	2012
Long-term loans and borrowings	36,507	44,778
Long-term loans from subsidiary	2,900	2,900
Long-term portion of lease liabilities	81	-
Total non-current liabilities	**39,488**	**47,678**
Current portion of long-term loans	8,271	6,337
Short-term loans and borrowings	11,018	7,200
Current portion of long-term lease liabilities	23	109
Total current liabilities	**19,312**	**13,646**
Total borrowings	**58,800**	**61,324**

As at 31 December 2013, the Company has long-term loans amounting to 40,338 thousand Litas (11,683 thousand EUR) and 7,340 thousand Litas, their repayment terms are in 2016 and in 2017. Current portion of these long-term loans amounts to 8,271 thousand Litas. The average variable interest rate of these loans was from 2.8% to 5.9% in 2013.

As at 31 December 2013 the Company had used 6,806 thousand Litas of its factoring limit amounting to 7,000 thousand Litas. The average variable interest rate was equal to 3.2% in 2013.

In August 2013 the Company and the State Tax Inspectorate signed an agreement for the 7,099 thousand Litas tax loan. The final loan maturity date was set on December 2014, and interest rate is 0.01% per day. To secure the commitments, the Company had pledged property, plant and equipment of carrying value of 4,603 thousand Litas. As at 31 December 2013 the amount payable under this agreement was 4,212 thousand Litas.

The Company was in compliance with all the covenants as provided in the credit agreements or had waivers from the banks that no action will be taken should there be a non compliance.

To secure the long-term loans and borrowings under the respective credit agreements, the Company pledged property with a carrying value of 22,722 thousand Litas as at 31 December 2013, equipment with the carrying value of 8,772 thousand Litas as at 31 December 2013, inventories of 13,310 thousand Litas, all the current and future Company's funds at banks, trademarks, shares of the subsidiaries, all current and future land lease rights, rights to amounts receivable according to the list and bill of exchange for 5,000 thousand Litas.

Finance lease liabilities are payable as follows:

As at 31 December 2013:

	Future minimum lease payments	Interest	Present value of finance lease payments
Less than one year	27	4	23
Between one and five years	93	12	81
Total	**120**	**16**	**104**

As at 31 December 2012:

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

(in thousand Litas, unless otherwise indicated)

20. Government grants

	2013	2012
Asset related grants		
Balance as at 1 January	1,992	2,627
Amortisation	(635)	(635)
Balance as at 31 December	**1,357**	**1,992**
Income related grants		
Balance as at 1 January	-	36
Funds used for compensation of costs	-	(36)
Balance as at 31 December	**-**	**-**
Balance of the funds, received from EU structural funds	**1,357**	**1,992**

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

21. Post-employment employee benefits

	Net defined benefit liability	
	2013	**2012**
Balance at 1 January	**290**	**290**
Included in profit or loss	-	-
Included in other comprehensive income	444	-
Balance at 31 December	**734**	**290**

Based on the defined benefit plan, the Company holds no assets for fulfilment of respective liabilities. Increase in amount of 444 thousand Litas in defined benefit liability is due to changes in actuarial assumptions.

The key actuarial assumptions used for measurement of post-employment benefits as at 31 December 2013 and the sensitivity of the defined benefit obligation to reasonably possible changes to one of those assumptions, holding other assumptions constant, are the following:

			Impact on defined benefit obligation	
Assumption	**Base**	**Change by**	**On increase**	**On decrease**
Annual salary increase	2%	0.5%	30	(29)
Discount rate	5%	0.5%	(28)	29

22. Selling and distribution expenses

	2013	2012*
Advertising	6,888	6,067
Sales and marketing expenses	2,423	1,575
Transportation and logistics	900	611
Warehousing	780	725
Depreciation	166	164
Other	-	26
Total	**11,157**	**9,168**

* change in classification of items is described in Note 4.

(in thousand Litas, unless otherwise indicated)

23. General and administrative expenses

	2013	2012*
Salaries, wages and social security	2,931	2,948
Maintenance and repairs	1,242	815
Advisory services	977	2,162
Depreciation and amortisation	549	979
Tax expenses (other than income tax)	456	550
Energy costs	387	399
Insurance expenses	154	145
Write-down of aged and slow moving inventories	78	131
Charity and support	26	15
Impairment of trade and other accounts receivable	25	66
Other	619	1,024
Total	**7,444**	**9,234**

* change in classification of items is described in Note 4.

Staff costs by type:

	2013	2012
Salaries	5,911	4,996
Social insurance tax	2,029	1,725
Bonuses	525	196
Redundancy compensations	108	348
Other employee benefits	76	54
Other forms of remuneration	19	-
Total	**8,668**	**7,319**

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

	2013	2012*
Cost of sales	3,378	2,761
General and administrative expenses	2,931	2,948
Selling and distribution expenses	2,359	1,610
Total	**8,668**	**7,319**

* change in classification of items is described in Note 4.

24. Other income (expenses)

Other income (expenses) consists of:

	2013	2012 *
Services rendered	975	673
Other income	1	27
Total income	**976**	**700**
Cost of services rendered	(397)	(249)
Loss from disposed property, plant and equipment	(95)	(133)
Total expenses	**(492)**	**(382)**

* - change in classification of items is described in Note 4.

(in thousand Litas, unless otherwise indicated)

25. Finance income (costs)

	2013	2012
Dividend income	29	-
Interest income	2	-
Penalties, delinquency charges received	-	7
Total income	**31**	**7**
Interest expenses	(2,000)	(2,310)
Interest on overdue payments	(122)	(274)
Currency exchange gain (loss), net	-	(4)
Other finance costs	(253)	(155)
Total costs	**(2,375)**	**(2,743)**

26. Information according to business and geographic segments

Geographic segments

	2013	2012*
Revenue from domestic market customers	61,725	53,701
Revenue from foreign customers	16,846	12,647
Total	**78,571**	**66,348**

* change in classification of items is described in Note 4.

All the Company’s assets are located in Lithuania.

Revenues from the customers in alcoholic product segment that individually comprise more than 10% of total Company’s revenue:

	2013	2012
Customer 1	22,076	18,488
Customer 2	15,107	11,491
Customer 3	8,433	7,666
Total	**45,616**	**37,645**

(in thousand Litas, unless otherwise indicated)

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

Business segment information for the year ended 31 December 2013 is presented below:

	Produced alcoholic products	Apple products	Unallocated	Total
Net segment sales revenue	76,026	-	2,545	78,571
Cost of sales, including depreciation	(50,962)	-	(2,301)	(53,263)
Gross profit	**25,064**	**-**	**244**	**25,308**
Other income	-	-	976	976
Operating expenses	(11,507)	(38)	(6,263)	(17,808)
Other expenses	-	-	(492)	(492)
Write-down of inventories	(78)	-	-	(78)
Depreciation and amortisation	(166)	(70)	(479)	(715)
Operating result	**13,313**	**(108)**	**(6,014)**	**7,191**
Finance income	-	-	31	31
Finance costs	-	-	(2,375)	(2,375)
Income tax income (expenses)	-	-	(801)	(801)
Net result for the year	**13,313**	**(108)**	**(9,159)**	**4,046**
Segment assets				
Non-current assets	30,645	1,416	20,584	52,645
Inventories	12,834	-	476	13,310
Other current assets	26,421	-	-	26,421
Total segment assets	**69,900**	**1,416**	**21,060**	**92,376**
Segment liabilities				
Government grants	1,357	-	-	1,357
Financial liabilities*	6,806	-	51,994	58,800
Employee benefits	-	-	734	734
Trade accounts payable	6,994	-	141	7,135
Other liabilities	8,656	-	-	8,656
Total segment liabilities	**23,813**	**-**	**52,869**	**76,682**
Acquisition of intangible assets, property, plant and equipment and investment property	327	-	358	685

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

(in thousand Litas, unless otherwise indicated)

