



**ALITA**

**Company Group ALITA, AB  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR  
2014**

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**Company Group ALITA, AB**

Consolidated annual financial  
statements for the year ended  
31 December 2014

## **Company details**

### **Company Group ALITA, AB**

Telephone: +370 315 57243  
Telefax: +370 315 79467  
Company code: 302444238  
Registered office: Alytus, Miškininkų str. 17

### **Supervisory Council**

Raimondas Kurlianskis (Chairman) from 12/02/2015  
Inga Žemkauskienė from 12/02/2015  
Dalius Balceris from 12/02/2015

### **Board of Directors**

Vidas Lazickas (Chairman)  
Romanas Raulynaitis  
Marijus Strončikas  
Justas Rameika

### **Auditor**

KPMG Baltics, UAB

### **Banks**

Swedbank, AB  
AB SEB Bankas  
AB DNB Bankas  
Nordea Bank Finland Plc Lithuania Branch





**KPMG Baltics, UAB**  
Upės St. 21  
LT-08128, Vilnius  
Lithuania

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## Independent Auditor's Report

To the Shareholders of the Company Group ALITA, AB

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Company Group ALITA, AB and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, set out on pages 7–47.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company Group ALITA, AB as at 31 December 2014, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.



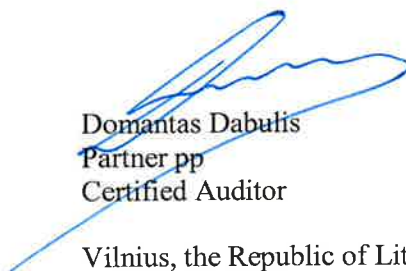
*Emphasis of Matter*

Without qualifying our opinion, we draw your attention to Note 28 “Contingent liabilities and assets” and Note 30 “Information on the Group as a going concern” to the consolidated financial statements, which contain information on an ongoing dispute between the Serbian Privatization Agency and the Company Group ALITA, AB. The final outcome of the litigation referred to in these Notes is unknown at the date of signing these financial statements and no provisions for possible liabilities are formed in these consolidated financial statements. Should the final outcome of the litigation be unfavourable to the Company Group ALITA, AB it may result in significant uncertainty relating to the ability of the Company Group ALITA, AB to continue as a going concern.

**Report on Other Legal and Regulatory Requirements**

Furthermore, we have read the consolidated annual report of the Company Group ALITA, AB for the year ended 31 December 2014, set out on pages 93–134 of the consolidated financial statements, and have not identified any material inconsistencies between the financial information included in the consolidated annual report and the consolidated financial statements of the Company Group ALITA, AB for the year ended 31 December 2014.

On behalf of KPMG Baltics, UAB



Domantas Dabulis  
Partner pp  
Certified Auditor

Vilnius, the Republic of Lithuania  
27 March 2015



Toma Marčinauskytė  
Certified Auditor

## Consolidated statement of financial position

	Notes	31 December 2014	31 December 2013*	31 December 2012*
<b>Assets</b>				
Intangible assets	6	211	165	435
Investment property	8	1,450	1,631	1,596
Property, plant and equipment	7	47,745	50,628	54,544
Available-for-sale financial assets	9	7,307	6,766	5,520
Deferred tax assets	26	1,266	976	1,898
<b>Total non-current assets</b>		<b>57,979</b>	<b>60,166</b>	<b>63,993</b>
Inventories	10	19,492	16,190	15,617
Prepayments	11	992	1,029	584
Trade accounts receivable	12	24,871	22,897	24,234
Other accounts receivable	13	318	312	295
Cash and cash equivalents	14	1,181	4,206	2,347
<b>Total current assets</b>		<b>46,854</b>	<b>44,634</b>	<b>43,077</b>
<b>Total assets</b>		<b>104,833</b>	<b>104,800</b>	<b>107,070</b>
<b>Shareholders' equity</b>				
Share capital	15	20,000	20,000	20,000
Share premium		-	74,198	74,198
Reserves		(1,436)	3,187	2,128
Retained earnings (accumulated losses)		5,367	(78,623)	(82,017)
<b>Total equity attributable to the equity holders of the parent Company</b>		<b>23,931</b>	<b>18,762</b>	<b>14,309</b>
Non-controlling interest		699	692	724
<b>Total shareholders' equity</b>		<b>24,630</b>	<b>19,454</b>	<b>15,033</b>
<b>Liabilities</b>				
Long-term borrowings	18	28,559	36,588	44,778
Government grants	19	723	1,357	1,992
Employee benefits	20	887	905	290
<b>Total non-current liabilities</b>		<b>30,169</b>	<b>38,850</b>	<b>47,060</b>
Short-term borrowings	18	22,351	28,080	24,162
Provisions		-	537	-
Trade accounts payable		13,230	7,893	11,064
Income tax liability		1,225	-	-
Other accounts payable	17	13,228	9,986	9,751
<b>Total current liabilities</b>		<b>50,034</b>	<b>46,496</b>	<b>44,977</b>
<b>Total liabilities</b>		<b>80,203</b>	<b>85,346</b>	<b>92,037</b>
<b>Total liabilities and shareholders' equity</b>		<b>104,833</b>	<b>104,800</b>	<b>107,070</b>

