AB VILNIAUS DEGTINĖ

Annual Financial Statements and Annual Statement for the year ended on the 31th December 2012

Contents

Company Information

AB Vilniaus degtinė

Telephone:	+ 370 5 233 08 19
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Company number:	120057287
Registered at:	Panerių Str. 47/Smolensko Str. 2, Vilnius, Lithuania

Management

Juozas Daunys, Director General

Dalius Rutkauskas, Director of Commerce

Genadij Jurgelevič, Director of Production

Board

Darius Žaromskis

Juozas Daunys

Dalius Rutkauskas

Genadij Jurgelevič

Auditor

UAB Grant Thornton Rimess

Banks

AB DNB bankas

AB SEB bankas

AB Swedbank

APPROVED
by the General Shareholder's Meeting on 18 April, 2013

Declaration of the Responsible Persons

In accordance with the provisions of Article 21 of the Law on the Securities Market of the Republic of Lithuania and the regulations for provision and preparation of periodical and additional information, confirmed by the Securities Commission of the Republic of Lithuania, we, the Director General of Juozas Daunys and Senior Accountant Renata Baliūnaitė of AB Vilniaus degtinė, declare that to our knowledge, the audited Annual Financial Statements of AB Vilniaus degtinė for the year ended on the 31st December, 2012, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, are realistic and properly show the assets, liabilities, financial state, cash flows, profit or loss of AB Vilniaus degtinė, and Annual Statement of AB Vilniaus degtinė for the year ended on the 31st December, 2012 provides a clear review of business development and operation, condition of the company, together with the description of major risks and uncertainties which the company faces.

AB Vilniaus degtinė
Director General
Juozas Daunys

AB Vilniaus degtinė
Senior Accountant
Renata Baliūnaitė

Vilnius,
15 March 2013

Board Declaration of the Annual Financial Statements

The Board has approved the Annual Financial Statements, the Annual Report of AB Vilniaus degtinė for the year ended on 31 December 2012.

Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Board believes that the accounting principles applied are appropriate, the Financial Statements in all relevant aspects reveal true and realistic condition of AB Vilniaus degtinė.

We recommend that the Financial Statements and Annual Report were approved by the General Shareholders' Meeting.

AB Vilniaus degtinė
Chairman of the Board
Darius Žaromskis

AB Vilniaus degtinė
Board Member
Juozas Daunys

AB Vilniaus degtinė
Board Member
Dalius Rutkauskas

AB Vilniaus degtinė
Board Member
Genadij Jurgelevič

Vilnius,
27 March 2013

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB VILNIAUS DEGTINĖ

Report on the financial statements

We have audited the accompanying financial statements of AB Vilniaus degtinė, which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter – the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the legal acts of the Republic of Lithuania regulating the financial accounting and preparation of the financial statements, and with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of 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 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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of AB Vilniaus degtinė as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with the legal acts of the Republic of Lithuania regulating the financial accounting and preparation of the financial statements, and with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have read the accompanying annual report of AB Vilniaus degtinė for the year 2012 and have not identified any material inconsistencies between the financial information included and the audited financial statements.

Director auditor
Genadij Makušev
Auditor's certification No. 000162

27 March, 2013
40B A. Goštautas str., Vilnius

UAB Grant Thornton Rimess
Audit company's certification No. 001410

Statement on Financial Position

As on the 31th of December

In LTL	Notes	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Tangible assets	15	33,009,853	32,034,720
Intangible assets	14	11,056 458	12,004,710
Financial assets	16	4,182,729	3,919,097
Total non-current assets		**48,249,040**	**47,958,527**
Current assets			
Inventories	17	9,537,895	9,072,892
Prepayments and future expenses	18	251,495	285,646
Trade receivables	19	28,351,868	25,664,040
Other receivables	20,13	126,567	516,307
Cash and cash equivalents	21	10,140	46,600
Total current assets		**38,277,965**	**35,585,485**
TOTAL ASSETS		**86,527,005**	**83,544,012**

Notes on pages 12-43 are an integral part of these financial statements.

Director General
Juozas Daunys

Senior Accountant
Renata Baliūnaitė

Vilnius,
15 March 2013

Statement on Financial Position (cont'd)

As on the 31th of December

In LTL	Notes	31.12.2012	31.12.2011
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	24,408,431	24,408,431
Legal reserve	22	2,440,843	2,440,843
Retained earnings (loss)		9,473,464	9,097,191
Total equity		**36,322,738**	**35,946,465**
Non-current liabilities			
Interest bearing loans and borrowings	24	5,054,678	6,084,315
Governmental grants	25	9,657,138	8,175,209
Trade payables		137,573	187,600
Deferred tax liability	12	724,547	605,508
Total non-current liabilities		**15,573,936**	**15,052,632**
Current liabilities			
Interest bearing loans and borrowings	24	13,917,230	13,570,853
Trade payables		6,100,882	6,599,187
Other payables	26	14,612,219	12,374,875
Total current liabilities		**34,630,331**	**32,544,915**
Total liabilities		**50,204,267**	**47,597,547**
TOTAL EQUITY AND LIABILITIES		**86,527,005**	**83,544,012**

Notes on pages 12-43 are an integral part of these financial statements.

Director General
Juozas Daunys

Senior Accountant
Renata Baliūnaite

Vilnius,
15 March 2013

Comprehensive Income Statement

As on the 31th of December

In LTL	Notes	Jan-Dec 2013	Jan-Dec 2012
Sales revenue	5	**55,943,614**	**41,062,173**
Cost of sales		(40,005,410)	(26,714,463)
Gross profit	5	**15,938,204**	**14,347,710**
Other income	6	804,753	320,157
Sales and distribution expenses	7	(6,212,620)	(5,264,998)
Administrative expenses	8	(9,569,712)	(12,073,437)
Other expenses	6	(38,673)	(72,432)
Result from operating activities		**921,952**	**(2,743,000)**
Financial income	10	291,692	273,366
Financial expenses	10	(718,332)	(724,490)
Profit (loss) before tax		**495,312**	**(3,194,124)**
Corporate income tax	11,13	(119,039)	298,769
Profit (loss) for the period		**376,273**	**(2,895,355)**
Basic and diluted earnings (loss) per share	23	0.02	(0.12)
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		**376,273**	**(2,895,355)**

Notes on pages 12-43 are an integral part of these financial statements.

Director General
Juozas Daunys

Senior Accountant
Renata Baliūnaitė

Vilnius,
15 March 2013

Statement of Changes in Equity

As on the 31th of December

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as on 1 January 2011		**24,408,431**	**2,440,843**	**0**	**12,111,073**	**38,960,347**
Deferred tax (re-calculated)					(118,527)	(118,527)
Capital and reserves as on 1 January 2011		**24,408,431**	**2,440,843**	**0**	**11,992,546**	**38,841,820**
Profit (loss) for January-December of 2011					(2,840,717)	(2,840,717)
Deferred tax (re-calculated)					(54 638)	(54 638)
Capital and reserves as on 31 December 2011		**24,408,431**	**2,440,843**	**0**	**9,097,191**	**35,946,465**
Capital and reserves as on 1 January 2012		**24,408,431**	**2,440,843**	**0**	**9,097,191**	**35,946,465**
Profit (loss) for January-December of 2012					376,273	376,273
Capital and reserves as on 31 December 2012		**24,408,431**	**2,440,843**	**0**	**9,473,464**	**36,322,738**

Notes on pages 12-43 are an integral part of these financial statements.

Director General
Juozas Daunys

Senior Accountant
Renata Baliūnaitė

Vilnius,
15 March 2013

Cash Flows Statement

As on the 31th of December

In LTL	Jan-Dec 2012	Jan-Dec 2011
Profit (loss) for the period	376,273	(2,895,355)
Depreciation and amortisation	3,365,092	3,733,776
Impairment of non-current assets	0	2,371,448
Impairment of trade receivables and other receivables	(45, 076)	71,753
Net financial expenses	357,433	357,741
Gain (loss) on disposal of non-current assets	1,738	32,363
Corporate income tax expenses	119,039	(298,769)
Net cash flows from ordinary activities before changes in working capital	4,174,499	3,372,957
Change in inventories	(465,003)	(1,826,371)
Change in prepayments	34,151	(57,125)
Change in trade receivables and other receivables	(2,265,197)	(1,784,621)
Change in trade payables and other payables	1,697,910	5,130,270
Net cash flows from operating activities	(998,139)	1,462,153
Income tax paid	0	72,720
Net cash flows from operating activities	**3,176,360**	**4,907,830**
Interest received	6,051	0
Proceeds from disposal of non-current assets	69,914	5,133
Acquisition of property, plant and equipment	(3,653,725)	(9,079,308)
Acquisition of intangible non-current assets	(9,940)	(5,996)
Net cash flows from investing activities	**(3,587,700)**	**(9,080,171)**
Repayment of loans	(2,606,064)	(1,866,739)
Loans received	970,353	4,250,813
Increase (decrease) of other financial liabilities	1,272,327	(899,722)
Financial lease payments	(316,589)	(608,007)
Grants received	1,815,551	4,037,982
Interest paid	(760,698)	(744,914)
Net cash flows from financing activities	**374,880**	**4,169,413**
Net cash flows from operating, investing and financing activities	**(36,460)**	**(2,928)**
Cash and cash equivalents at the beginning of the period	**46,600**	**49,528**
Cash and cash equivalents at the end of the period	**10,140**	**46, 600**

Notes on pages 12-43 are an integral part of these financial statements.

Director General
Juozas Daunys

Vilnius,
15 March 2013

Senior Accountant
Renata Baliūnaitė

Notes

1 Reporting entity

AB Vilniaus Degtinė (hereinafter referred to as the Company) was registered on the 23rd of November 1990 and it is domiciled in Vilnius, Lithuania. The Company has a subsidiary in Rokiškis district.

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

As on the 31th of December 2012, its shares are held by the following shareholders

Shareholder	Number of shares	Nominal value in LTL	Total value in LTL
„Sobieski" Sp.zo.o.	16,668,632	1	16,668,632
Arūnas Tuma	2,382,077	1	2,382,077
Swedish clients Skandinaviska Enskilda Banken	2,233,476	1	2,233,476
Daiva Žaromskienė	1,220,422	1	1,220,422
Other shareholders	1,903,384	1	1,903,824
Total capital	**24,408,431**	**1**	**24,408,431**

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

The Company has major sales in the local market. The sales to the European Union and foreign markets are continuously increasing. Their weight in the total sales volume are increasing. In august 2012 production of electric and thermal energy commenced. Part of electric energy is sold.