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

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

	Produced alcoholic products	Apple products	Unallocated	Total
Net segment sales revenue	65,289	-	1,059	66,348
Cost of sales, including depreciation	(41,715)	-	(415)	(42,130)
Gross profit	**23,574**	**-**	**644**	**24,218**
Other income	-	-	700	700
Operating expenses	(8,502)	(14)	(8,743)	(17,259)
Other expenses	-	-	(382)	(382)
Depreciation and amortisation	(194)	(70)	(879)	(1,143)
Operating result	**14,878**	**(84)**	**(8,660)**	**6,134**
Finance income	-	-	7	7
Finance expenses	-	-	(2,743)	(2,743)
Income tax income (expenses)	-	-	(539)	(539)
Net result for the year	**14,878**	**(84)**	**(11,935)**	**2,859**
Segment assets				
Non-current assets	33,071	1,497	20,550	55,118
Inventories	13,313	-	276	13,589
Other current assets	25,290	-	-	25,290
Total segment assets	**71,674**	**1,497**	**20,826**	**93,997**
Segment liabilities				
Government grants	1,992	-	-	1,992
Financial liabilities**	7,000	-	54,324	61,324
Employee benefits	290	-	-	290
Trade accounts payable	10,059	-	598	10,657
Other liabilities	8,768	-	-	8,768
Total segment liabilities	**28,109**	**-**	**54,922**	**83,031**
Acquisition of intangible assets and property, plant and equipment	-	-	226	226

* change in classification of items is described in Note 4.

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

(in thousand Litas, unless otherwise indicated)

27. Current and deferred tax

	2013	2012
Current tax	-	-
Change in deferred tax	(801)	(539)
Total income tax expense recognised in profit or loss	**(801)**	**(539)**

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of multiple factors, including interpretations of tax law and prior experience.

The reconciliation of effective tax rate is as follows:

	2013		2012	
Profit before tax		**4,847**		**3,398**
Income tax using standard tax rate	15.0%	727	15.0%	510
Non-taxable income related to prior period corrections	-	-	(11.9%)	(407)
Other non-taxable income	(0.1%)	(4)	(0.1%)	(1)
Non-deductible expenses	3.0%	143	10.1%	344
Change in deductible temporary expenses not previously recognised	(1.2%)	(57)	2.9%	98
Support, charity	(0.2%)	(8)	(0.1%)	(5)
Total income tax expense recognised in profit or loss	**16.5%**	**801**	**15.9%**	**539**

The amounts recognised in other comprehensive income are as follows:

	2013			2012		
	Before tax	**Tax (expense) benefit**	**Net of tax**	**Before tax**	**Tax (expense) benefit**	**Net of tax**
Remeasurements of defined benefit liability	(444)	67	(377)	-	-	-
Revaluation of property, plant and equipment	-	-	-	696	(104)	592
Available-for-sale financial assets	1,246	(187)	1,059	(334)	50	(284)
Total	**802**	**(120)**	**682**	**362**	**(54)**	**308**

(in thousand Litas, unless otherwise indicated)

27. Current and deferred tax (cont'd)

Calculation of deferred tax is as follows:

	2013		2012	
	Temporary differences	**Deferred tax (15%)**	**Temporary differences**	**Deferred tax (15%)**
Impairment of investments in subsidiary	23,666	3,550	23,666	3,550
Available-for-sale financial assets	2,927	439	4,173	626
Investment property	1,326	199	1,441	216
Accrued expenses	1,176	176	792	117
Employee benefits	734	110	290	44
Write-down of inventories to net realizable value	340	51	495	74
Impairment of trade receivables	316	47	291	44
Tax loss carried forward	584	88	5,905	886
Total deferred tax asset		**4,660**		**5,557**
Unrecognised deferred tax asset (temporary deductible expenses not recognised)		(3,580)		(3,556)
Total recognised deferred tax asset		**1,080**		**2,001**
Revaluation of property, plant and equipment before reclassification to investment property	(696)	(104)	(696)	(104)
Total recognised deferred tax liability		**(104)**		**(104)**
Net deferred tax asset		**976**		**1,897**

Unrecognised deferred tax asset is as follows:

	2013		2012	
	Temporary differences	**Unrecog-nised deferred tax**	**Temporary differences**	**Unrecog-nised deferred tax**
Impairment of investments in subsidiary	23,666	3,550	23,666	3,550
Impairment of trade receivables	200	30	41	6
Total unrecognised part of deferred tax asset	**23,866**	**3,580**	**23,707**	**3,556**

At the end of 2013 the main part of the unrecognised deferred tax asset consisted of the impairment of the investment in subsidiary AB Anykščių Vynas. According to the Law on Corporate Income Tax, the tax loss from transfer of securities may be carried forward for a period of up to 5 years; it is available as a deduction only against taxable profit from the transfer of securities.

Under current legislation, the Company's tax losses can be carried forward for indefinite period of time, if economic activity from which the losses originated is continued. When calculating the income tax for 2014 and subsequent years, the amount of tax loss carried forward cannot exceed 70% of taxable profit of the tax period.

In 2013 and 2012, current income tax rate is 15%.

The change in deferred tax could be presented as follows:

	2013	**2012**
Deferred tax asset (liability) as at 1 January	**1,897**	**2,491**
Recognised in profit or loss	(801)	(539)
Recognised in other comprehensive income	(120)	(54)
Rounding effect	-	(1)
Deferred tax asset (liability) as at 31 December	**976**	**1,897**

(in thousand Litas, unless otherwise indicated)

28. Transactions with related parties

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

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

AB Anykščių Vynas (subsidiary)

Legal entities related to Supervisory Council members

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

Transactions during the period with the above mentioned related companies are summarized below:

Transactions with related parties

	2013	**2012**
Sales to subsidiaries	2,362	858
Purchases from subsidiary and calculated interest	601	675
Consultancy services provided by legal entities related to Supervisory Council members	176	751

Accounts receivable from related parties

	2013	**2012**
Due from subsidiary	262	-

Accounts payable to related parties

	2013	**2012**
Loans from subsidiary	2,900	2,900
Accounts payable to subsidiary	-	93
Accounts payable to legal entities related to Supervisory Council members	32	21

During 2013 the costs related to management remuneration amounted to 1,633 thousand Litas, including bonuses of 267 thousand Litas (2012: 1,400 thousand Litas, including bonuses of 111 thousand Litas). The management consists of 9 employees: directors and department managers as well as chief accountant (2012: 9).

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

Also, the Company has a guarantee issued for the loans and borrowings of the subsidiary AB Anykščių Vynas, as disclosed in Note 29.

As at 31 December 2013 AB Anykščių Vynas issued a guarantee for the Company to Swedbank, AB for the loans granted amounting to 11,683 thousand EUR (31 December 2012: 13,647 thousand EUR).

(in thousand Litas, unless otherwise indicated)

29. Contingent liabilities and assets

Emission allowances

As at 31 December 2013 the Company has 19,608 units of greenhouse gas emission allowances unused (19,914 units as at 31 December 2012). The allowances are valued at zero value.

Guarantees, warranties issued and other contingencies

As at 31 December 2013, the Company has a guarantee issued to Swedbank, AB for the payment of the loan of 2,152 thousand EUR and borrowings of the subsidiary AB Anykščių Vynas as to the respective credit agreement.

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

To secure the repayment of long-term loans and borrowings as to the respective credit agreements, the Company pledged property to the banks (as disclosed in Note 19).

Operating leases as a lessee

The Company rents land plots from the State. The annual rent fee in 2013 amounted to 76 thousand Litas (2012: 76 thousand Litas). The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land. No provision is included in the financial statements as at 31 December 2013 as the management was not able to estimate the terms and volume of such works.

The Company rents several motor cars and office premises according to the operating lease agreements. The leases expire in 2016 and 2017.

As at 31 December 2013 and 2012, the future minimum lease payments under non-cancellable leases were payable as follows:

	2013	**2012**
Less than one year	223	208
Between one and five years	566	789
More than five years	-	-
	789	**997**

The lease expenses recognised in profit or loss amounted to 208 thousand Litas (2012: 73 thousand Litas).