\* - restated, refer to Note 4 for further details.

The notes on pages 11-47 are an integral part of these consolidated financial statements.

General Director

Česlovas Matulevičius

Finance and IT Director

Justinas Damašas

## Consolidated statement of profit or loss and other comprehensive income

	Notes	2014	2013*
Gross sales turnover		152,675	155,393
Excise tax		(56,876)	(59,484)
<b>Revenue</b>		<b>95,799</b>	<b>95,909</b>
Cost of sales	25	(64,622)	(67,618)
<b>Gross profit</b>		<b>31,177</b>	<b>28,291</b>
Other income	23	716	983
Selling and distribution expenses	21	(12,152)	(12,521)
General and administrative expenses	22	(11,592)	(9,251)
Other expenses	23	(238)	(44)
<b>Operating profit</b>		<b>7,911</b>	<b>7,458</b>
Finance income	24	-	31
Finance costs	24	(2,341)	(2,778)
<b>Net finance costs</b>		<b>(2,341)</b>	<b>(2,747)</b>
<b>Profit before income tax</b>		<b>5,570</b>	<b>4,711</b>
Income tax	26	(854)	(827)
<b>Net profit (loss)</b>		<b>4,716</b>	<b>3,884</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Remeasurements of defined benefit liability		-	(615)
Effect of deferred tax		-	93
		-	(522)
<b>Items that are or may be reclassified to profit or loss</b>			
Net change in fair value of available-for-sale financial assets	9	541	1,246
Effect of deferred tax	26	(81)	(187)
		460	1,059
<b>Total other comprehensive income</b>		<b>460</b>	<b>537</b>
<b>Total profit or loss and other comprehensive income for the reporting year</b>		<b>5,176</b>	<b>4,421</b>
<b>Net profit (loss) attributable to:</b>			
Owners of the company		4,709	3,909
Non-controlling interest		7	(25)
<b>Total net profit (loss)</b>		<b>4,716</b>	<b>3,884</b>
<b>Total profit or loss and other comprehensive income attributable to:</b>			
Owners of the company		5,169	4,453
Non-controlling interest		7	(32)
<b>Total profit or loss and other comprehensive income</b>		<b>5,176</b>	<b>4,421</b>
Basic and diluted earnings per share (in Litās)	16	0.24	0.20

\* - restated, refer to Note 4 for further details.

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General Director

Česlovas Matulevičius

Finance and IT Director

Justinas Damašas

## Consolidated statement of changes in equity

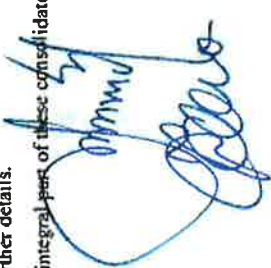
Notes	Attributable to equity holders							Total equity
	Share capital	Share premium	Compulsory reserve	Fair value reserve	Revaluation reserve	Retained earnings (accumulated losses)	Total shareholders' equity	
Balance as at 31 December 2012	20,000	74,198	5,083	(3,547)	592	(82,834)	13,492	14,172
Correction of error – deferred tax recognition (Note 4)	-	-	-	-	-	817	817	861
Restated balance as at 31 December 2012*	20,000	74,198	5,083	(3,547)	592	(82,017)	14,309	15,033
Transactions with owners	-	-	-	-	-	-	-	-
Profit or loss and other comprehensive income	-	-	-	-	-	3,909	3,909	3,884
Net profit (loss) for the year	-	-	-	1,059	-	(515)	544	537
Other comprehensive income	-	-	-	-	-	-	-	(7)
Balance as at 31 December 2013*	20,000	74,198	5,083	(2,488)	592	(78,623)	18,762	19,454
Transactions with owners	-	-	-	-	-	-	-	-
Transfers to / from reserves (Note 15)	-	(74,198)	(5,083)	-	-	79,281	-	-
Profit or loss and other comprehensive income	-	-	-	-	-	4,709	4,709	4,716
Net profit (loss) for the year	-	-	-	460	-	-	460	460
Other comprehensive income	-	-	-	-	-	-	-	-
Balance as at 31 December 2014	20,000	-	-	(2,028)	592	5,367	23,931	24,630