The Company employed 139 staff members as on the 31th of December 2012 (150 staff members as on the 31th of December 2011).

2 Summary of significant accounting principles

Statement of compliance

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

The audit of the Financial Statements for the year ended on the 31st of December 2012 was performed by UAB ,Grant Thornton Rimess.

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation

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

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

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

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

Foreign currency

Translation of amounts in foreign currencies into the national currency

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

Non-derivative financial instruments

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

Cash and cash equivalents include cash balances and demand deposits.

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

Notes

2 Summary of significant accounting principles (cont'd)

Non-derivative financial instruments (cont'd)

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

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

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

Financial derivatives

The Company did not use or have derivative financial instruments within the period ended on the 31th of December 2012.

Property, plant and equipment

Recognition and measurement

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

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Subsequent costs

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

Depreciation

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

The estimated useful lives are as follows:

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

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

Non-current intangible assets

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

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

- Software and licences 3 years
- Sobieski trademark 20 years

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

Notes

2 Summary of significant accounting principles (cont'd)

Leased assets

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

Inventories

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

The costs of inventories is determines based on FIFO principle.

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

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

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

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

Governmental grants

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

Grants are related to assets

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

Notes

2 Summary of significant accounting principles (cont'd)

Impairment

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

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

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

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

Calculation of recoverable amount

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Reversals of impairment

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

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

Dividends

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

Employee allowances

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

Provisions

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

Revenue

Sales of goods

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

Notes

2 Summary of significant accounting principles (cont'd)

Services rendered, assets disposed

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

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

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

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

Expenses

Operating lease payments

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

Financial lease payments

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

Net financing costs

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Corporate income tax

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

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

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

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

Segment reporting

Segment is a distinguishable component of the Company that is engaged either in providing related products or services, or in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments.

Basic and diluted earnings (loss) per share

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

Notes

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

During the year the Company has adopted the following amendments to the standards

Amendment to IFRS 7 Financial Instruments. Disclosures - Enhanced De-recognition Disclosure Requirements;
Amendment to IAS 12 Income tax. Deferred tax – Recovery of Underlying Assets.

The amendments did not impact the Company's financial statements.

Standards and their interpretations announced by the International Accounting Standards Board but not yet adopted by the EU as well as standards adopted by EU but not yet effective

Amendment to IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.
Effective for annual periods beginning on or after 1 July 2012. Earlier adoption is permitted.
The Company considers the impact of this standard on its financial statements.

Amendment to IAS 19 Employee Benefits
There are numerous amendments to IAS 19, they range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group has not yet evaluated the impact of the implementation of this amendment.
Effective for annual periods beginning on or after 1 January 2013. Earlier adoption is permitted.
The Company considers the impact of this standard on its financial position and operating results.

Amendment to IAS 27 Consolidated and Separate Financial Statements
This standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
Effective for annual periods beginning on or after 1 January 2013. Earlier adoption is permitted.
This amendment is not relevant to the Company.

Amendment to IAS 28 Investments in Associates and Joint Ventures
This standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates.
Effective for annual periods beginning on or after 1 January 2013. Earlier adoption is permitted.
This amendment is not relevant to the Company.

Notes

3 The influence of application of new standards, amendments of the standards in force and new explanations on financial statements (cont'd)

Standards and their interpretations announced by the International Accounting Standards Board but not yet adopted by the EU as well as standards adopted by EU but not yet effective (cont'd)

Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems).
Effective for annual periods beginning on or after 1 January 2014. Earlier adoption is permitted.
This amendment is not relevant to the Company

Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied.
Effective for annual periods beginning on or after 1 January 2013.
This amendment is not relevant to the Company.

IFRS 9 Financial Instruments – Classification and Measurement
The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities.
Effective for annual periods beginning on or after 1 January 2015. Earlier adoption is permitted.
The Company considers the impact of this standard on its financial position and operating results.

IFRS 10 Consolidated Financial Statements
IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities.
Effective for annual periods beginning on or after 1 January 2013. Earlier adoption is permitted.
This amendment is not relevant to the Company.

IFRS 11 Joint Arrangements
IFRS 11 eliminates proportionate consolidation of jointly controlled entities.
Effective for annual periods beginning on or after 1 January 2013. Earlier adoption is permitted.
This amendment is not relevant to the Company.

Notes

3 The influence of application of new standards, amendments of the standards in force and new explanations on financial statements (cont'd)

Standards and their interpretations announced by the International Accounting Standards Board but not yet adopted by the EU as well as standards adopted by EU but not yet effective (cont'd)

IFRS 12 Disclosures of Interests in Other Entities
IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity.
Effective for annual periods beginning on or after 1 January 2013. Earlier adoption is permitted. This amendment is not relevant to the Company.

IFRS 13 Fair Value Measurement
This standard does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS.
Effective for annual periods beginning on or after 1 January 2013. Earlier adoption is permitted. This amendment is not relevant to the Company.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
This interpretation applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs').
Effective for annual periods beginning on or after 1 January 2013. Earlier adoption is permitted. This interpretation is not relevant to the Company.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities
The amendments apply to entities that qualify as investment entities.
Effective for annual periods beginning on or after 1 January 2014, once endorsed by the EU. This interpretation is not relevant to the Company.

Improvements to IFRS
In May 2012 IASB issued omnibus of necessary, but non-urgent amendments to its five standards:

- IFRS 1 First-time adoption of IFRS;
- IAS 1 Presentation of Financial Statements;
- IAS 16 Property, Plant and Equipment;
- IAS 32 Financial instruments: Presentation;
- IAS 34 Interim Financial Reporting.

Effective for annual periods beginning on after 1 January 2013, once endorsed by the EU.
The Company considers the impact of these improvements on its financial statements.

Notes

4 Critical accounting estimates and judgements

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

Impairment losses on receivables

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

Amount receivable impairment lossess recognised to be paid after the delay of 1 year or more. Management estimates future cash flows from the debtors based on historical loss experience of debtors with similar credit risk. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment loses on construction in progress

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

Impairment loses on building and land

Valuations of the purchased in 2009 building with land were carried out in end-2011. Impairment losses on property were recognised.

Impairment losses on trademark

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

Presentation of comparative information

During the virst half of 2012, profit tax declarations as of 2009–2011 were verified against the eliminated R&D performance expenses. Accordingly, the deferred tax on reduced tax lossess was re-calculated.

Notes

4 Critical accounting estimates and judgements (cont'd)

Presentation of comparative information (cont'd)

Comparative information is presented in financial statements. In the Financial Position Statement, the undistributed profit (loss) as for 2009-2011 reduced by LTL 173,165 and deferred tax liability increased by LTL 173,165. In the Own Capital Change Statements, the reduction of own capital is accordingly presented and the balance of undistributed profit calculated.

5 Segment reporting

Taking into consideration part of sales of marketed products, the following segments can be distinguished: the Company produces alimentary rectified, distilled ethyl alcohol, and its products, such as denaturised ethyl alcohol, goods purchased for re-sale (alcoholic beverages, non-alcoholic beverages, etc. articles. Other income as well as the revenues and costs of financial activity are not classified to the segments; profit taxes are controlled. The revenues from electric energy sales are classified to other activities.

Revenue and gross profit for 2012 are presented below

In LTL	Alcoholic beverages	Ethyl alcohol and its products	Denaturised alcohol	Goods procured for re-sale	Total
Revenue	38, 004,357	14,230,036	116,144	3,593,077	55,943,614
Gross profit	14,929,503	624,711	51,835	332,155	15,938,204

Revenue and gross profit for 2011 are presented below

In LTL	Alcoholic beverages	Ethyl alcohol and its products	Denaturised alcohol	Goods procured for re-sale	Total
Revenue	33,038,204	4,209,282	52,056	3,762,631	41,062,173
Gross profit	13,649,923	192,748	24,904	480,135	14,347,710

The Company's primary activities are carried out in the Lithuanian market. A part of its production is exported to the EU and other foreign counties. In 2012, sales to EU and other foreign markets amounted to LTL 16,009,973 (in 2011 – LTL 5,695,489). Considering the share of product sales in foreign markets in total revenue, no geographical segments are singled out.

Notes

	In LTL	Jan-Dec 2012	Jan-Dec 2011
6	**Income and expenses of other activities**		
	Lease of premises and utilities	110,020	110,484
	Income form sales of materials and spare parts	199,120	96,922
	Electricity sales profit	78,067	0
	Other income	417,546	112,751
	Total other income	804,753	320,157
	Other expenses	(37,000)	(40,101)
	Loss of sales of non-current assets	(1,673)	(32,331)
	Total other expenses	(38,673)	(72,432)
	Net income and expenses of other activities	**766,080**	**247,725**

	In LTL	Jan-Dec 2012	Jan-Dec 2011
7	**Sales and distribution expenses**		
	Advertising expenses	(3,675,425)	(3,341,986)
	Personnel expenses	(860,817)	(956,151)
	Transportation expenses	(1,080,045)	(392,605)
	Market research expenses	(50,557)	(84,263)
	Packaging expenses	(85,076)	(88,811)
	Other	(460,700)	(401,182)
	Total sales and distribution expenses	**(6,212, 620)**	**(5,264,998)**

Notes

In LTL	Jan-Dec 2012	Jan-Dec 2011
8 Administrative expenses		
Personnel expenses	(2,957,007)	(3,145,330)
Operating and other taxes	(1,351,725)	(1,089,896)
Repairs and maintenance	(346,764)	(217,382)
Amortisation and depreciation	(1,763,823)	(2,196,272)
Consulting and training expenses	(496,016)	(583,145)
- including auditing services	(49,581)	(53,519)
Maintenance of cargo vehicles	(425,717)	(232,891)
Security expenses	(214, 965)	(312,000)
Communications and IT maintenance expenses	(116,629)	(145,627)
Utilities	(501,410)	(608,961)
Impairment of non-current assets	0	(2,371,448)
Other	(1,395,656)	(1,170,485)
Total personnel expenses	**(9,569,712)**	**(12,073,437)**

In LTL	Jan-Dec 2012	Jan-Dec 2011
9 Personnel expenses		
Wages and salaries	(3,365,732)	(3,570,829)
Vacation reserve	(412,982)	(333,667)
Guarantee fund contributions	(7,501)	(3,997)
Social security contributions	(1,172,598)	(1,208,059)
Total personnel expenses	**(4,958,813)**	**(5,116,552)**

In 2012 redundancy pays with social security taxes and guarantee fund contributions amounted to LTL 109,367 in personnell expenses (in 2011 – LTL 443,406 litus).