Contingencies related with payment of taxes

According to effective tax legislation, the tax authorities may at any time perform investigation of the Company‘s accounting registers and records for the period of five years preceding the accounting tax period, as well as calculate additional taxes and penalties. Management of the Company Group ALITA, AB is not aware of any circumstances which would cause calculation of additional significant tax liabilities.

Main court and arbitration proceedings

1. The Vilnius Regional Administrative Court is examining the administrative case initiated by Plass Investments Limited against the Bank of Lithuania, in which Plass Investments Limited requests the court inter alia to annul the resolution of the Bank of Lithuania, dated 6 August 2013, to reapprove the circular of the mandatory non-competitive official tender offer to buy-up the remaining voting shares of the Company Group ALITA AB, dated 2 November 2011 and provided by FR&R Invest IGA S.A. The Company Group ALITA AB is involved in the case as a third person. In the opinion of the management of the Company Group ALITA AB, the claim of Plass Investments Limited is ungrounded and should be dismissed.

29. Contingent liabilities and assets (cont'd)

Main court and arbitration proceedings (cont'd)

2. After examination of appeals of the Company, FR&R Invest IGA S.A. and Vytautas Junevičius regarding abolishment of the decision of the Kaunas Regional Court of 27 March 2013, on 14 March 2014 Lithuanian Court of Appeals rendered the decision, according to which the court abolished the decision of the Kaunas Regional Court of 27 March 2013 and adopted a new decision – to dismiss a claim of minority shareholder Plass Investments Limited regarding invalidation of the decisions of the extraordinary general meeting of shareholders, dated 3 October 2011 on reduction and increase of the Company's authorised capital, Articles of Association of the Company and of Share Subscription Agreement of 6 October 2011, concluded by the Company and FR&R Invest IGA S.A. Following the indicated decision the Lithuanian Court of Appeals also abolished all below specified interim measures applied by the Kaunas Regional Court. The decision of the Lithuanian Court of Appeals of 14 March 2014 became valid as from its adoption.

As was previously reported, on 27 March 2013 the Kaunas Regional Court has satisfied the claim of Plass Investments Limited and inter alia decided:

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

In the same civil case the Kaunas Regional Court applied interim measures. 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 to 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.

The Lithuanian Court of Appeals by its decision of 14 March 2014 abolished all the above specified interim measures applied by the Kaunas Regional Court.

29. Contingent liabilities and assets (cont'd)

Main court and arbitration proceedings (cont'd)

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.

The 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 the 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 the Company Group ALITA, AB in Serbia received the Privatisation agency's appeal; on 4 March 2014 the Company has received information that the Serbian Commercial Appellate Court annulled the decision of lower instance court – the Belgrade (Serbia) Commercial Court – and returned the case for re-examination to the Belgrade Commercial Court), 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 ungrounded and are expected 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 the 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.

4. On 23 September 2013 AB Anykščių Vynas received the announcement from the Panevėžys Regional Court on the claim provided by Plass Investments Limited, the shareholder of AB Anykščių Vynas, regarding invalidation of the Agreement on purchase-sale of the boiler house and of the movable and immovable assets related thereto, concluded on 20 June 2013 by and between AB Anykščių Vynas (the seller) and the buyer, as well as on application of restitution, related to execution of this agreement (AB Anykščių Vynas and the buyer of the mentioned assets are included as the respondents in the case). In opinion of AB Anykščių Vynas the claim of Plass Investments Limited is unfounded and should be dismissed.

30. Subsequent events

On 24 January 2014 the Company signed a factoring agreement with Swedbank Lizingas, UAB to finance the receivable amounts up to 9,858 thousand Litas till 30 November 2014.

On 14 March 2014 the Company received a judgement from Lithuanian Court of Appeals by which the court abolished the decision of the Kaunas Regional Court of 27 March 2013 and dismissed a claim of minority shareholder Plass Investments Limited. Further details on the judgement of Lithuanian Court of Appeals are provided in Note 29.

31. Information on the Company as a going concern

In 2013 the Company earned net profit of 4,046 thousand Litas and at the end of 2013 the current assets exceeded the current liabilities by 4,628 thousand Litas. As described in more detail in Note 29, the Company is a party to several legal actions involving significant claims against it. Although the management of the Company believes that all of them are ungrounded and are or will be contested there is a risk that significant amounts or other types of claims will be awarded and that could have a material negative effect on the Company's ability to continue as a going concern. However, the management of the Company believes none of these legal claims will be satisfied and the Company's exposure will be limited to legal fees paid and payable to lawyers as the management considers the possibility to claim these costs from the claimants as remote.

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

32. Information related with the reorganization of the operations

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

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

General Director Vaidas Mickus

Finance and IT Director Justinas Damašas

COMPANY GROUP ALITA, AB
THE CONSOLIDATED ANNUAL REPORT
2013

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

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

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

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

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

1. MAIN INFORMATION ABOUT THE ISSUER

1.1. Reporting period covered by this Annual Report

The Annual Report was drawn up for the period from 1 January, 2013 to 31 December, 2013.

1.2. The issuer and its contact information

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

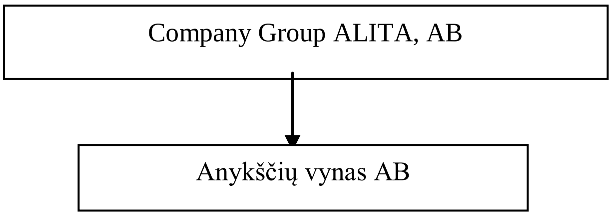
The subsidiary of the issuer and its contact information:

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

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

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

Organizational structure of the Company Group ALITA, AB:



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

Name:	The Company Group ALITA, AB
Legal form:	representative office
Date and place of registration:	1 December 2006 in Riga
Registration number:	P 001193
Company code:	40006011900
Office address:	Ūnijas iela 74-1d, LV-1084, Riga
Tel.:	(371) 7 283 153
Fax.:	(371) 7 240 425
E-mail:	alita@alita.lv

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

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

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

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

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

Data on the Company Group ALITA, AB securities trading

On 4 January 2010, the securities issued by the Company Group ALITA, AB were admitted to the Secondary List of NASDAQ OMX Vilnius, following the decision of the Board of 23 December 2009 (Minutes No 108). The shares of the Company Group ALITA, AB are divided in two parts: 3,126,000 (three million one hundred twenty six thousand) units have ISIN code LT0000128266, ticker AGP1L, and 16,874,000 (sixteen million eight hundred seventy four thousand) units have ISIN code LT0000128589. The nominal value of the share is 1 LTL (one Litas). Shares with ISIN code LT0000128589 are not traded in NASDAQ OMX Vilnius.

In 2013, the Company Group ALITA, AB had not acquired its own shares.

The information about securities transactions of Anykščių vynas AB

On 3 July 1995, ordinary registered shares of Anykščių vynas AB were included into the NASDAQ OMX Vilnius Secondary List. At the beginning of 2013 there were 20,000,000 (twenty million) ordinary registered shares of Anykščių vynas AB of LTL 1 (one) nominal value of each of it. The total nominal value of shares amounted to 20,000,000 LTL. The ISIN code of these shares is LT0000112773 and the ticker is ANK1L.

In 2013, Anykščių vynas AB had not acquired its own shares.

2. OTHER INFORMATION ABOUT THE ISSUER

2.1. The composition of the Issuer's authorized capital

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

The composition of the authorized capital of the Company Group ALITA, AB by the type of the shares as at 31 December 2013:

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

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

The composition of the authorized capital of Anykščių vynas AB by type of the shares as at 31 December 2013:

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

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

2.2. Restrictions on transferability of the securities

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

On 14 March 2014 Lithuanian Court of Appeals cancelled all of the above mentioned interim measures.

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

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

2.3. Information about the principal investments made during reporting period

The management and the shareholders are active in order to ensure the financial stability of the Company, to balance the cash flows. Over the past few years many funds have been provided for investments and many production improvement and efficiency issues were solved. Group's needs for investments were as follows: amount of investments of the Company Group ALITA, AB in 2013 was 685 thousand LTL (most of this was made in production equipment, purchasing new brands and IT section) and Anykščių vynas AB had investments for 81 thousand LTL.