\* - restated, refer to Note 4 for further details.

The notes on pages 11-47 are an integral part of these consolidated financial statements.

General Director

Česlovas Matulevičius



Finance and IT Director

Justinas Damašas

## Consolidated statement of cash flows

	Notes	2014	2013*
<b>Cash flow from operating activities:</b>			
Net profit (loss)		4,716	3,884
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortisation	6, 7, 8, 19	2,981	3,418
Impairment and write-off of accounts receivable	12	644	26
Change in fair value of investment property	7, 8	181	-
Write-offs of property, plant and equipment	7	-	108
(Profit) loss from sale of property, plant and equipment	23	(9)	(718)
Write-down of inventories	22	65	265
Provisions		54	537
Interest paid	24	1,966	2,169
Interest, dividend received	24	-	(31)
Income tax		854	827
		<u>11,452</u>	<u>10,485</u>
Changes in current assets and current liabilities:			
(Increase) decrease in inventories	10	(3,367)	(838)
(Increase) decrease in trade accounts receivable	12	(9,424)	1,312
Increase (decrease) in prepayments	11	37	(446)
(Increase) decrease in other accounts receivable	13	(6)	(17)
Increase (decrease) in trade payables		5,337	(3,171)
Increase (decrease) in other accounts payable	17	3,666	6,787
<b>Net cash flows from operating activities</b>		<u><b>7,695</b></u>	<u><b>14,112</b></u>
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant and equipment	7	(619)	(473)
Acquisition of intangible assets	6	(159)	(27)
Proceeds from sale (write-off) of property, plant and equipment	23	9	1,338
Interest, dividend received	24	-	31
<b>Net cash used in investing activities</b>		<u><b>(769)</b></u>	<u><b>869</b></u>
<b>Cash flows from financing activities:</b>			
Loans received		3,906	-
Repayment of loans		(12,019)	(10,953)
Interest paid	24	(1,838)	(2,169)
<b>Net cash used in financing activities</b>		<u><b>(9,951)</b></u>	<u><b>(13,122)</b></u>
<b>Increase (decrease) in cash and cash equivalents</b>		<u><b>(3,025)</b></u>	<u><b>1,859</b></u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u><b>4,206</b></u>	<u><b>2,347</b></u>
<b>Cash and cash equivalents at the end of the year</b>	14	<u><b>1,181</b></u>	<u><b>4,206</b></u>

\* - restated, refer to Note 4 for further details.

The notes on pages 11-47 are an integral part of these consolidated financial statements.

General Director

Česlovas Matulevičius

Finance and IT Director

Justinas Damašas



## Notes

### 1. Reporting entity

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

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

As at 31 December 2014 the authorised share capital of the Company Group ALITA, AB amounted to 20,000,000 Litus and was divided into 20,000,000 ordinary registered shares with the nominal value of 1 Litus each.

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

On 5 December 2014 the transaction under the Share Sale-Purchase Agreements concluded by FR&R Invest IGA S.A. and Vytautas Junevičius with UAB Mineraliniai Vandenyys on 25 September 2014 has been completed. By this transaction UAB Mineraliniai Vandenyys acquired 19,806,552 units of shares of the Company Group ALITA, AB.

The shareholders as at 31 December are listed below:

	2014		2013	
	Nominal value (LTL)	Percent	Nominal value (LTL)	Percent
UAB Mineraliniai Vandenyys	19,806,552	99.03%	-	-
FR&R Invest IGA S.A.	-	-	16,911,188	84.56%
Vytautas Junevičius	-	-	2,895,364	14.47%
Other shareholders	193,448	0.97%	193,448	0.97%
<b>Total</b>	<b>20,000,000</b>	<b>100.00%</b>	<b>20,000,000</b>	<b>100.00%</b>

The main shareholder of the Company, UAB Mineraliniai Vandenyys is indirectly owned by UAB Koncernas MG Baltic, a company registered in Lithuania.