Personnel expenses for the management (directors) together with social security and guarantee fund contributions in 2012 amounted to LTL 472,473 (in 2011 - LTL 674,019), LTL 0 of which were for redundancy pays together with social security and guarantee fund contributions (in 2011 – LTL 122,572). No loans and (or) indemnities were granted to the management (directors) and no other financial liabilities or non-financial obligations were undertaken. There were no other significant transactions. For details refer to Note 28.

Average number of staff members on payroll for 2012 was 142 (149 for 2011).

Average number of managers for 2012 was 3 (4 managers for 2011).

Notes

In LTL	Jan-Dec 2012	Jan-Dec 2011
10 Financial income and expenses		
Interest income	269,683	268,947
Foreign exchange gain	21,847	3,219
Other income	162	1,200
Total financial income	291,692	273,366
Interest expenses	(627,116)	(626,687)
Other	(91,216)	(97,803)
Total financial expenses	(718,332)	(724,490)
Financial income and expenses, net	**(426,640)**	**(451,124)**

In LTL	Jan-Dec 2012	Jan-Dec 2011
11 Corporate income tax expenses		
Change in deferred income tax	(119,039)	298,769
Total corporate income tax expenses	**(119,039)**	**298,769**

Review of valid profit tax rate

In LTL	Jan-Dec 2012		Jan-Dec 2011	
Profit before tax		495,312		(3,194,124)
Profit tax, applying valid tax rate	15.0%	74 297	(15.0%)	(479,119)
Taxable income		0	0.1%	3,300
Non-taxable income	(0.0%)	(23)	(0.0%)	(796)
Other expenses, which do not reduce taxable income	23.5%	116,342	16.3%	519,342
Other expenses, which reduce taxable income	(44.7%)	(221,573)	(6.5%)	(206,982)
	(6.2%)	**(30,957)**	**(5.1%)**	**(164,255)**

Notes

12 Deferred tax

In LTL	Jan-Dec 2012 Temporary differences	Jan-Dec 2012 Deferred tax (15%)	Jan-Dec 2011 Temporary differences	Jan-Dec 2011 Deferred tax (15%)
Impairment of trade receivables	149,249	22,387	188,082	28,212
Impairment of construction in progress	859,599	128,940	764,088	114,613
Impairment of building and land	2,371,448	355,717	2,371,448	355,717
Accrued soc. security exp. for vacation reserve	85,117	12,768	77,724	11,659
Tax losses	2,407,151	361,073	2,196,692	329,504
	5,872,564	**880,885**	**5,598,034**	**839,705**
Total deferred tax asset				
Difference in depreciation of property, plant and equipment	(2,794,009)	(419,101)	(2,751,249)	(412, 688)
Difference in amortisation of intangible assets	(7,638,214)	(1,145,732)	(6,547,041)	(982,056)
Carrying value of non-current assets that are subject to investment relief	(270,657)	(40,599)	(336,462)	(50,469)
	(10,702,880)	**(1,605,432)**	**(9,634,752)**	**(1,445,213)**
Total deferred tax liability				
		(724,547)		**(605,508)**

The deferred tax was re-calculated, description in Note 4.

Change in the deferred tax

In LTL	Jan-Dec 2012	Jan-Dec 2011
Deferred tax liability at the beginning of the period	(605,508)	(785,750)
Re-calculated tax losses	(0)	(118,527)
Re-calculated deferred tax liability at the beginning of the period	(605,508)	(904,277)
Deferred tax change	(119,039)	298,769
Deferred tax liability at the end of the period	**(724,547)**	**(605,508)**

Notes

13 Corporate income tax

In LTL	Jan-Dec 2012	Jan-Dec 2011
Corporate income tax (liability) at the beginning of the period	0	72,720
Corporate income tax for the period	0	0
Overpaid	0	(72,720)
Corporate income tax (liability) at the end of the period	**0**	**0**

14 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2011	41,320	545,804	18,913,672	19,500,796
Procurement	4,500	1,496	0	5,996
Cost as of 31 December 2011	45,820	547,300	18,913,672	19,506,792
Accumulated amortisation as of 1 Jan 2011	41,320	513,618	5,989,329	6,544,267
Amortisation	875	11,256	945,684	957,815
Accumulated amortisation as of 31 Dec 2011	42,195	524,874	6,935,013	7,502,082
Net book value as of 31 December 2011	**3,625**	**22,426**	**11,978,659**	**12,004,710**
Cost as of 1 January 2012	45,820	547,300	18,913,672	19,506,792
Procurement	0	9,940	0	9,940
Cost as of 31 December 2012	45,820	557,240	18,913,672	19,516,732
Accumulated amortisation as of 1 Jan 2012	42,195	524,874	6,935,013	7,502,082
Amortisation	1,500	11,008	945,684	958,192
Accumulated amortisation as of 31 Dec 2012	43,695	535,882	7,880,697	8,460,274
Net book value as of 31 December 2012	**2,125**	**21,358**	**11,032,975**	**11,056,458**

All amortisation expenses are included under operating expenses.

Notes

15 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other tangible assets	Total
Cost as of 1 January 2011	22,190,514	22,540,337	1,302,761	2,219,357	3,631,789	1,694, 395	53,579,153
Procurement	1,730,870	7,051 549	0	11,096	404,020	0	9,197,535
Write-offs and disposals	(6,689)	(47,942)	(99,899)	(50,614)	0	0	(205,144)
Reclassifications	0	1,152,366	0	0	0	(1,152,366)	0
Cost as of 31 December 2011	23,914,695	30,696,310	1,202,862	2,179 ,839	4,035,809	542,029	62,571,544
Accumulated impairment as of 1 January 2011	0	0	0	0	477,555	0	477,555
Impairment loss	2,371,448	0	0	0	0	0	2,371,448
Accumulated impairment as of 31 December 2011	2,371,448	0	0	0	477,555	0	2, 849,003
Accumulated depreciation as of 1 January 2011	8,376,235	13,690,561	839,349	1,982,341	191,022	0	25,079,508
Write-offs and disposals	(6,688)	(47,936)	(62,436)	(50,588)	0	0	(167,648)
Depreciation	742,771	1,633 471	186,868	117,340	95,511	0	2,775,961
Accumulated depreciation as of 31 December 2011	9,112,318	15,276,096	963,781	2,049,093	286,533	0	27,687,821
Net book value as of 31 December 2011	**12,430,929**	**15,420,214**	**239,081**	**130,746**	**3 271,721**	**542,029**	**32,034,720**
Cost as of 1January 2012	23,914,695	30,696,310	1,202,862	2,179,839	4,035,809	542,029	62,571,544
Procurement	1,501,588	1,685,300	0	38,965	561,454	0	3,787,307
Write-offs and disposals	(105,727)	(624,161)	(2,400)	(52,060)	0	0	(784,348)
Reclassifications	10,785,850	(7,532,093)	0	(24,684)	(2,687 044)	(542,029)	0
Cost as of 31 December 2012	36,096,406	24,225,356	1,200,462	2,142,060	1,910,219	0	65,574,503
Accumulated impairment as of 1 January 2012.	2,371,448	0	0	0	477,555	0	2,849,003
Accumulated impairment as of 31 December 2012	2,371,448	0	0	0	477,555	0	2,849,003
Accumulated depreciation as of 1 January 2012	9,112,318	15,276,096	963,781	2,049,093	286,533	0	27,687,821
Write-offs and disposals	(34,801)	(624,134)	(2,398)	(51,363)	0	0	(712,696)
Depreciation	890,412	1,244,846	112,698	63,433	95,511	0	2,406,900
Depreciation (subsidy part)	140,574	193,048	0	0	0	0	333,622
Accumulated depreciation as of 31 December 2012	10,108,503	16,089,856	1, 074, 081	2,061,163	382,044	0	29,715, 647
Net book value as of 31 December 2012	**23,616,455**	**8,135,500**	**126,381**	**80,897**	**1,050,620**	**0**	**33,009,853**

Notes

15 Property, plant and equipment (cont'd)

Distribution of depreciation costs

In LTL	Jan-Dec 2012	Jan-Dec 2011
Cost of sales	(1,464,284)	(1,324,235)
Inventories	(99,984)	(173,170)
Administrative and other expenses	(842,632)	(1,278,556)
Total depreciation costs	**(2,406,900)**	**(2,775,961)**

In LTL	31.12.2012	31.12.2011
16 Financial assets		
Long-term loans granted	3,164,077	3,164,077
Interest receivable	1,018,652	755,020
Total financial assets	**4,182,729**	**3,919,097**

Long-term loans granted LTL 3,164,077 (EUR 916,380) and interest thereon amounting to LTL 1,018,652 (EUR 295,022) charged to an associated company. Term of repayment of the loan and interest – August 2015.

Notes

17	In LTL	31.12.2012	31.12.2011
	Inventories		
	Raw materials	6,518,216	5,980,409
	Finished goods	1,846,446	2,009,400
	Goods for resale	1,102,115	1,000,432
	Work in progress	71,118	82, 651
	Total inventories	**9,537,895**	**9,072,892**

On the 31st of December, 2012, grain was stored by the third parties. The value of the grain stored – LTL 804,369. On the 31st od December, 2011, the valuže of the grain stored by the third parties amounted to LTL 458,452.

18	In LTL	31.12.2012	31.12.2011
	Prepayments and deferred expenses		
	Prepayments to suppliers	76,767	52,767
	Deferred advertising expenses	62,289	60,928
	Deferred insurance and subscription	102,547	96,945
	Other	9,892	75,006
	Total prepayments and deferred expenses	**251,495**	**285,646**

19	In LTL	31.12.2012	31.12.2011
	Trade receivables		
	Trade receivables	28,501,117	25,852,122
	Impairment allowance for bad debts	(149,249)	(188,082)
	Net trade receivables	**28,351,868**	**25,664,040**

Notes

19 Trade receivables (cont'd)

Change in impairment of receivables for bad debts

In LTL	31.12.2012	31.12.2011
Impairment allowance for bad debts at the beginning of the period	(188,082)	(115,428)
Impairment allowance for bad debts	(1,614)	(106,757)
Reverse of impairment allowance for bad debts	40,447	34,103
Impairment allowance for bad debts at the end of the period	**(149,249)**	**(188,082)**

Impairment lossess of amounts receivable are recognised as payable when delayed receivables period has lasted for 1 year and more.