2.4. Information about shareholders

On 31 December 2013, the Company Group ALITA, AB had listed 558 shareholders.

On 31 December 2013, the following shareholders of the Company Group ALITA, AB held 5% or more of the Company's authorized capital:

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

On 31 December 2013, other shareholders together held 193,448 of the Company's shares. Their holdings accounted for 0.96% of all outstanding shares and votes attaching to them.

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

There are no shareholders with restricted voting rights.

2.5. Information about mutual agreements of the shareholders

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

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

Information about the companies with the capital directly or indirectly owned by the Company Group ALITA, AB on 31 December 2013, when this part of the capital could have a strong impact valuating the Company's owned property, liabilities, financial position, loss and profit:

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

On 31 December 2013 the Company Group ALITA, AB held 18,980,045 units (or 94.90%) of the ordinary registered shares of its subsidiary Anykščių vynas AB, with the nominal value of LTL 1 (one) each. On 31 December 2013, 1,019,955 units (or 5.10%) of shares of Anykščių vynas AB were owned by other minority shareholders.

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

On 31 December 2013, the Company had a holding of 7,366,679 (or 2.95%) ordinary registered shares of Šiaulių bankas AB, in the nominal value of LTL 1 (one) each. The changes in fair value of Šiaulių bankas AB shares are estimated in the Company's accounting with reference to the market value of Šiaulių bankas AB shares estimated at the reporting day. The revaluation of Šiaulių bankas AB shares is recorded in other comprehensive income.

2.7. Information about employees

The total number of personnel of the Group:

31 December 2013	31 December 2012
233	233

The dynamics of average number of employees and average monthly salary (without compensations) of the Company Group ALITA, AB during the year 2013 and 2012 by personnel groups:

Personnel	2013			2012		
	Average number of employees	%	Average salary	Average number of employees	%	Average salary
Managers	10	6.3	11,330	9	5.5	12,883
Specialists and officials	74	46.5	3,348	77	47.25	2,797
Workers	75	47.2	1,906	77	47.25	1,717
Total:	**159**	**100**	**3,159**	**163**	**100**	**2,847**

The average number of employees decreased by 4 persons or 2.5% due to optimization of production and managing functions. The average salary increased by 312 LTL or 11.0%. The average salary increased due to increases in salaries and 5 days working week for the whole year (in 2012 due to lower sales part of employees from production department had been working 4 days a week).

The structure of employees of the Company Group ALITA, AB by education as at 31 December 2013 and 2012:

Employees education	31/12/2013		31/12/2012	
	Number of employees	%	Number of employees	%
University degree	71	43.0	67	42.4
College	52	31.5	52	32.9
Secondary	42	25.5	39	24.7
Total:	**165**	**100**	**158**	**100**

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

The employment contracts or collective agreement do not include any special rights or special positions of employees of the Company Group ALITA, AB.

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

The dynamics of average number of employees and average monthly salary (without compensations) of Anykščių Vynas AB during the year 2013 and 2012 by personnel groups:

Employees	2013			2012		
	Average number of employees	%	Average salary	Average number of employees	%	Average salary
Managers	2	2.7	4,652	2	2.5	4,522
Specialists and officials	24	32.4	1,896	29	35.8	1,811
Workers	48	64.9	1,492	50	61.7	1,545
Total:	**74**	**100**	**1,720**	**81**	**100**	**1,719**

The average number of employees decreased by 7 persons or 8.6% due to optimization of production and managing functions. The average employees' salary had not changed.

Comparison of the structure of Anykščių vynas AB employees by education as at 31 December 2013 and 2012:

Employees' education	31/12/2013		31/12/2012	
	Number of employees	%	Number of employees	%
University degree	18	26.4	22	29.4
College	21	30.9	25	33.3
Secondary	28	41.2	25	36.0
Uneducated	1	1.5	1	1.3
Total:	**68**	**100**	**75**	**100**

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

The employment contracts or collective agreement do not include any special rights or special positions of employees of the Anykščių Vynas AB.

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

There were no powers of attorney for Issuer's bodies to issue or buy Issuer's shares in 2013.

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

General information about the Company's managing bodies

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

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

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

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

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

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

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

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

Other information about the Company's managing bodies

The Supervisory Board:

Name, surname	Position	Beginning of term	End of term
Leena Maria Saarinen	Chairman	03/10/2011	03/10/2015
Vytautas Junevičius	Member	03/10/2011	03/10/2015
Jan Aberg	Member	03/10/2011	03/10/2015
Mats A Andersson	Member	03/10/2011	19/04/2013

The additional information about the Supervisory Board members:

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

Vytautas Junevičius
Education: University degree, engineer–economist; the specialist in international economic relationships. From 1994 to 2009 the CEO of Alita AB (on 07/10/2009 the name was changed to ALT investicijos); from 07/10/2009 to 30/11/2009 the CEO of the Company Group ALITA, AB; from 01/12/2009 to 31/10/2011 worked as an advisor to the CEO of the Company Group ALITA, AB; since 01/11/2011 has worked as a senior advisor to the CEO of the Company Group ALITA.
Participation in other companies' activities: the Chairman of the Board of Anykščių vynas AB, the Board member of Šiaulių bankas AB, Vice President of Vilnius Chamber of Commerce, Industry and Crafts.
He has 2,895,364 (or 14.48%) of the Company Group ALITA, AB shares, 320,560 or 0.13% of Šiaulių bankas AB shares. No shares of Anykščių vynas AB.

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

The Supervisory Board member Vytautas Junevičius is an employee of the Company, he is paid a salary in accordance with his employment agreement and is ensured all social guarantees as prescribed by the Collective Agreement. Other members of the Supervisory Board did not receive salaries or any other payments. During 2013 no loans were granted to, guaranties issued to or sureties granted for the obligations of the members of the Supervisory Board.

The Board:

Name, surname	Position	Beginning of term	End of term
Carl Andreas De Neergaard	Chairman	23/07/2012	23/07/2016
Vaidas Mickus	Member	23/07/2012	23/07/2016
Algirdas Ragelis	Member	23/07/2012	23/07/2016

Additional information about the current Board members:

Carl Andreas de Neergaard
Education: University degree (Bachelor and Master of Accounting and Corporate Finance).
Employment: Investment manager in Swedbank AB, Sweden. He has no shares either of the Company Group ALITA, AB or Anykščių vynas AB.

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

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

The Board members Vaidas Mickus and Algirdas Ragelis are the employees of the Company, they are paid a salary in accordance with their employment agreements and are ensured all social guarantees as prescribed by the Collective Agreement. Board member Carl Andreas de Neergaard was not paid a salary or other payments during 2013. Other Board members were not grated any loans, no guaranties were issued and no sureties were grated to cover their obligations.

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

Name, surname	Position	Beginning of term	End of term
Vaidas Mickus	General Director	23/07/2012	
Vaidas Mickus	Finance and IT Director	24/05/2012	23/07/2012
Justinas Damašas	Finance and IT Director	18/02/2013	
Alina Miežiūnienė	Chief Accountant	07/10/2009	

Additional information about the current General Director and Chief Accountant:

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

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

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

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

The subsidiary company's Anykščių vynas AB managing bodies

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

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

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

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

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

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

The Board:

Name, surname	Position	Beginning of term	End of term
Vytautas Junevičius	Chairman	26/04/2012	25/04/2016
Vaidas Mickus	Member	26/07/2012	25/04/2016
Audrius Zuzevičius	Member	09/11/2012	25/04/2016
Artūras Tiurinas	Member	09/11/2012	22/11/2013

Additional information about the Board members of Anykščių vynas AB:

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

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

Additional information about the current Board members of Anykščių vynas AB Vytautas Junevičius and Vaidas Mickus is presented under the additional information about the managing members of the Company Group ALITA, AB.