The Company Group ALITA, AB (the Parent or the Company), holds 18,980,045, or 94.90%, of the total registered shares in AB Anykščių Vynas, each of 1 Litus in nominal value. As at 31 December 2014 the authorised share capital of the subsidiary amounted to 20,000,000 Litus and was divided into 20,000,000 ordinary registered shares with the nominal value of 1 Litus each.

The consolidated financial statements include the parent Company Group ALITA, AB, and its subsidiary AB Anykščių Vynas (94.90%). The Group produces and distributes alcohol beverages, including sparkling wines, alcohol mixes, cider, natural and fortified wines, hard liqueurs, and concentrated fruit juice.

### 2. Basis of preparation

#### Statement of compliance

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

These consolidated annual financial statements were prepared and signed by the management on 27 March 2015. The shareholders have a right to reject the consolidated financial statements and request that they be amended and reissued.

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

## 2. Basis of preparation (cont'd)

### New standards, amendments and interpretations

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

#### (a) Changes in accounting policies

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

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

##### (i) IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (Note 31).

IFRS 11 Joint Arrangements also became first applicable in 2014; however, it is not applicable to the Group as the Group does not participate in joint arrangements.

##### (ii) IFRS 10: Consolidated Financial Statements

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January 2014. The Group concluded that there are no changes in control assessment as a consequence of new rules introduced by IFRS 10 (2011).

##### (iii) Other amendments to standards

The following amendments to standards with effective date of 1 January 2014 did not have any impact on these consolidated financial statements:

- IAS 27 (2011) Separate Financial Statements;
- IAS 28 (2011) Investments in Associates and Joint Ventures;
- Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 27 on Investment Entities;
- Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting.

#### (b) Standards, interpretations and amendments to published standards that are not yet effective

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

##### (i) Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

The Group does not expect the Amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.



## 2. Basis of preparation (cont'd)

### (b) Standards, interpretations and amendments to published standards that are not yet effective (cont'd)

#### (ii) *IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014)*

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government.

In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.

The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not result in a change in the Group's accounting policy regarding levies imposed by governments.

#### (iii) *Annual Improvements to IFRSs*

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Group.

### **Basis of measurement**

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

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

### **Basis for consolidation**

#### *(i) Subsidiaries*

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

#### *(ii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any income and expenses arising from intra-group transactions, and unrealised gains and losses (if losses are not absorbed by majority) are eliminated when preparing the consolidated financial statements.

### **Functional and presentation currency**

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

### **Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRSs, as adopted by the European Union, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## 2. Basis of preparation (cont'd)

### Use of estimates and judgments (cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of IFRSs, as adopted by the European Union, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed later.

#### Determination of fair values

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

Note 8 – Investment property

Note 9 – Available-for-sale financial assets

#### Impairment losses on property, plant and equipment

The carrying amounts of the Group's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). Property, plant and equipment in the subsidiary company is allocated to two cash-generating units, Alcohol drinks and Fruit and berry products, part of assets is not allocated. Recoverable amount is estimated for both cash-generating units together since part of property, plant and equipment is not allocated to any cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable value.

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

#### Impairment losses on receivables

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

The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

#### Recognition of deferred tax asset

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

The carrying amounts of deferred tax asset are disclosed in Note 26.

#### Useful lives of property, plant and equipment

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

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

## 2. Basis of preparation (cont'd)

### Use of estimates and judgments (cont'd)

#### Impairment losses for available-for-sale securities

In the case if investments are classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of investment is less than its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit or loss (Note 9).

#### Going concern

For going concern judgment see Note 30.