Analysis of trade receivables based on the terms of payment on the 31st December, 2012

		Receivables of term not yet ended				Delayed receivables		
In LTL	Total	91 day or more	from 61 to 90 days	from 31 to 60 days	up to 30 days	up to 90 days	from 91 to 180 days	181 day or more
Receiv. from comp. not from the group	23,100,782	0	242,510	20,317,808	1, 779,117	449,271	71,869	240,207
Receiv. from comp. from the group	5,400,335	0	103,578	29,016	968,414	73,914	1,222,517	3,002,896
Reduction of value for debts	(149,249)	0	0	0	0	0	0	(149,249)
Total trade receivables	**28,351,868**	**0**	**346,088**	**20,346,824**	**2,747,531**	**523,185**	**1,294,386**	**3,093,854**

20 Other receivables

In LTL	31.12.2012	31.12.2011
Amounts deposited for the guarantee to the Tax Inspectorate	0	300,480
Up to 1 year deposited the amount of bank guarantee	0	41,230
Other receivables	126,567	174,597
Doubtful receivables	489,338	495,581
Total other receivables before write-down allowance	**615,905**	**1,011,888**
Impairment	(489,338)	(495,581)
Total other receivables, net	**126,567**	**516,307**

Notes

20 Other receivables (cont'd)

The amount deposited for guarantee to the Tax Inspectorate is an excise tax amount for the goods exported to the countries of the EU that are leviable with excise tax and are subject to imposing temporary delay for excise payment.

Change in impairment allowance of receivables

In LTL	31.12.2012	31.12.2011
Impairment allowance for bad debts and other receivables at the beginning of the period	**(495,581)**	**(496,482)**
Reverse of impairment allowance for bad debts	6,243	901
Impairment allowance for bad debts and other receivables at the end of the period	**(489,338)**	**(495,581)**

In LTL	31.12.2012	31.12.2011
21 Cash and cash equivalents		
Cash at bank and in hand	84,035	46,600
Restricted usage of cash in bank account (the EU Council resolution applied to Belarus)	(73,895)	0
Total cash and cash equivalents	**10,140**	**46,600**

22 Capital and reserves

Share capital

The share capital is made of 24,408,431 ordinary shares with the nominal value of LTL 1 each, and the total share capital is LTL 24,408,431, fully paid. The holders of the ordinary shares are entitled to one vote per fully paid share in the shareholders' meeting and are entitled to dividends as they are declared and to capital repayment in case of reduction of capital as well as other interest and non-interest as per the Company Law of the Republic of Lithuania as well as other statutes and legal acts.

Legal reserve

Legal reserve is compulsory reserve under Lithuanian legislation. Annual contributions of at least 5% of the retained earnings available for distribution are required until legal reserve and the share premium reach 10% of the authorised capital. This reserve cannot be distributed. It can be used only for covering accumulated losses.

Notes

23 Basic and diluted earnings (loss) per share

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

	Jan-Dec 2012	Jan-Dec 2011
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	376,273	(2,895,355)
Basic and diluted earnings (loss) per share, in LTL	**0.02**	**(0.12)**

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

24 Interest bearing loans and borrowings

In LTL	31.12.2012	31.12.2011
Non-current liabilities		
Bank loans	5,054,678	5,837,959
Financial lease (leasing) liabilities	0	246,356
Total non-current liabilities	**5,054,678**	**6,084,315**
Current liabilities		
Overdraft	11,144,472	9,872,145
Bank loans	2,527,383	3,379,813
Financial lease (leasing)	245,375	318,895
Total current liabilities	**13,917,230**	**13,570,853**
Total	**18,971,908**	**19,655,168**

Terms and repayment schedule

In LTL	Total	Up to 1 year	1-5 years	Over 5 years
Overdraft in litas – interest rate: 3-month VILIBOR+margin	6,200,299	6,200,299	0	0
Loan in euras – interest rate: 3-month LIBOR EUR + margin	3,671,647	1,223,882	2,447,765	0
Overdraft in euras– interest rate: 3-month EURIBOR + margin	4,944,173	4,944,173	0	0
Credit in euras – interest rate: 3-month EURIBOR + margin	3,910,414	1,303,501	2,606,913	0
Financial lease (leasing) – interest rate: 3-month variable EURIBOR+margin	245,375	245,375	0	0
Total financial liabilities	**18,971,908**	**13,917,230**	**5,054,678**	**0**

Notes

24 Interest bearing loans and borrowings (cont'd)

Term of repayment of the long-term loan is December 2015, of overdraft – 31 August 2012. Turnover finance demand is funded from overdraft. In 2012 bank partially funded the Project "Using distillery refuse (broga) for the production of electric power". For further comments refer to Note 29.

Equipment and vehicles are obtained under lease agreements. Lease term is 3 years.

	In LTL	31.12.2012	31.12.2011
25	**Governmental grants**		
	Balance value at the beginning of the period	8,175,209	4,137,227
	Grants received	1,815,551	4,037,982
	Used within the period	(333,622)	0
	Balance value at the end of the period	**9,657,138**	**8,175,209**

The Company has received funds from EU Structural Funds under Priority 3 of the Cohesion Growth Action Program "Increasing the Effectiveness of Energy Production". The support was granted for acquisition of non-current assets designated for the Project "Using distillery refuse (broga) for the production of electric power". The Project finally implemented in July. Part of the produced Electric Power is sold and part used for the Compamy's manufacturing operations. Grant amortisation is included in General revenue statement, the paragraphs on sales cost, and reduces depreciation costs of non-current assets.

	In LTL	31.12.2012	31.12.2011
26	**Other payables**		
	Payable excise tax	8,896,667	8,584,426
	Payable VAT	4,875,666	2,894,271
	Wages, vacation reserve and social security	482,905	481,807
	Taxes payable	189,849	197,791
	Accrued expenses	126,919	134,078
	Other payables	40,213	82,502
	Total other payables	**14,612,219**	**12,374,875**

Notes

27 Financial risk management

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

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

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

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

Credit risk

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

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

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

Liquidity risk

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

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

Notes

27 Financial risk management (cont'd)

Market risk

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

Interest rate risk

The Company's borrowings are subject to variable interest rates related to EURIBOR, LIBOR EUR, and VILIBOR. As of 31 December 2012, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Foreign exchange risk

The functional currency of the Company is Litas (LTL). The Company does not face foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas or Euro. The risk related to the transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to Euro at a fixed rate of LTL 3.4528 for 1 Euro. The Company did not have any material exposure in other foreign currencies.

Capital management

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

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

The Company's capital management policy did not change.

28 Related party transactions

Related parties of the Company are:

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

Notes

28 Related party transactions (cont'd)

Parent and ultimate parent companies are as follows:

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

Other main related parties are:

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

Notes

28 Related party transactions (cont'd)

Sales to and purchases from related parties

	Type of transaction	Jan-Dec 2012	Jan-Dec 2011
Purchases from:			
Belvedere group companies	Services	338,135	477,516
Belvedere group companies	Inventories	638,306	657,569
Ultimate parent company	Inventories	30,613	0
Parent company	Inventories	0	63,206
Other shareholders	Other expenses	12,555	0
Other shareholders	Services	195,350	309,600
Total purchases		**1,214,959**	**1,507,891**
Sales to:			
Belvedere group companies	Inventories incl.excise tax	51,494,563	42,026,550
Belvedere group companies	Services	107,613	208,910
Belvedere group companies	Other income	0	2,685
Ultimate parent company	Other income	269,683	266,261
Other shareholders	Inventories	0	316
Management members	Non-current assets	0	1 000
Management members	Sesvices	4,290	6,010
Total sales		**51,876,149**	**42,511,732**
Excise tax		(28,206,843)	(27,816,444)
Total sales net of excise tax		**23,669,306**	**14,695,288**

Notes

28 Related party transactions (cont'd)

Balances outstanding with related parties

	31.12.2012	31.12.2011
Trade receivables		
Belvedere group companies	5,326,659	3,126,723
Ultimate parent company	4,256,405	3,919,097
Parent company	0	36,273
Management members	0	942
Total trade receivables	**9 583 064**	**7,083,035**
Trade payables		
To Belvedere group companies	126,193	147,157
To ultimate parent company	149,531	45,242
Total trade payables	**275,724**	**192,399**

Impairment loss of amounts receivable were not recognised. Information on the loans granted to the associated company and amounts of interest payeable (in this note provided as amounts receivable) is provided in Note 16. Raw materials for alcoholic beverages production as well as alcoholic beverages are purchased from Belvedere group companies. Alcoholic beverages and rectified ethyl alcohol are sold to Belvedere group companies. Interest rates and all outstanding related party transactions are priced at market prices.

Remuneration to the Company's management (directors) is enclosed in Note 9.

29 Off-balance liabilities

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

In LTL	31.12.2012	31.12.2011
Carrying amount of pledged buildings and structures	22,969,072	10,102,429
Carrying amount of equipment	6,347,275	0
Carrying amount of pledged trademarks	11,032,975	11,978,659
Carrying amount of pledged inventories	9,537,895	9,072,892
Money in bank	9,202	28,202
Amounts receivable from customers	28,351,868	25,664,040
Land plot lease/tenancy rights	0	0

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

Notes

30 Fair value of financial instruments

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

Fair value of assets and liabilities provided in the balance sheet as on the 31st of December 2012 does not significantly differ from their carrying amount, except for non-current real estate, the depreciated cost-price of whuch significantly differs from its fair value.

Financial assets and liabilities as on the 31th of December 2012

In LTL	Carrying amount	Fair value
Granted long-term loans and other receivables	4,182,729	4,182,729
Advance payments and deferred expenditure	251,495	251,495
Trade receivables	28,351,868	28,351,868
Other amounts receivables	126,567	126,567
Cash and cash equivalents	10,140	10,140
Total financial assets	**32,922,799**	**32,922,799**
Loan and other interest-bearing amounts	18,971,908	18,971,908
Trade payables	6,238,455	6,238,455
Other amounts payables	14,612,219	14,612,219
Total liabilities	**39,822,582**	**39,822,582**

31 Events after the reporting period

There were no events occurred after the reporting period that would influence financial results of the Company.