The Board member Audrius Zuzevičius is the employee of the company, he is paid a salary in accordance with his employment agreement and is ensured all social guarantees as prescribed by the Collective Agreement. In 2013 no salary was paid and no other payments were made to other Board members. During 2013 Board members of Anykščių vynas AB were not granted any loans, no guaranties were issued and no sureties were granted to cover their obligations.

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

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

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

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

The General Manager of the company and Chief Accountant are paid a salary in accordance with their employment agreements and they are ensured all social guarantees as prescribed by the Collective Agreement.

2.10. The Audit committee

On 29 September 2009 the Shareholders of the Company voted for an Audit committee for the term of 4 years.

The Shareholder meeting also approved these main functions of the Audit committee:

- submit to the Board of the Company recommendations concerning the selection, appointment, repeated appointment or dismissal of the external auditor, and the terms of the agreement with an audit firm;
- monitor the external audit process;
- monitor the compliance by the external auditor and the audit firm with the principles of independence and objectivity;
- monitor the financial reporting process;
- forthwith notify the Manager of the Company of the information provided by the audit firm to the Audit Committee on audit-related issues, particularly in case when material deficiencies related to financial statements are established;
- perform other functions prescribed by the relevant legal acts of the Republic of Lithuania and the guidelines contained in the Corporate Governance Code for the companies listed at NASDAQ OMX Vilnius.

On 19 April 2013 the General Shareholders Meeting made a decision to cancel the Company’s Audit Committee and all its members, and delegate all its statutory functions to the Supervisory Board.

No Audit Committee is formed in Anykščių vynas AB. The role of the Audit Committee, according to the Law of Audit, was performed by the parent company’s Company Group ALITA AB Audit Committee till 19 April 2013. From 19 April 2013, according to the decision of the Company’s Group ALITA AB General Shareholders Meeting, the role of the Audit Committee was delegated to the Supervisory Board of the Company’s Group ALITA AB.

2.11. Significant agreements and related party transactions

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

The Company and its employees are related by employment relations, on the basis of which the employees of the Company are paid their salaries, are granted annual (or shorter period) and long term incentive bonuses dependant on the achievement of the results.

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

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

Other information about the transactions with related parties in 2013 is presented in Note 28 to the separate financial statements and Note 28 to the consolidated financial statements.

Sureties between the companies of the Group

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

The Company has provided a surety for Swedbank, AB in respect of the credit line of LTL 7.4 million opened for the benefit of its subsidiary, Anykščių vynas AB, and in respect of other liabilities to Swedbank, AB.

Other sureties

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

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

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

2.13 Information about other significant agreements between related parties

The information about significant agreements between related parties and transactions with the related parties of the previous periods and of the period of 2013 is published in the annual audited financial statements and in the financial statements for the previous years of the Company Group ALITA, AB, which can be found at www.nasdaqomxbaltic.com or at www.alita.lt.

2.14 Data about the publicly disclosed information

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

Date	Title of announcement
09/01/2013	Extraordinary General Meeting of Shareholders of the company was not held
09/01/2013	Regarding convocation of the repeated Extraordinary General Meeting of Shareholders of Company Group ALITA, AB
22/01/2013	Appeal of Plass Investments Limited regarding the decisions of the State Enterprise Centre of Registers was rejected by the Supreme Administrative Court
23/01/2013	Regarding the equity capital of Company Group ALITA, AB
24/01/2013	Decisions of repeated Extraordinary General Meeting of Shareholders of Company Group ALITA, AB
13/02/2013	Company Group ALITA, AB information
28/02/2013	Company Group ALITA, AB consolidated unaudited activity result for 12 months of 2012
27/03/2013	Judgement regarding the claim of Plass Investments Limited on invalidation of the Articles of Association and the Share Subscription Agreement was received

28/03/2013	Regarding convocation of Annual General Meeting of Shareholders of company group ALITA AB
29/03/2013	Regarding the adopted decisions of the Board of Company Group ALITA AB, related to the Annual General Meeting of Shareholders, being convened
19/04/2013	Decisions of annual general meeting of shareholders of Company Group ALITA, AB
19/04/2013	Company Group ALITA AB annual information for the year 2012
19/04/2013	Regarding resignation from the position as Supervisory Council member
31/05/2013	Company Group ALITA, AB consolidated unaudited result for the first 3 months of 2013
12/07/2013	Supreme Administrative Court of Lithuania passed a judgement in the case for annulling the decision of the Bank of Lithuania to approve the circular of the tender offer
07/08/2013	Bank of Lithuania reapproved the circular of the implemented mandatory non-competitive tender offer
27/08/2013	Consolidated non-audited results of Company group ALITA, AB for the first half of 2013
24/09/2013	Complaint of Plass Investments Limited regarding the decision of the Bank of Lithuania to reapprove the circular of tender offer was received
31/10/2013	Consolidated non-audited results of Company Group ALITA, AB for the first 9 months of 2013
28/02/2014	Consolidated non-audited annual results of Company Group ALITA, AB of 2013
04/03/2014	The Serbian Commercial Appellate Court annulled the decision of the Belgrade Commercial Court and returned the case for re-examination
17/03/2014	Decision of the Lithuanian Court of Appeals regarding abolishment of the decision of Kaunas Regional Court of 27 March 2013 and dismissal of the claim of minority shareholder Plass Investments Limited

2.15 The risk factors related with the Issuer's activity

The main risk factors which had an impact on the Company's economic-financial performance in 2013 and which are significant for its future:

Legal risk

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

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

Consumption

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

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

Market risk. Currency rates

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

Procurement

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

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

Seasonality

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

Credit risk

Due to the specific activity the Company is exposed to a large credit risk: over 72% of its turnover falls to a few major wholesale customers. The Company applies procedures, ensuring assessment and monitoring of the customers' credibility as well as encouragement of more favourable terms of settlement. The Company does not guarantee for the other parties trading obligations.

Financial risk

On 31 December 2013 the Group companies had 36.6 million LTL (10.6 million EUR) of long-term loans and leasing liabilities and 28.1 million LTL (8.1 million EUR) of short-term loans and leasing liabilities. The current level of the Company's financial debt may affect that the additional attraction of the loaned capital to carry out the future financial demands could be relatively complicated and/or relatively expensive.

More information about the Company's loans and interest rates is included in Note 19 of 2013 the audited separate financial statements and Note 18 to the consolidated financial statements.

Top management and high qualification employees

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

Environmental protection

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

Quality of the Products

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

Intellectual property

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

Other social, technical, technological and ecological factors are deemed to have no major impact on the Company's business and financial activities in 2014.

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

During the last two years there were no halts of the production process.

2.17. The main lawsuits and arbitrations

The information about the main lawsuit and arbitrations in 2013 is included in Note 29 of the audited separate financial statements and Note 29 of the consolidated financial statements.

2.18 Information regarding compliance with the Corporate Governance Code

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

2.19. Significant events after reporting period

This information is included in Note 30 of the audited separate financial statements and Note 30 of the consolidated financial statements.

3. DATA ABOUT ISSUER'S ACTIVITIES

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

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

The most popular trademark is the sparkling wine "Alita". The sparkling wine is one of the most important and representative product of the Company. The production of this wine is close to the classical production technology of champagne, because the same biochemical processes are taking place in the tanks during the fermentation as when you ferment champagne in the classical method in the bottles. During these processes the wine is saturated with carbonic acid naturally. In 2012 the labels of the sparkling wine "Alita" were changed receiving the favourable evaluation of the consumers. The sparkling wine "Alita" sweet few years in the row in the competition of Lithuanian Association of Trade Companies and the biggest trade networks was recognized as the most popular item in its category. Last year one of the brightest and most successful sparkling wine news was rose sparkling wine "Alita Rosé". In July 2013 another new product was presented to consumers – quality red sparkling wine "Alita Cabernet Sauvignon" which immediately received very favourable valuation. And at the end of the year 2013 one more limited edition product was released – "Alita Amber Muscat".