#### Production costs

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

#### Measurement of defined benefit obligations

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

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

## 3. Significant accounting principles

### Foreign currency

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

### Financial instruments

#### Non-derivative financial instruments

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

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

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

### 3. Significant accounting principles (cont'd)

#### Financial instruments (cont'd)

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

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

Loans and receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment losses, if any. Short-term receivables are not discounted. Available-for-sale financial assets are non-derivative financial assets that are not classified in any other groups of financial assets (loans and amounts receivable, financial assets held to maturity). Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

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

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

##### Derivative financial instruments

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

##### Share capital – ordinary shares

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

#### Property, plant and equipment

##### Recognition and measurement

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

The buildings were accounted as follows:

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

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

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

### 3. Significant accounting principles (cont'd)

#### Property, plant and equipment (cont'd)

##### Recognition and measurement (cont'd)

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

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

##### Subsequent costs

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

##### Depreciation

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

The estimated useful lives are as follows:

- Buildings and constructions 8–80 years
- Plant and machinery 2–50 years
- Motor vehicles, furniture and fixtures 4–25 years
- IT equipment 4–5 years

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

##### Reclassification into investment property

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

#### Intangible assets

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

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

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

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

#### Investment property

Investment properties of the Group consist of buildings that are held to earn rentals or for capital appreciation, rather than for use in the production, or supply of goods, or services or for administration purposes, or sale in the ordinary course of business. Investment property is initially measured at cost and subsequently at fair value at the end of each reporting period with any change therein recognised in profit or loss.

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

### **3. Significant accounting principles (cont'd)**

#### **Investment property (cont'd)**

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

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

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

#### **Leased assets**

Leases, in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

#### **Emission allowances**

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

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

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

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

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

When unused emission allowances are sold, sale proceeds are recognised as income in profit or loss.

#### **Inventories**

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

The cost of inventories is determined based on FIFO (First-In, First-Out) principle, and includes expenditure incurred in acquiring the inventories, production and conversion costs, and other costs incurred in bringing them to their existing location and condition.

In case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### 3. Significant accounting principles (cont'd)

#### Inventories (cont'd)

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

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

#### Impairment

##### Financial assets

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

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

The Group considers evidence of impairment for receivables at a specific asset level.

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

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

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

##### Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Fair value is determined by referencing to its selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Impairment and reversals of impairment are stated in profit or loss under general and administrative expenses.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3. Significant accounting principles (cont'd)

#### Dividends

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

#### Government grants and subsidies

Two types of grants are recognised:

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

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

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

#### Provisions

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

#### Employee benefits

##### Short-term employee benefits

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

##### Social security contributions

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

##### Termination benefits

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

##### Post-employment employee benefits

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

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



### 3. Significant accounting principles (cont'd)

#### Employee benefits (cont'd)

##### Post-employment employee benefits (cont'd)

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

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

#### Revenue and costs

##### Revenue from goods sold

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

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement; however, transfer usually occurs (Note 28, Third party inventories held) when the products are loaded for shipping from the Group's warehouse and the sales invoice is issued.

Additionally, the Group discloses Gross sales revenue and Excise tax levied in the statement of profit or loss, because, in the opinion of the management, such presentation gives better representation of the Group's activities and financial position.

##### Services and rental income

Revenue from the services rendered is recognised in profit or loss as the services are rendered in proportion to costs. The revenue recognised is net of discounts provided. Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

#### Costs

Costs are recognised based on accrual principle in the accounting period in which the related income is generated not depending upon the time of settlement. Cost of services and goods sold are recognised in the accounting and presented in the financial statements in the same accounting period when the goods and sold and services rendered.

Cost of sales comprises cost of goods sold and services rendered.

Selling and distribution expenses comprise costs regarding sales, advertising, warehousing, transportation and similar costs.

Administrative expenses include salaries and social security, repair expenses, communications, asset insurance, taxes, office expenses, etc., including depreciation and amortisation.

#### Lease payments

Payments made under operating and other short term leases are recognised in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 3. Significant accounting principles (cont'd)

#### Finance income and costs

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

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

#### Income tax

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

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. When calculating the income tax for 2014 and subsequent years, the amount of utilised tax losses cannot exceed 70% of taxable profit of the tax period.

#### Segment reporting

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

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

The following summary describes the operations of each segment.

<b>Reportable segment</b>	<b>Operations</b>
Alcoholic beverages	Production and sales of various alcoholic beverages
Fruit and berry products (former name – Apple products)	Production of fresh or concentrated fruit or berry juice and other fruit or berry based non-alcohol products, sales of fruit or berry based products and other related activities (former name – Apple products)
Unallocated	Sales of raw materials and commodities, sales of products in specialized store and other

#### Earnings per share

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

### 3. Significant accounting principles (cont'd)

#### Determination of fair values

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

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

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

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

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

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

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

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

#### Investment property

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

#### Equity securities

The fair value of equity securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted or no active market exists, determined using a valuation technique.