Director General
Juozas Daunys

Senior Accountant
Renata Baliūnaitė

Vilnius,
15 March 2013

Annual Statement

1 Company Information

Annual statement prepared a for the year ended 31 December 2012, audited.

	Public stock company Vilniaus Degtinė (hereinafter – the Company)
Legal form	Public stock company
Date and place of registration	23rd of November 1990, Vilnius branch of the State Enterprise Centre of Registers
Code	120057287
Registered office address	Panerių Str. 47/Smolensko Str. 2, Vilnius, Lithuania
Telephone	+ 370 5 233 08 19
Fax	+ 370 231 5052
E-mail	vd@degtine.lt
Website	www.degtine.lt

Branch	Obeliai distillery
Branch address	Vienožinskios Str.3, Audronių I village, Rokiškis district, Lithuania
Telephone	+ 370 458 78723
Fax	+ 370 458 78723
E-mail	obeliai@degtine.lt

The Company that has been fostering production traditions which originated over a century ago and has been actively iplementing innovtions, in June 2012 had changed her corporate trademark, to enhance its onenes and emphasise its Vilnius origin in local and foreign markets. The integral part of this trademark is its new sloga "Spiritus Vilnensis". It conveys the Company;'s startegy to dvelop the drinks which feature the unique and multicultural spirit and mistery of Vilnius.

The Company produces and sells vodkas, liqueurs, and other alcoholic beverages, alimentary rectified and methylated ethyl alcohol, alimentary distilled ethyl alcohol, imports and sells alcoholic products made by producers of other countries. Obeliai spirit distillery, a branch of AB Vilniaus degtinė, makes alimentary distilled grain ethyl alcohol. In August 2012 the branch commenced production of electric and thermal energy. Part of electric energy is sold.

2 Authorised Capital and Securities

The structure of the authorised capital

Type of shares	Number of shares, pcs.	Nominal value in LTL	Total nominal value in LTL	Portion in the authorised capital, %
Ordinary registered shares	24,408,431	1	24,408,431	100.00

Ordinary registered shares the Company's authorised capital consists of grant equal rights to all owners of the Company's shares. All shares of AB Vilniaus degtinė are fully paid up. The Company has not issued any debt or derivative securities that would be converted into shares. The Company has not acquired and does not hold any shares of its own.

Total number of shareholders as on the 31st December 2012 was 270.

Annual Statement

2 Authorised Capital and Securities (cont'd)

Shareholders who held or managed more than 5 percent of the authorised capital of the issuer as of the 31st December 2012

Shareholder's name, surname or company name, registered office address, company code	Number of the shares the shareholder holds under the ownership right, pcs.	Portion of the authorised capital held, %	Portion of votes held, %
SOBIESKI DYSTRIBUCJA SP. Z O. O. ul. Bellottiego 1, 01-022, Warszawa, Poland, 230030460	16,668,632	68.29	68.29
ARŪNAS TUMA	2,382,077	9.76	9.76
SWEDISH CLIENTS SKANDINAVISKA ENSKILDA BANKEN Sergels Torg 2, 10640 Stockholm, Sweden, 502032908101	2,233,476	9.15	9.15
DAIVA ŽAROMSKIENĖ	1,220,422	5.00	5.00

None of the company's shareholders have any special rights of control.

There are no restrictions of the rights to vote. There are no agreements between the shareholders, which might cause the transfer of securities and (or) right of vote to be restricted.

Since the 25th of March 2002, ordinary registered shares of AB Vilniaus degtinė are listed in the Secondary trading list of AB NASDAQ OMX Vilnius. Emitent acronym is VDG1L. All 24,408,431 pcs. of shares are traded. There are no restrictions concerning transfer of the shares. The Company has signed an agreement with AB FMĮ Finasta on administration of accounting of issued securities.

Securities trading history

Indices	2009 January - December	2010 January - December	2011 January - December	2012 January - December
Opening price, LTL	0.800	1.400	1.519	0.863
Maximum price, LTL	1.500	2.000	1.519	1.015
Minimum price, LTL	0.500	1.170	0.694	0.176
Last session, LTL	1.400	1.519	0.863	0.777
Turnover, pcs.	104,134	120,659	80,571	254,231
Turnover, LTL million	0.11	0.18	0.09	0.16
Capitalisation on December 31, LTL million	34.17	37.08	21.07	18.96

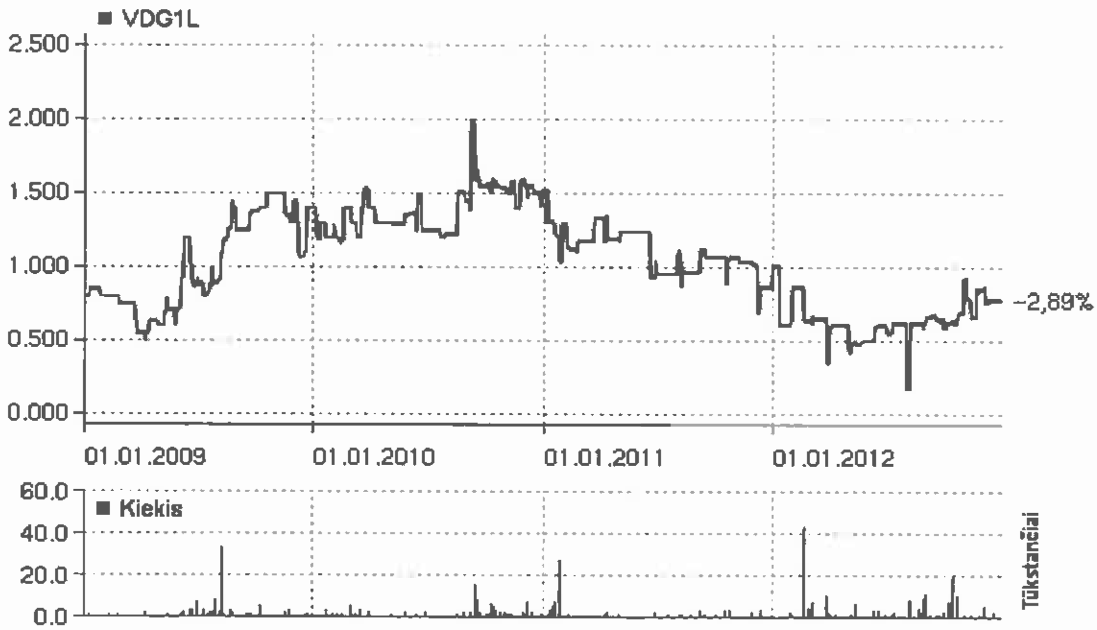
Source: www.nasdaqomxbaltic.com/market

The following transactions were registered in 2012: one OTC transaction in the amount of LTL 397 litus (500 units of shares), six OTC non-monetary transations (1,226,324 units of shares) (source: http://www.csdl.lt/lt/aktualijos/statistika/uzbsanda.php). Detailed information on trade of the shares can be found on the securities exchange NASDAQ OMX Vilnius.

Annual Statement

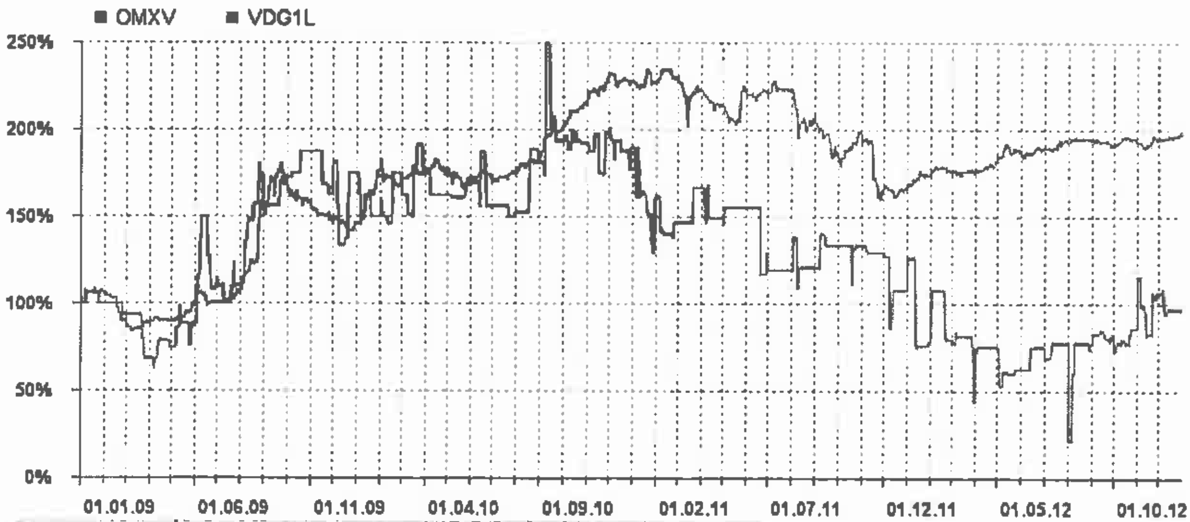
2 Authorised Capital and Securities (cont'd)

Trade in the shares of AB ,Vilniaus degtinė on, NASDAQ OMX Vilnius in 2009-2012



Source: www.nasdaqomxbaltic.com/market

Comparison of the price of the shres of AB Vilniaus degtinė (VDG1L) with OMX Vilnius (OMXV) index in 2009-2012



Index/Shares	01.01.2009	31.12.2012	+/-%
–OMX Vilnius	179.25	355.08	98.09
–VDG1L	EUR 0.23	EUR 0.23	-2.89

Source: www.nasdaqomxbaltic.com/market

Annual Statement

3 Company Management

The company has the general shareholders' meeting, collegial supervisory body – the supervisory council, collegial management body – the board and one-person management body – the head of the company (Director General). The Company does not have a Committee.

The supervisory council of the company consists of 3 members. It is elected by the general shareholders' meeting for a period of four years. If individual members of the supervisory council must be elected, they are elected only for the period before the end of the term of the current supervisory council.