The consumers also appreciate brandies "Alita", "Alita XO", "Alita Reserva". In 2011 the white brandy "Pure" with no analogue in the Lithuanian market was presented to consumers and it received very favourable valuation from consumers. It was awarded the Silver medal in the competition "Prodexpo 2012" in Moscow in 2012. Because of the great success of this white brandy the Company released classic taste brandy "Pure Black". During the year 2013 this brandy had received much attention from consumers who were looking for the high quality drink and gained a significant position in its price segment. Even before reaching store shelves in Lithuania brandy "Pure Black" was assessed by the international commission of experts. In Moscow at the international Exhibition Prodexpo 2013 it was awarded by Silver medal.

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

The subsidiary company Anykščių vynas AB, established in 1926, has the biggest experience in the production of the natural fruit-and berry wine. The Company began to produce the berry wine in 1927. The range was adjusted by the constant changing taste of the consumer, but the natural black currant wine remained one of the most popular. In 2007 the black currant wine was named after the Mindaugas castle Voruta, which, according to predictions of researchers, was near Anykščiai. Being popular several years ago the traditional Lithuanian drinks – natural wines – find their consumer and a team of admirers again. This was proved in December 2009, when the black currant wine "Voruta" was awarded the name of the Nation Heritage by the Ministry of Agriculture of Lithuania. The natural currant wine "Voruta" was awarded the gold medal in the competition "The Lithuanian Year Product 2010". It was already the second award of this product. In 2009 "Voruta" was also awarded the gold medal in the competition of the alcoholic drinks "Zolotoj Grifon" in Yalta. Natural chokeberry wine "Voruta" in the competition "Lithuanian Product of the Year 2011" was awarded by gold medal. In 2013 the new flavour of natural wines was added – apple wine. This product had been successfully integrated into "Voruta" natural wines family.

At the end of 2013 for the cold period of the year new wine drink meant for heated consumption was released, which became very popular not only in Lithuania but in Latvia and UK as well.

3.1. Quality and environment managing systems

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

The activity of each organization has an influence not only on the production quality but also on the environment, people and workers' health. In order to manage its activity, product influence upon the environment, the Company operates in conformity with the requirements of the standards of the Environment Management System EN ISO 14001:2004. In 2013 the second recertification audits of the Management Quality System were performed in the Company Group ALITA, AB according to EN ISO 9001:2008 standard and Anti-pollution Management System according to EN ISO 14001:2004 standard. During the audit no discrepancies were detected and the above mention certificates (issued in 2011) were left in force till 25 August 2014.

In 2013 the Company Group ALITA, AB carried out the environmental objectives and targets. The main source of pollution is the boiler room but pollution ration into atmosphere had not been exceeded during the last years. The Company had no fines or restrictions or halts of production activities because of the environmental damage. There were no other risk factors or accidents.

In 2013 the measures under the Environment Protection project were implemented. During 2013 the Company had used 2,850 MWh (2012 – 2,796 MWh) of electricity, 36.7 thousand m^3 (2012 – 33.8 thousand m^3) of water and 619.1 thousand m^3 (2012 – 718.2 thousand m^3) of natural gas.

The Company has the agreement with packaging waste recycler. During 2013 the Company bought 3,998 tons of glass packaging, 33,5 tons of plastic packaging, 4,5 tons of PET packaging, 267 tons of paper and cardboard packaging, 21,5 tons of wooden packaging waste recycling services.

The special attention is paid to the quality of production. The quality of production is controlled by the manufacturing technology laboratory workers, who are working in accordance with ISO 9001 and MS RVASVT Quality Management System instructions. The manufacturing technology laboratory workers continuously evolve their knowledge by learning new local and EU legal requirements for production of beverages, examine new inspection methods of alcohol drinks, and apply technological changes and changes to control methods.

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

3.2. Belonging to the associated organizations

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

- Legal Business Alliance;
- Lithuanian Marketing Association;
- Association GS1 Lithuania;
- The National Governors Association's power grid;
- Association of Baltic Beverage Industry.

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

3.3. Short review of Issuer's activities

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

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

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

During the year 2013, exports sales of alcohol drinks expanded by 33%, and export part in the total sales expanded by 22%. This is the fourth year of the ongoing upward trend in the main export markets – Russia, Latvia, Estonia and other. Last year new markets Ghana, Nigeria, India were discovered. Export sales had grown because of successful cooperation with the main retail chains in the Baltic States and outsourcing projects.

In 2013 the Company applied for European Union structural assistance and received approval for the new project "Company Group Alita, AB export markets development" which is expected to help to increase sales in Western and Eastern Europe and China markets.

Much attention is paid to the development of new products and their quality. 42 new products, including outsourced products, were presented to the consumers in 2013.

4. FINANCE

2013 was profitable for the Group. The improvement of financial results was influenced by the rapid increase in export sales and successful marketing strategy in Lithuanian market.

The Group's consolidated sales revenue for the 12 months of 2013 amounted to 95.9 million LTL (27.8 million EUR) and in comparison with the same period of 2012 increased by 23%. During the same period of 2012 revenue was 77.9 million LTL (22.6 million EUR). The consolidated export income for the full year was almost two times higher compared to previous year and amounted to 24.8 million LTL (7.2 million EUR).

The consolidated profit before income tax for 2013 according to the International Financial Reporting Standards as adopted by the European Union was 4.7 million LTL (1.4 million EUR). During the same period in 2012 the profit before income tax was 1.7 million LTL (0.5 million EUR).

Other financial information is presented in the separate and consolidated financial statements for the annual period ended on 31 December 2013.

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

5. THE COMPANY AND THE SOCIETY

The Company Group ALITA, AB and Anykščių vynas AB contribute to the social and cultural life of the country and towns where the companies are settled. In 2013 the budget of the Republic of Lithuania received 78.3 million LTL in the form of different taxes. The taxes divided up as follows (thousands of LTL):

The name of the tax	The Company Group ALITA, AB	Anykščių vynas AB	Total
Excise duty	43,843.2	10,316.3	**54,159.5**
Value added tax	16,286.8	2,439.6	**18,726.4**
Social insurance fees	2,467.6	667.9	**3,135.5**
Income tax from the salary	874.5	210.7	**1,085.2**
Packaging costs	766.2	67.4	**833.6**
Other taxes	248.6	82.6	**331.2**
Total	**64,486.9**	**13,784.5**	**78,271.4**

The Company Group ALITA, AB and Anykščių vynas AB concluded the collective agreements where the benefits for the social care were foreseen, giving the allowances to the Company workers. In 2013 the Company paid 76.1 thousand LTL, Anykščių vynas AB paid 16.9 thousand LTL to different pay-outs for the employees. Every year the funds are dedicated for the social-cultural program for the Group's workers.

6. THE COMPANY'S PLANS AND PROJECTIONS

The economic and social situation will have the main impact for the sales growth in 2014, so it is difficult to forecast the Company's turnover and profit. The main goals planned for 2014:

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

The management and the shareholders are active in order to ensure the financial stability of the Company, to balance the cash flows. Over the past few years many funds have been provided for investments and many production improvement and efficiency issues were solved. Due to this the Company's needs for investments in 2014 decreased and amounted to 656 thousand LTL.