The board of the company consists of 4 members. Articles of Association of the company provide for 5 board members. It is elected by the supervisory council for a term of four years. The supervisory council can recall the board in corpore or individual members before the end of the term. A member of the board may resign from the duties before the end of the term by notifying the company about it in writing at least 14 days in advance. Beside the competence defined in the Law of Companies of the republic of Lithuania, on the basis of the Articles of Association of the Company, the Board passess decisions in relation to the following aspects:

1. on branch and representative offices‘ establishment or termination of their operation, and approves assignment of directors;
2. on transfer, rent or mortgage of part of its non-current assets as well as on guarantees on fulfillment of other parties duties;
3. on non-current asets purchase for the price higher than LTL 200,000;
4. on reorganisation or liquidation of its affiliates and subsidiaries;
5. on loan lending;
6. approves the procedure of representation in its affiliates and subsidiaries as well as in other companies, where the Company has its shares;
7. makes decisions on the candidatures of authorised persons who shall represent the Company in its affiliates and subsidiaries;
8. approves the list of commercial secrets;
9. approves the sules on purchasing godos, works, and services.

The head of the company is elected and recalled or dismissed from his/her duties, his/her salary is determined, job regulations are approved, incentives are awarded and penalties imposed by the board of the company.

The head of the company solely acts on behalf of the company in company's relations with other persons.

6 meetings of the Board, 5 meetings of the supervisory council and 1 shareholders' meeting took place in 2012. Decisions important to the Company were made during these meetings.

Articles of Association of the Company are amended in accordance with the Company Law of the Republic of Lithuania. The most recent working of the articles of association was registered at the Register of Legal Entities of the Republic of Lithuania on the 11th of August 2008.

Annual Statement

3 Company Management (cont'd)

Members of the collegial supervision, management bodies as on the 31st of December 2012

Name, surname	Position	Participation in the authorised capital of the issuer, percent	Term
Dariusz Jamiola	Chairman of supervisory council	-	04-2012 – 04-2016
Tomasz Kowalski	Member of supervisory council	-	04-2012 – 04-2016
Darius Šiaudinis	Member of superv. council, Head of Marketing	-	04-2012 – 04-2016
Darius Žaromskis	Chairman of the Board	4.99	12-2011 – 12-2015
Juozas Daunys	Board member, Director General	-	12-2011 – 12-2015
Dalius Rutkauskas	Board member, Director of Commerce	-	12-2011 – 12-2015
Genadij Jurgelevič	Board member, Director of Production	-	10-2012 – 12-2015
Juozas Daunys	Director General	-	from 07-07-2011
Renata Baliūnaitė	Senior Accountant	-	from 31-03-2011

After resignation of the Board member Aistė Rasmussen on 3 September 2012, the supervisory council on 2 October 2012 had elected Genadij Jurgelevič, Production Director, as a member of Board until end of tenure.

The members of collegial supervisory and management bodies were not remunerated for their work in supervisory council and board. The Company has not granted any loans or guarantees, and did not pay out any dividends to these persons. Services purchased from them in 2012 amounted to LTL 195,000 (exclusive of VAT).

In 2012 the job-related payoffs amounting to LTL 198,000 including taxes were calcualted for admnistration members. Average a LTL 99,000 for each member. To those individuals the company had not transfered any property, provide loans or guarantees, and pay dividends.

Information on transactions of the related parties is provided in Note 28 of the Annual Financial Statements for the year ended on 31 December 2012.
Over the reporting period, there were no harmful transactions concluded on behalf of the Company or conflicts of interests incurred.

There are no significant agreements the Company is a party to that would come into force, change or be terminated in case of change in the Company's control. There are no agreements between the Company and members of its collegial management and supervision bodies or employees providing for payment of compensation in case of their resignation or dismissal without a good reason or in case if their employment is discontinued due to a change in the Company's control.

When carrying out its duties under legal instruments regulating the securities market, the Company has announced information on major events concerning the issuers activities:

- 2012-02-29 Publication of interim performance results of 12 months of 2011;
- 2012-03-28 Convocation of an ordinary General Shareholders' Meeting;
- 2012-03-29 Announcement of draft decisions of an ordinary General Shareholders' Meeting;
- 2012-04-19 Announcement of decisions of an ordinary General Shareholders' Meeting;
- 2012-04-25 Declaration on supervisory council chair election;
- 2012-05-31 Publication of interim performance results of 3 months of 2012;

Annual Statement

3 Company Management (cont'd)

- 2012-06-12 Press release on the chsnge of corporative logo;
- 2012-08-07 Press release on commencement of electric energy production in the branch company;
- 2012-08-31 Publication of interim performance results of 6 months of 2012;
- 2012-09-03 Declaration on Production Director change and board member resignation;
- 2012-10-11 Declaration on new board member election;
- 2012-11-30 Publication of interim performance results of 9 months of 2012;
- 2012-12-03 Declaration on the Chairman's of Board transaction on emitent shares.

Detailed information in major events can be found on the Company's website www.degtine.ltor the website of ,NASDAQ OMX Baltic www.nasdaqomxbaltic.com.

The Company is a member of the Lithuanian Food Exporters Association (LitMEA).

4 Production Activities

Key activity of the Company is production of vodka, flavoured vodka, bitter, liqueur and other alcoholic beverages. Purified water, natural ingredients, such as nuts and berries, fruit juices, honey, and herbs are used in production. The products of the Company have been received many awards for high quality and the uniqueness of recipes. In 2012, the Company's technologists developed and marketing specialists launched the following more than thirty new products:

- vodkas: Baltius vodka, Gediminas Crystal Vodka, Shotka vodka, Beloff vodka, Bartenders's club vodka, Bajorų grafinas, Livonia;
- flavoured vodkas: Bajorų kedrinė, Bajorų obuolių skonio, Shotka vodka ale;
- flavoured vodka-balm: Herbalux;
- spirits: Obelių pirmojo varymo ruginė, Beloff spirit Drina, Like Cosmopolitan;
- bitter: Čepkelių aviečių;
- brandy: Renaissance VS and others.

Production produced

Name	Measurement unit	January-December, 2012	January-December, 2011	Change (+,-), %
Alcoholic beverages	000s litres	7,472.4	6,311.6	+18.4

In 2012 alcoholic beverages production increased by 18.4 percent. Alkoholinių gėrimų gamybos augimą sąlygojo pardavimų augimas vidaus rinkoje ir plėtra į užsienio rinkas.

Obeliai spirit distillery, a branch of AB Vilniaus degtinė, makes distilled ethyl alcohol our of rye. In 2012 it produced 4,970,8 thous. Litres of absoliute alcohol.

In 2012 construction works of cogeneration power station were completed in the branch office, and in August production of Electric and thermal energy was started. The amount of LTL 20.8 Million was invested in this Project (of LTL 10.0 Million funding was received from the EU structural funds). Installed Electric power 1.5 MW. Cogeneration power plant produces biogas from distillery refuse (broga) (grain waste), which is the side-product of alimentary rectified, distilled ethyl alcohol production.

Annual Statement

4 Production Activities (cont'd)

When burning gas in internal combustion engines, Electric and thermal energy is produced. Steam is used in oroduction process. Surplus Electric energy is sold to AB Lesto. This project reduiced energy resource consumption and environmental pollution of the branch.

The Company's management pays special attention to cutting production costs, increasing the efficiency of production processes, improving the quality of the production, safe and intensive work. Production output per person increased by 35.9 percent: from 26,944 LTL/month in 2011 to 36,622 LTL/month in 2012.

Such efficiency was achieved by help of the production management system LEAN – eficient process control. The aim of LEAN system - create greater value to the client and increase the competitive advantage by using fewer resources. This system covers three stages: assessment of activities, training and coaching, and implementation and coordination. During 2012, including trainings of operating seven individual LEAN methods, 137 employees were trained. A 331 proposal for performance impprovement was implemented; and this resulted in improving the equipment operation by 24 percent in 2012.

The Company has successfully operated and serviced the quality management system ISO 9001:2000. Implementation of the ISO standard has ensured constant efficiency of management, regular development of the Company and its competitive advantage.

5 Commercial activities

In 2012 sales revenue of the Company amounted to LTL 55,943,614 (in 2011 – LTL 41,062,173). Compared to the same period last year, revenue increased by 36.2 percent.

The major part of the Company's sales are focused in the Lithuanian market (71.4%). Sales in the domestic market increased by 12.9 percent, and in the European Union (hereinafter the EU) and foreign markets – by 2.8 times. The most rapid growth of sales was observed in the markets of Poland, Spain, Israeli, Danmark, Estonia, and Latvia. New markets were entered, namely Vietnam and the US.

Production sold

Name	Measurement unit	January-December, 2012	January-December, 2011	Change (+,-), %
Alcoholic beverages	000s litres	8,069.9	6,861.1	+17.6

In 2012, were sold the 1,208.8 thousand litres of alcoholic beverages more if comparing with 2011. Sales increased by 17.6 percent. The greatest comparative weight was by vodkas, i.e. 72.5 percent of alcohol sale in litres. During 2012, sales of alcoholic beverages continuously grew: by 18.1 percent of vodkas, 24.5 % of bitters, 40.9 % of liqueurs, 68.1 % of brandy, and 99.8 % of wine.

Experts from marketing and sales departments develop brand image and sale strategies for the new brands, and are consistently working in the marketing formation field. The funds for advertising and promotion of sales are quite limited because advertising of alcohol in Lithuania is limited by two Laws - Republic of Lithuania Law on Advertising and Law on Alcohol Control. The greatest impact on sales had reviving of Bajorų vodka range and label: new-design pabels and 0.35- and 1-litre bottles. To support this brand, two advertising campaigns for Bajorų Klasikinė and Bajorų Premium vodka (produced of Alfa spirit) were developed.

Annual Statement

5 Commercial activities (cont'd)

In end 2012 production of a new product - Gedimino Crystal Vodka – was launched. A new bottel was designed specifically for this drink. And a substantial campaign of the support of that brand is planned 2013 year. Advertising of alcohol in Lithuania is limited by two Laws - Republic of Lithuania Law on Advertising and Law on Alcohol Control.

The Company purchases raw materials and materials necessary for the production from reliable Lithuanian and foreign suppliers at market prices. The quality of purchased raw materials and materials is under control; negotiations with the suppliers on more favourable terms of delaying payment are carried out when concluding agreements.

6 Economic-Financial Ratios

Detailed information on the results of the Company's activities for 2012 is presented in audited annual financial statements for the year ended on the 31st of December 2012. Financial statements were developed in accordance with International Financial Reporting Standards adopted for application in the EU.

Economic-financial indices

Indices	January – December, 2012	January – December, 2011	Change (+,-), %
Sales revenue (loss), excl. excise tax, LTL	55,943,614	41,062,173	+36.2
Result from operations (EBIT), LTL	921,952	(2,743,000)	-133.6
EBITDA, LTL	4,287,044	3,362,224	+27.5
Profit (loss) before taxes, LTL	495,312	(3,194,124)	-115.5
Profit (loss) of the period, LTL	376,273	(2,895,355)	-113.0
Depreciation, amortisation and impairment, LTL	3,365,092	6,105,224	-44.9
Non-current assets, LTL	48,249,040	47, 958,527	+0.6
Current assets, LTL	38,277,965	35,585,485	+7.6
Total assets, LTL	86 527,005	83,544,012	+3.6
Share capital, LTL	24,408,431	24,408,431	-
Owner's equity , LTL	36,322,738	35,946,465	+1.0
Non-current liabilities, LTL	15,573,936	15,052,632	+3.5
Current liabilities, LTL	34,630,331	32,544,915	+6.4
Net cash flows from operating activities, LTL	3,176,360	4,907,830	-35.3
Net cash flows form investing activities, LTL	(3,587,700)	(9,080,171)	-60.5
Net cash flows from financing activities, LTL	374,880	4,169,413	-91.0
Gross profit margin ratio, %	28.5	34.9	-6.4
Operating (net) profit margin ratio, %	0.7	(7.1)	+7.8
EBIT profit margin ratio, %	1.6	(6.7)	+8.3
EBITDA profit margin ratio, %	7.7	8.2	-0.5
ROE (return on equity), LTL	0.01	(0.08)	-112.5
ROA (return on assets), LTL	0.01	(0.03)	-133.3
Quick ratio	0.823	0.806	+2.1
Net working capital turnover ratio	16.729	10.447	+60.1
Profit per share, LTL	0.02	(0.12)	-116.7
Debt to equity ratio	1.382	1.324	+4.4

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6 Economic-Financial Ratios (cont'd)

In 2012, the Company increased sales revenue by 36.2 percent and gained the profit amounting to LTL 376,273 (in 2011 it had the loss amounting in LTL 2,895,355, out of which where LTL 2,371,448 of property impairment loss).

Increased costs of raw-materials, materials, and energy resources, as well as market competition affected the decrease of the gross profitability of the alcohol beverages sold by the Company: it reduced by 6.5 percent.

LTL 4,339,277 assigned for investment, out of them LTL 4,049,783 for cogeneration power station construction.

Over the year, the Company's asset value increased by 3.5 percent. Non-current assets increased when cogemeration power plant construction was finished, and in December, when the production demand increased, customer's debts increased by 10,4 percent, raw-material and material resources – by 8.99 percent (basically due to grain reserve).

The rezerve of unfinished and finished products decreased. Inventories turnover increased (from 3.274 to 4.299), when over the year, the management increased the efficiency of inventry / rezerve management. The turnover ratio of the net turnover capital increased from 10.447 to 16.729.

The major part of liabilities for the year ended, consisted of the following: the state subsidy amounting to LTL 9,657,138 and designated for implementation of cogeneration power station project; financial liabilities to the bank amounting to LTL 18,971,908 litai, and excise and VAT paid to the state budget and amounting to LTL 13,772,333.

7 Risk Factors

Economic Risk Factors

Key risk factors are: unstable economic situation, large concentration within domestic alcohol market, competition, the extent of sales of alcohol in the shadow economy, the probability of increase of the taxes, increasing restrictions of alcohol advertising and trade. As the competition is getting more intense, much attention and many funds are allotted to production of new products and development of brand images, strengthening of selling positions in the domestic market and development of sales in foreign markets.

The Company did not find it difficult to procure itself with necessary raw materials and materials for production. The supply agreements which were signed ensure supply of materials, raw materials and energy resources. Production sales agreements with buyers are entered into for a period of one calendar year. The intended terms for delay of payments allow to plan and balance the cash flows. Debt handling is performed by employees who are competent and responsible for debt management.

Financial Risk Factors

To secure repayment of bank loans, the Company has pledged a part of its assets. Information on pledged assets and financial risk is presented in Note 29 and Note 27 to the audited annual financial statements for the year ended on the 31st of December 2012 The Company controls and fulfils the bank's requirements on index sizes as well as the additional requirements.

Environmental Risk Factors

There were no limitation or suspension of production activities due to damage to the environment. There were no other ecologic risk factors or accidents. Recyclng materials the Company sorts and sends for recycling or disposal. Waste in the branch office are collected and treated in own biologic treatment facilities. Every year the Company executes an agreement on management of package waste. In 2012 the incurred expenses for waste management amounted to LTL 1,006.9 thousand. Such expenses may increase having taken into consideration production extents and the goals of package waste use and processing, most liely the amount of recycled waste will continuously grow.

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7 Risk Factors (cont'd)

Technical –Technological Risk Factors

Since a part of the Company's technologic machinery is depreciated, particular attention is paid to renewal of the machinery, development of technological processes and improvement of product quality for the purpose of eliminating technical risk factors.

Social Risk Factors

Employees of the Company constantly keep on improving their qualification at different courses, workshops, and study at higher schools. In the labour market there is lack of qualified employees and skilled specialists which would match the Company's requirements. At the moment there are no vacancies in the Company. The Company pays salaries and wages in timely manner. Proper and safe working conditions are ensured for the employees.

Information on other risk factors is presented in Note 27 to the audited annual financial statements for the year ended on the 31st of December 2012.

8 Employees

Average number of employees

Indices	January – December, 2012	January – December, 2011
Number of employees	142	149

Average number of employees decreased by 4.7 percent after achieving higher efficiency of manufacturing processes and administrative employees' performance.

Average monthly salary of employees

Employees	January – December, 2012		January – December, 2011	
	Number as on 31-12-2012	Average monthly salary (in LTL)	Number as on 31-12-2011	Average monthly salary (in LTL)
Managers (directors)	3	14,869	3	12,032
Specialists and white-collar workers	56	3,130	57	3,135
Blue-collar workers	80	1,666	90	1,535
Total	139	2,374	150	2,328

The Company pays salaries and wages in timely manner. Salaries vary depending on employee position, responsibility, work quality and job offer and demand in the market. The applied financial encourgement system evaluates the contribution of every employee on the Company Performance Results. Social guarantees of the employees are provide in Collective Agreement. In employment contracts or collective agreement there are no special rights or obligations intended for the employees of the Company or a part of them.

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8 Employees (cont'd)

Employee distribution by education

Employees	Number as on 31-12-2012	Number as on 31-12-2011
With higher education	58	47
With post-secondary education	35	40
With higher secondary or vocational secondary education	46	63
Total	139	150

The basis of successfull operation of the company are creative, constantly developing employees, who are not afraid of responsibility and look for new work methods and efficient solutions. Personnel are constantlyimproving their qualification at different courses and workshops, designated for raising employeequalification and knowledge in the areas of finance, marketing, exports, etc.

Aiming to create greater value to the client and increase the competitive advantage the Company has started implementing LEAN production management system. Efficent process management can be only ensured by continuously developing individuals. During training and education process, the the emplyees are certified for education and development programs they have completed, and are rewarded for suggestions and ideas which bring economic benefit to the Company.

9 Research and Development Activities

Development of new products (beverages and recipes) is a continuous part of the Company's activities. The Company regularly carries out experimental development projects involving experimental tests based on internal studies and experience of its employees. It keeps on further developing the production of flavoured vodkas and bitters. Most attention is paid to the development of traditional vodka and improvement of its taste. The products of the Company, which hold deep Lithuanian traditions of production, have received numerous awards for exceptional quality and recipes. Significant achievements in development of new products are rewarded with medals gained at different fairs and exhibitions.

10 Environmental Protection

The Company carries out its production activities in accordance with the Integrated Pollution Prevention and Control Permit. The Company tries to reduce negative impact on the environment, implements pollution prevention means, which assure that performed activities have no negative impact on the air, water, and soil. The Company always monitors its activity indices, plans and implements investments to enable reducing production and operating costs, energy consumption, and improving the environmental condition.

Key sources of pollution at the Company's branch Obeliai distillery are boiler-room and ethyl alcohol production shop. The boiler-room produces steam needed for the technological process, provides thermal power to production and domestic facilities. Waste and sewage that is formed during the production process are collected and purified in the Company's own purification facilities. To improve the control over the work of sewage purification facilities, regularly carries out control tests. The program of monitoring underground waters of the water body is carried out.

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10 Environmental Protection (cont'd)

Natural gas is used in the technological process of production facilities in Vilnius. Production, domestic and surface sewage gets into sewerage networks of UAB Vilniaus vandenys. Waste of all kinds that is formed in the Company (glass, metal, paper, cardboard, plastic and etc.) are sorted and delivered to waste management companies.

Hazard and risk analysis has been carried out, accident prevention means and accident liquidation plan have been prepared. The Company's buildings have been assessed and marked in accordance with the general fire-prevention rules.

The company declares the amount of natural water resources used and pollutants emitted from mobile and static sources of pollution. In 2012 the tax amounting to LTL 29.4 thousand was imposed for pollution of environment from mobile and static sources of pollution and LTL 21.8 thousand for usage of the national natural resources (water).

11 Internal control and quality system

The purpose of the Company's control system is ensuring the implementation of the Company's aims and objectives in a way that the Company could reach long-term profitability and would create reliable financial and management accountability system.

The internal control of the Company is a dynamic process the purpose of which is to guarantee that the Laws, Legal instruments and rules accepted by the Company are followed, proper methods of protecting the Company's property are implemented, mistakes are avoided and any abuse is revealed. The process has three stages:

- setting standards and norms;
- comparison of factual and estimated data;
- making decisions after having analysed the data.

The organisational structure clearly defines the functions of the employees and their accountability for the quality of work. The current accounting management system ensures right accounting of the data and the control. Systemic and instantaneous inventory performed at the Company ensures protection of assets from unauthorised use or embezzlement. The management ensures that the employees of financial division have appropriate expertise, experience and most recent knowledge relevant for preparation of reliable financial accounts.

The management always aims that the internal control system would accelerate the management processes and would help manage the business risk.