General Director Vaidas Mickus

Annex 1
To the consolidated annual report for 2013 of the Company Group ALITA, AB

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

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

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLI-CABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company publishes the policy of the Company development and objectives in the annual and interim reports published on the websites of Vilnius Stock Exchange and the Company.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Board of the Company has developed long-term and short-term strategic objectives for the development of the activity of the Company. The management of the Company and the managers of respective fields put every endeavour to implement these objectives: the structure of the Company and units of the group companies is optimised, responsible persons and specialists improve their qualification.
1.3. Supervisory and management bodies of the Company should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Supervisory Council, the Board and the manager shall implement this recommendation.
1.4. Supervisory and management bodies of the company should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company respects the rights and interests of its shareholders, employees, clients, customers, and other persons related to the activity of the Company, complies with the requirements of the Labour Code, the provisions of agreements entered into with customers and suppliers. Relevant information about the Company is published in the websites of the Vilnius Stock Exchange and the Company, in the Republic press. The Company takes an active part in the town events, cooperates with the suppliers and creditors, organizes actions for the buyers, makes inquiries and evaluates the remarks and responses of the customers about the Company activities and production.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides mandatory bodies provided for in the Law of the Republic of Lithuania on Companies – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on	Yes	The General Meeting of Shareholders, the Supervisory Council (came into operation on 6 October 2011 after the registration of the amended Articles of Association of the Company with the Register of Legal Entities), the Board and the manager of the Company are the bodies of the Company.

the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.		
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Supervisory Council of the Company is responsible for effective supervision of the activities of the management bodies of the Company (i.e. to elect and remove the Board members; if the Company operates unprofitably, to consider whether the Board members fit to perform their duties; to supervise the activity of the Board and the manager of the Company; to submit its proposals and comments to the General Meeting of Shareholders on the Company's operating strategy, the activity of the Board and the manager of the Company; to carry out other activities assigned to it by laws and other regulations). The Board of the Company is responsible for proper strategic management of the Company (i.e. to approve the business strategy of the Company, to adopt the most important decisions prescribed by legal acts regarding the organisational and management structure of the Company, transactions, different obligations to be assumed, etc.).
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applica -ble	The Company has both the Board and the Supervisory Council.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	Yes	After the amendment of the Articles of Association of the Company, a collegial supervisory body elected by the General Meeting of Shareholders, i.e. the Supervisory Council came into operation on 6 October 2011. Candidates to members of the Supervisory Council are nominated and the voting for these candidates is conducted in compliance with the procedure prescribed by laws and following the Shareholders' Agreement(s), in so far it is authorised by the laws of the Republic of Lithuania.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	Under the Articles of Association, the Board of the Company consists of 4 members. 3 Board members (out of 4 possible) are elected. Under the Articles of Association, the Supervisory Council consists of 4 members. 3 members (out of 4 possible) of the Supervisory Council are elected. Every member has one vote when decisions are taken by these bodies.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management	Yes	Members of the Supervisory Council are elected for the maximum period stipulated by the Law on Companies – 4 years; the number of their terms of office is not limited. Furthermore, there are no restrictions as to the re-election of members. The General Meeting of Shareholders may remove the Supervisory Council or its members before the expiry of the term of office thereof. A member of the Supervisory Council may also resign from

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

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

board.		office before the expiry of his term of office by giving a written notice in this regard to the Company at least 14 calendar days in advance. The procedure for removing a member of the Supervisory Council is not easier that the removal procedure applied to a Board member.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairperson of the Supervisory Council was not the Director of the Company; his present or former offices are not an obstacle for implementing independent and impartial supervisions.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**[3]		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	Under the Articles of Association (registered with the Register of Legal Entities on 6 October 2011), the General Meeting of Shareholders elects the Supervisory Council. Candidates to members of the Supervisory Council are nominated and the voting for these candidates is conducted in compliance with the procedure prescribed by laws and following the Shareholders' Agreement(s), in so far it is authorised by the laws of the Republic of Lithuania. The Supervisory Council submits its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, set of annual financial statements, draft of profit/loss appropriation and the annual report of the Company as well as the activities of the Board and the manager of the Company, informs the meeting of shareholders in case the financial standing of the Company has deteriorated below the values presented in the Strategic Business Plan.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	The information about the candidates to members of the Supervisory Council is put in the papers of the General Meeting (where the candidates are nominated in advance) and the shareholders may familiarise with such information beforehand in accordance with the procedure prescribed by the Law of the Republic of Lithuania on Companies. The data on the members of the Supervisory Council is compiled, specified and presented in the Annual Report of the Company and the Register of Legal Entities of the Republic of Lithuania.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to	Yes	The candidates to members of the Supervisory Council inform the General Meeting about their education, working experience and expertise. The Annual Report provides the composition of the Supervisory Council, the education and working

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

ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.		experience of its members.
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes/No	The members of the Supervisory Council of the Company have the proper qualification, long-term expertise and versatile knowledge and experience to fulfil their tasks properly; however, no periodical evaluation takes place. As of 19 April 2013, the functions of the audit committee in the Company are being performed by the Supervisory Council, the members of which have a recent knowledge and relevant experience in the fields of finance and accounting for the stock exchange listed companies. The Company has no remuneration committee. The Board of the Company implements separate functions of the committee.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	New members of the Supervisory Council familiarise with their duties, the Company and its activity individually. No annual review is conducted subject to the condition that persons participating in the activity of the Company and other organisations have sufficient knowledge and skills.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	Until now the Company has not assessed the independency of members of elected collegial bodies and the content of the definition of adequacy of independent members has not been discussed. In any case, in performing their duties, the members of the Supervisory Council try to avoid conflicts of interest. The General Meeting of Shareholders, which has elected the candidates who receive the most votes, decides whether or not to have an independent member in the Supervisory Council. In nominating their candidates to the Supervisory Council and voting for them, the shareholders follow their own opinion which candidates will represent their interests the best.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:	No	The documents governing the activity of collegial bodies of the Company do not define the independency criteria for collegial bodies; however, considering the provided criteria, it could be stated that the members of the Supervisory Council of the Company are not independent.

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

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

1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	The Company has not established additional criteria regarding the independency of the members of the Supervisory Council.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company has not applied the disclosure of independence criteria referred to in the Code in practice yet (see items 3.6, 3.7).
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose	No	The Company has not applied the evaluation and disclosure practice of independence of the members

its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.		of a collegial body yet (see items 3.6, 3.7).
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	See items 3.6, 3.7.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	Under the Articles of Association of the Company, the Supervisory Council assesses the financial standing of the Company, among other things, by comparing financial performance of the Company reflected in the financial statements against the values of the Strategic Business Plan. The Supervisory Council submits its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, set of annual financial statements, draft of profit/loss appropriation and the annual report of the Company as well as the activities of the Board and the manager of the Company, and performs other functions assigned to it in the Articles of Association of the Company and the Law on Companies.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) maintain under all circumstances independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes/No	According to the information available to the Company, the members of its Supervisory Council act in good faith with regard to the Company, in the interest of the Company and its shareholders and not in their own or third party interests, ensuring that their independency when taking decisions is maintained. The Company has no independent members of the Supervisory Council.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the	Yes	The members of the Supervisory Council actively participate in the meetings of the Supervisory Council and devote sufficient time and attention to the performance of their duties. No member of the Supervisory Council has participated in less than half of the meetings of the Supervisory Council yet.

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.
[7] See Footnote 3.
[8] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.
[9] It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such

collegial body throughout the financial year of the company, shareholders of the company should be notified.		
4.4. Where decisions of a collegial body may have a different effect on the company’s shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company’s affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company complies with the specified recommendations, the Supervisory Council treats all the shareholders of the Company fairly and impartially. The members of collegial bodies, prior to taking any decision the criteria of which are stipulated in the Articles of Association, consider the impact of the decision on the shareholders. The shareholders are provided with information in accordance with the procedure prescribed in the Articles of Association, and no more information than required by legal acts is provided to the shareholders.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company’s management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Articles of Association of the Company registered with the Register of Legal Entities on 6 October 2011 state that the Supervisory Council of the Company adopts decisions on conclusion and terms and conditions of transactions with the members of the Board and/or the manager of the Company. The Articles of Association of the Company also provide that the Board makes decisions on the performance or the carrying out of any transaction, contract or arrangement (including the waiver, compromise, assertion or enforcement of any claim or right), or the entry into, or the amendment, modification, extension or termination of any contract or other arrangement between the Company and any of its shareholders, or Related Person(s) of such shareholder or Related Persons of the Company (such decisions of the Board require the approval from the Supervisory Council).
4.6. The collegial body should be independent in passing decisions that are significant for the company’s operations and strategy. Taken separately, the collegial body should be independent of the company’s management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes/No	The persons that elected the members of the Supervisory Council do not affect the work and decisions of the Supervisory Council. The members of the Supervisory Council are authorised to receive the information and documents necessary to perform their duties properly through the Board and the manager of the Company. The collegial bodies of the Company are provided with all financial means and other conditions necessary for their work. The Company has no Remuneration Committee.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company’s directors, determination of directors’ remuneration and control and assessment of company’s audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is	Yes/No	The Supervisory Council has no independent members. However, activities of the collegial body are organized so the members of the body have significant influence over material issues, where conflicts of interests are highly possible. The issues related to nomination of the members of the Board of the Company, approval of transactions with the Related Persons.

measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

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

recommended that the collegial body should establish nomination, remuneration, and audit committees[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.		Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system. As of 19 April 2013, the functions of the audit committee in the Company are being performed by the Supervisory Council. The scope and the execution of these functions are established by the legal acts in force.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes/No	The Supervisory Council is fully responsible for decisions attributable to its field of competence. Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes/No	The functions of the audit committee are being performed by the Supervisory Council to which 3 members are elected (out of 4 possible). Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the	Yes/No	The Supervisory Council which performs the functions of the audit committee has the right to invite the Director of the Company, Board

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

meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.		members (member), employees responsible for finance and accounting, as well as external auditors. Decisions and other written documents approved by Supervisory Council performing the functions of the Audit Committee are presented to the Director and the Board of the Company. Nomination and remuneration committees are not formed; however, the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors	No	Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.

and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with	Yes	As of 19 April 2013 the functions of the audit committee are being performed by the Company's Supervisory Council. The functions of the audit committee are performed to the scope as it is established by the legal acts in force and complies with recommendations stated under item 4.14 of this Code.

the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	Corporate documents of the Company do not provide for individual evaluation of the activity of a collegial body because the legal acts of the Republic of Lithuania do not require doing so. Decisions regarding the Company's activities are adopted by the Board, which is accountable to the General Meeting.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The chairperson of the Board and the chairperson of the Supervisory Council implement these recommendations.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[12].	Yes	The Board of the Company organises its meetings or adopts written decisions at least once a month. When necessary, its meetings are held several times a month. The Supervisory Council organises its meetings or adopts written decisions at least once a quarter.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The members of the Supervisory Council and of the Board are informed about the future meeting in advance; the material for the discussion is handed in the fixed time.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The Company complies with the provisions of this recommendation.
Principle VI: The equitable treatment of shareholders and shareholder rights		

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

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The authorized capital of the Company consists of the ordinary registered shares that grant equal rights to all the shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	In annual and half-yearly reports of the issuer, the Company discloses detailed information enabling an investor to draw valid conclusions on the acquisition of and the rights carried by the shares. The information is published in the Central Storage Facility (www.crib.lt) and on the website of the Company.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company's Articles of Association provide the list of decisions taken by the Board or the Supervisory Council that do not require the consent of the General Meeting. For certain decisions referred to in the Articles of Association, the Board needs to obtain the approval of the Supervisory Council. The possibility to get acquainted and to take part in making important decisions to the Company is not given to all the shareholders.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	The convocation of the General Meeting is published in the Central Storage Facility (www.crib.lt) and on the website of the Company under the established procedure. The shareholders are allowed to get acquainted with the Company documents related to the agenda of the General Meeting, the terms and procedure prescribed in the Law of the Republic of Lithuania on Companies and in the Articles of Association of the Company.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company publishes the documents prepared for the General Meeting, including draft resolutions and adopted decisions, in the Central Storage Facility (www.crib.lt) and on the website of the Company. The information related to the General Meeting convened and the decisions taken there at is provided in the information system of the stock exchange and on the website of the Company in the Lithuanian and English languages.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholders of the Company may exercise the right to participate in the General Meeting either in person or through a proxy provided the person has a properly executed power of attorney. The Company also makes it possible for the shareholders to vote by filling up a general voting bulletin in absentia, as it is foreseen by the Law of the Republic of Lithuania on Companies.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are	No	The Company does not follow this recommendation. There was no need and request of

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

recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.		the shareholders.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	Under the Company's opinion there were no failures to comply with this principle in 2013.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The Articles of Association of the Company registered with the Register of Legal Entities on 6 October 2011 state that the Supervisory Council of the Company adopts decisions on conclusion and terms and conditions of transactions with the members of the Board and/or the manager of the Company. The Articles of Association of the Company also provide that the Board makes decisions on the performance or the carrying out of any transaction, contract or arrangement (including the waiver, compromise, assertion or enforcement of any claim or right), or the entry into, or the amendment, modification, extension or termination of any contract or other arrangement between the Company and any of its shareholders, or Related Person(s) of such shareholder or Related Persons of the Company (such decisions of the Board require the approval from the Supervisory Council). Under the Articles of Association, a Board member must conclude transactions with the Company on an arm's length basis.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes/No	The members of the Board and of the Supervisory Council of the Company have familiarised with these provisions and must comply with these recommendations. Under the Articles of Association of the Company, Supervisory Council decisions to approve decisions to conclude Company's contracts with related parties (including with the members of the Supervisory Council), have to be taken unilaterally.

Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not make a public statement of the Company's remuneration policy because it is the internal and confidential document of the Company. The general information on the average sizes of the payments of the separate groups of the workers and the total sum of the payoffs to the Company managers is stated in the Annual Report openly.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Not applicab le	See item 8.1.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.	Not applicab le	See item 8.1.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	Not applicab le	See item 8.1.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to	Not applicab le	See item 8.1.

8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Not applicab le	See item 8.1.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Not applicab le	See item 8.1.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component	Not applicab le	See item 8.1.

of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	The Company does not follow this recommendation.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Yes	The Company followed this recommendation.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	The termination payments are paid following the legal acts, collective agreement existing in the Company and the employment contracts.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The Company does not follow this recommendation.
8.13. Shares should not vest for at least three years after their award.	Not applicab le	There is no practice of awarding shares in the Company.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicab le	There is no such practice of awarding shares, share options or any other rights to acquire shares in the Company.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicab le	There is no such practice of awarding shares, share options or any other rights to acquire shares in the Company.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Yes	Remuneration of non-executive or supervisory directors does not include share options.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	In the Company's general meetings issues regarding directors' remuneration are not being voted for.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The Company does not follow this recommendation.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders'	Not applicab le	There is no such practice of remunerating directors in shares, share options or any other right to purchase shares in the Company.

approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.		
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	The Company does not follow this recommendation.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicab le	There is no such practice of remuneration in share options in the Company.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	No	There is no such practice in the Company.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	No	Schemes indicated in Article 8.19. are not practiced in the Company.
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The rights of stakeholders that are protected by law are respected.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	The stakeholders can take part in the Company management as far as the laws of the Republic of Lithuania allow.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The regulation is followed as far as it is allowed by the laws of the Republic of Lithuania.
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes/No	The information, provided in these recommendations, except the information about remuneration referred to in item 4, is disclosed in these sources: in the Annual Report, Financial Statements and in its Explanatory Notes, in the Reports about the essential events. This information is published in the Central Storage Facility (www.crib.lt) or on the website of the Company.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	The consolidated results of the activities of the Company group are disclosed.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes	The information on the qualification and experience of the members of the collegial bodies is disclosed in the Annual Report. The payment policy is not disclosed openly because it is the internal and confidential Company document. The general information on the average sizes of the payments and the total sum of the payoffs to the Company managers is stated in the Annual Report openly.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	No	The Company does not follow this recommendation.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session	Yes	The vital information is published in the Central Storage Facility (www.crib.lt) and on the website of the Company in the Lithuanian and English languages.

on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.		
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The vital information is published in the Central Storage Facility (www.crib.lt) and on the website of the Company in Lithuanian and English.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company takes account of this recommendation and publishes this information on the website.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The independent auditor carries out the audit of the Company's annual financial statements and the audit of the annual report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	No	The Board proposes a candidate firm of auditors to the General Meeting.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicab le	The audit firm of the Company did not provide any non-audit services to the Company and so it did not receive any payment for it from the Company.