The Company has implemented the quality management system ISO 9001:2000. After the implementation of ISO 9001:2000 standard, the Company is a solid and reliable partner in the foreign markets. The Company is oriented to the long-term goals and quality. The clients are trusting the products and quality of work more. The employees clearly understand the aims and tasks that are assigned to them, and their set positions.

Production management system LEAN facilitates creating greater value to the client and increase the competitive advantage by using fewer resources. Having eliminated the exisitng losses, timely execution of orders, better usage of current assets has been ensured, and the employees are involved in constant process of improvement and efficiency increase.

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12 Business Plans and Forecasts

In 2012 sales revenue increased by 36.2 percent and amounted to LTL 55.9 Million (in 2011 – LTL 41.1 Million).

The greatest effect had increased the ethyl alcohol. The alcoholic beverages sales had increased in local market (by 15.7 %) and in the EU and the third countries (by 36.0 %).

Over the nine months of 2012, Lithuanan vodka market did not chantes (if compared with the situation in 2011), and it increased durting the last quarter. In 2013, an insignificant growth of alcohol market is expected. Black (grey) economy which is over 30 percent of national stringa alcohol market, impedes higher growth of internal market. The major growth is anticipated from export markets.

In 2012, the Company exported its produce to Almos 20 countries: China, USA, Vietnam, Israel, Marocco, Spain, France, Scandinavian countries, Bulgaria, Poland, Latvia, Estonia, Spain, etc. Such brands as Shotka vodka, Litvak vodka, Renaissance brandy, etc. have sucessfully enhanced their position in tiese. In 2013, up to 90 percent growth of alcoholic product sales is anticipated in the EU and third coutntries. It is planned to develop sales geography and increase sales in existing markets.

Growth of sales in Lithuanian market was mostly influenced by the renewal of Bajorų Jodka brand. This allowed increasing this brand market share from 4.0 percent up to more than 7.0 percent. According to the data of the Company, AB Viniaus degtinė occuppies 24 percent of the total national vodka market, and this result is by 2 percent higher than in 2011.

Reviving of the mahor part of alcohol beverages range in the local market is planned in 2013.

During the third quarter of 2012, implementation of the Project "Using distillery refuse (broga) for the production of electric power" finished. Even in 2012, the 1.8 Million kWh Electric power was anticipated to be produced. In 2013, it is planned to produce over 4 Million kWh.

Anticipated indicators of 2013:

- transmission revenues will increase by 12 percent, i.e. LTL 62,5 Million;
- profit net of tax LTL 1.5 Million;
- alcoholic beverages sales – by 9 Million litres or 12 percent higher than in 2012.
-

13 Events after the Reporting Period

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

Director General
Juozas Daunys

Vilnius,
15 March 2013

Annex to Annual Statement

Report of AB Vilniaus Degtinė on the compliance with the Corporate Governance Code for the Companies Listed in stock exchange „NASDAQ OMX Vilnius" in 2012.

Following part 3 of article 21 of the Law on Securities of the Republic of Lithuania and paragraph 24.5 of the Listing Rules of stock company „NASDAQ OMX Vilnius", stock company Vilniaus Degtinė reveals in this report on how it complies to the Corporate Code of Governance approved by stock company „NASDAQ OMX Vilnius" for the companies whose stock is traded in the regulated market, and specific provisions thereof. If the present Code or some of its provisions are not followed, it is specified which exact provisions are not followed and what are the reasons for that.

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

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

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

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 dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholder 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 the supervisory board is a collegial body elected by the general shareholder meeting) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 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 shareholder meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 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.		supervisory board are employees of the controlling shareholder, of Company's or associated companies.

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	Up till now, the independence of the members of the management bodies was not subject to assessment and disclosure in the company.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The company regularly discloses the relations of the supervisory board and the board with the company in its periodic reports, although, up till now, the independence of the members of the collegial bodies was not subject to assessment and disclosure in the company.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholder meeting should approve the amount of such remuneration.	Irrelevant	Members of collegial bodies do not receive any remuneration from the company's funds. (not including the information provided in Clause 3 Company Management).
Principle IV: The duties and liabilities of a collegial body elected by the general shareholder meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholder meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholder meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	Supervisory board elected in the company shall submit to the general shareholder meeting comments and proposals regarding the annual financial statements, profit distribution plan and annual statement of the company, also carry out other functions within the competence of supervisory board. At the regular meetings of supervisory board and board, the administration of the company reports about its activities.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions, (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company not-pertaining body (institution).	Yes	According to the information available to the company, all members of collegial bodies act with good will in respect of the company, considering the interests of the company rather than those of their own or third parties.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Members of collegial bodies dedicate enough time and attention for resolving company's issues, take part in all the meetings held by the collegial body.

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

4.9. Committees established by the collegial body should normally be composed of at least three members. In companies have a small number of members of the collegial body, they could exceptionally be composed of the collegial body. Independent members of the collegial body should make the majority of members of each committee. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors.	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary committees are formed in the company. The audit functions are performed by Company's supervisory board.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary committees are formed in the company. The audit functions are performed by Company's supervisory board.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary committees are formed in the company. The audit functions are performed by Company's supervisory board.
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 andshareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholder meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the Nomination committee.	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary committees are formed in the company. The audit functions are performed by Company's supervisory board.
4.13. Remuneration Committee. 4.13.1. Key functions of the Remuneration Committee should be the following:	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary

1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company. 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation. 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 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, thecommittee 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 bepresent at the annual general meeting for this purpose.		committees are formed in the company. The audit functions are performed by Company's supervisory board.

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 shareholder meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 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 centres and/or activities carried out through special purpose enterprises (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 committeeshould act as the principal contact person for the internal and external auditors.	Yes	The functions of audit committee are performed by the Company's supervisory board.

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	The company does not have an established practice of evaluating and informing about the activities of the management bodies.
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	Collegial supervisory and management bodies of the Company are managed by the chairmen of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The procedure of the meetings of the supervisory and management bodies is not strictly defined; when needed, meetings are called on a short notice.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The members of the management bodies are properly notified about the convention of a meeting and supplied with all material necessary for the adoption of the resolutions.

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-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 chairmen of collegial supervisory and management bodies of the company agree among themselves about the date and agenda of the meetings to be convened and work in close cooperation when adopting resolutions that are of high importance to the company.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary registered shares, which form the statutory capital of the company, grant equal rights to all the shareholders of the company.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The company does not issue new shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholder meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	All transactions that are important to the company and its shareholders are being approved by the general shareholder meeting (the Articles of Association of the company establish the criteria for important transactions). All the shareholders are provided with equal opportunities to get acquainted and participate in adopting important decisions.
6.4. Procedures of convening and conducting a general shareholder meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholder meeting and receive answers to them.	Yes	The procedures of convening and conducting the general shareholder meeting provide the shareholders with equal opportunities to take part in a meeting. All the shareholders of the company are given the possibility to ask the members of supervisory and management bodies questions on the agenda of the general shareholder meeting and receive answers to them.
6.5. It is recommended that documents on the course of the general shareholder meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholder meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Documents prepared for the general shareholder meeting, including draft resolutions thereof, are announced to the public on the Company's website. All information is presented in Lithuanian and English.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholder meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholders of the company can participate in the shareholders' meeting both in person and through a proxy, provided the person has been duly authorised. The company provides the shareholders with the possibility to vote by filling in a general voting-paper, as provided for by the Company Law.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholder meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Irrelevant	Up till now, there was no need to implement this recommendation in the company.
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	The company follows these recommendations; the members of its supervisory board and the board act upon these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholder meeting or any other corporate body authorized by the meeting.		
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.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The company follows these recommendations; the members of its supervisory board and the board act upon this recommendation in practice or would act upon it in such situation because they are acquainted with these provisions and would knowingly follow the recommendation.
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). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The company does not prepare reports on salary policy because it is a confidential internal document of the company. The general information about the salaries paid to the administration members is disclosed and average salary of the company's employees is specified by categories in the annual statement.

8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes	Information about the total amount of the salary paid out to the administration members during the year is made public every year through the reports.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of relative importance of 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.	No	The supervisory and management bodies of the company conclude and approve contracts with the company's administration heads; the contracts are confidential and not publicly available.
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.	No	The supervisory and management bodies of the company conclude and approve contracts with the company's administration heads; the contracts are confidential and not publicly available.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed:		

1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application: 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 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.	No	The company does not make the salary policy publicly available because it is a confidential internal document of the company. The Company does not exercise the

8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.		policy of using shares as a method of remuneration.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.		
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.		
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annualremuneration, which should, in general, not be higher than two years of the non-variable component ofremuneration or the equivalent thereof.		
8.11. Termination payments should not be paid if the termination is due to inadequate performance.		
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. 8.13. In case the remuneration is based on awarding shares, the shares should not vest for at least three years after their award. 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 theright 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. 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 befixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components). 8.16. Remuneration of non-executive or supervisory directors should 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. 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. 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 schemeshould be related with the scheme itself		

and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual generalmeeting. 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.		
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.		
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, 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 companyintends 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.		
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	Corporate governance system of the company ensures that all legally

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.		protected rights of the stakeholders are respected.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure **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	Information on the financial results, economic activities and company governance is regularly disclosed through press releases, interim and annual reports and financial statements. All documents are publicly posted on the company's website in Lithuanian and English.
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.	No	
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.	No	
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.		

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 allsimultaneously. It is recommended that notices about material events should be announced before or after a trading session on NASDAQ OMX Vilnius, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company presents information through the information system used by Vilnius Stock Exchange in Lithuanian and in English simultaneously to the extent possible. The company strictly follows the principle not to disclose the information until such information is made public through the Exchange information system.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. 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 company posts all information intended for the shareholders simultaneously and to the same extent in Lithuanian and in English on the website of the company, thus ensuring unbiased timely access to the information.
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 follows these recommendations; it posts all the information specified in the recommendation on its 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 company follows this recommendation; interim financial statements, annual financial statements and annual statement of the company are audited by an independent audit company (audit for the year 2012 is carried out by UAB Grant Thornton Rimess).
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholder meeting.	Yes	The company follows this recommendation; the audit company is proposed to the general shareholder meeting by the supervisory board of the company (upon the proposal of the board).
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Irrelevant	The audit company has not provided in the year 2012 to the company other than audit services and has not received any payment for this from the company.