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

#### Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other receivables with outstanding maturities shorter than six months with no stated interest rate is deemed to approximate their face value on initial recognition and carrying amount on any subsequent date as the effect of discounting is immaterial. This fair value is determined for disclosure purposes.

#### Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Market interest rate was determined at 2.86% as at 31 December 2014 (31 December 2013: 2.8%). For finance leases the market rate of interest is determined by reference to similar lease agreement. Fair value of shorter term financial liabilities with no stated interest rate is deemed to approximate their face value on initial recognition and carrying amount on any subsequent date as the effect of discounting is immaterial.

#### 4. Prior period correction

When preparing financial statements for the year 2014, it was decided that deferred tax assets and liabilities are measured incorrectly. Since the liability related to the carrying amount of property, plant and equipment for which investment relief was applied can always be offset with carried forward tax losses of previous years, an error was made by leaving unrecognised the part of deferred tax assets related to carried forward tax losses which would be used for such offset (use of temporary differences). The error was corrected retrospectively by adjusting the opening carrying amounts of the year 2013.

Below is presented the effect of the correction of error on the adjusted items of the Statement of financial position and Statement of profit or loss and other comprehensive income:

<b>31 December 2012</b>	<b>Previous financial statements</b>	<b>Adjustment</b>	<b>Adjusted</b>
<b>Assets</b>			
Intangible assets	435		435
Investment property	1,596		1,596
Property, plant and equipment	54,544		54,544
Available-for-sale financial assets	5,520		5,520
Deferred tax assets	1,037	861	1,898
<b>Total non-current assets</b>	<b>63,132</b>	<b>861</b>	<b>63,993</b>
Total current assets	43,077	-	43,077
<b>Total assets</b>	<b>106,209</b>	<b>861</b>	<b>107,070</b>
<b>Shareholders' equity</b>			
Share capital	20,000		20,000
Share premium	74,198		74,198
Reserves	2,128		2,128
Accumulated losses/retained earnings	(82,834)	817	(82,017)
<b>Total shareholders' equity</b>	<b>13,492</b>	<b>817</b>	<b>14,309</b>
Non-controlling interest	680	44	724
<b>Total shareholders' equity</b>	<b>14,172</b>	<b>861</b>	<b>15,033</b>
Total non-current liabilities	47,060	-	47,060
Total current liabilities	44,977	-	44,977
<b>Total liabilities and shareholders' equity</b>	<b>106,209</b>	<b>861</b>	<b>107,070</b>
<b>31 December 2013</b>	<b>Previous financial statements</b>	<b>Adjustment</b>	<b>Adjusted</b>
<b>Assets</b>			
Intangible assets	165		165
Investment property	1,631		1,631
Property, plant and equipment	50,628		50,628
Available-for-sale financial assets	6,766		6,766
Deferred tax assets	167	809	976
<b>Total non-current assets</b>	<b>59,357</b>	<b>809</b>	<b>60,166</b>
Total current assets	44,634	-	44,634
<b>Total assets</b>	<b>103,991</b>	<b>809</b>	<b>104,800</b>
<b>Shareholders' equity</b>			
Share capital	20,000		20,000
Share premium	74,198		74,198
Reserves	3,187		3,187
Accumulated losses/retained earnings	(79,391)	768	(78,623)
<b>Total shareholders' equity</b>	<b>17,994</b>	<b>768</b>	<b>18,762</b>
Non-controlling interest	651	41	692
<b>Total shareholders' equity</b>	<b>18,645</b>	<b>809</b>	<b>19,454</b>
Total non-current liabilities	38,850	-	38,850
Total current liabilities	46,496	-	46,496
<b>Total liabilities and shareholders' equity</b>	<b>103,991</b>	<b>809</b>	<b>104,800</b>

#### 4. Prior period correction (cont'd)

Reconciliation between the amounts of the Group's previous statement of profit or loss and other comprehensive income presented in the financial statements as at 31 December 2013 and the adjusted amounts of 2013 presented in the current financial statements is disclosed below:

	Previous financial statements	Adjustment	Adjusted
<b>Profit before income tax</b>	4,711	-	4,711
Income tax	(775)	(52)	(827)
<b>Net profit (loss)</b>	<b>3,936</b>	<b>(52)</b>	<b>3,884</b>
Total other comprehensive income	537		537
<b>Total profit or loss and other comprehensive income for the reporting year</b>	<b>4,473</b>	<b>(52)</b>	<b>4,421</b>
<b>Net profit (loss) attributable to:</b>			
Owners of the company	3,958	(49)	3,909
Non-controlling interest	(22)	(3)	(25)
<b>Total net profit (loss)</b>	<b>3,936</b>	<b>(52)</b>	<b>3,884</b>
<b>Total profit or loss and other comprehensive income attributable to:</b>			
Owners of the company	4,502	(49)	4,453
Non-controlling interest	(29)	(3)	(32)
<b>Total profit or loss and other comprehensive income</b>	<b>4,473</b>	<b>(52)</b>	<b>4,421</b>
<b>Basic and diluted earnings (loss) per share (in Litass)</b>	<b>0.20</b>	-	<b>0.20</b>

#### 5. Financial risk management

The Group has exposure to the following risks:

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

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

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

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

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

##### Credit risk

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

Due to the nature of its operations, the Group has significant concentration of credit risk (over 53% of total turnover) with three major clients. The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history. The majority of the Group's foreign customers are insured by a credit insurance company, and they are provided with the appropriate amounts of credit limits. The Group provides payment discounts to the clients that pay in advance.

## 5. Financial risk management (cont'd)

### Credit risk (cont'd)

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

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

	<b>Carrying amount</b>	
	<b>2014</b>	<b>2013</b>
Trade accounts receivable	24,871	22,897
Other accounts receivable	318	312
Cash and cash equivalents	1,181	4,206
<b>Total</b>	<b>26,370</b>	<b>27,415</b>

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

	<b>2014</b>		<b>2013</b>	
	<b>Total amount</b>	<b>Impairment</b>	<b>Total amount</b>	<b>Impairment</b>
Not overdue	23,985	-	21,550	-
Overdue 0–30 days	594	-	1,242	-
Overdue 30–90 days	111	-	88	-
More than 90 days	1,324	(1,143)	516	(499)
<b>Total</b>	<b>26,014</b>	<b>(1,143)</b>	<b>23,396</b>	<b>(499)</b>

The major part of trade receivables of the Group are related to buyers from Lithuania or the European Union; therefore, the management of the Group considers the geographical risk related to trade receivables to be limited.

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

### Liquidity risk

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

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

<b>31 December 2014</b>	<b>6</b>					
	<b>Carrying amount</b>	<b>Contractual net cash flows</b>	<b>months or less</b>	<b>6–12 months</b>	<b>1–2 years</b>	<b>2–5 years</b>
<b>Financial liabilities</b>						
Loans and borrowings	50,910	52,743	4,673	18,947	29,101	23
Trade accounts payable	13,230	13,230	12,982	124	124	-
Other accounts payable	1,011	1,011	1,011	-	-	-
<b>Total</b>	<b>65,151</b>	<b>66,984</b>	<b>18,666</b>	<b>19,071</b>	<b>29,225</b>	<b>23</b>

## 5. Financial risk management (cont'd)

### Liquidity risk (cont'd)

31 December 2013	Contractual	6	6-12	1-2	2-5
	Carrying	net cash	months	months	years
	amount	flows	or less	or less	years
<b>Financial liabilities</b>					
Loans and borrowings	64,668	67,895	22,901	6,827	38,120
Trade accounts payable	7,893	7,893	7,893	-	-
Other accounts payable	1,306	1,306	1,306	-	-
<b>Total</b>	<b>73,867</b>	<b>77,094</b>	<b>32,100</b>	<b>6,827</b>	<b>38,120</b>

Interest rate applied to the estimated cash flows discount:

	2014	2013
Loans and borrowings	1.62-5.9%	2.8-5.9%

Although the Group's current liabilities exceed current assets, the management of the Group is sure that the short term credit facilities granted or the short term parts of the long term credits will be extended to ensure operations of the Group. Moreover, positive cash flows are planned from operating activities.

### Market risk

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

#### Interest rate risk

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

The Group's borrowings are subject to variable interest rates related to LIBOR, VILIBOR and EURIBOR. As at 31 December 2014, the Group did not use any financial instruments to hedge against its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Variable interest rate financial liabilities were as follows:

	Contractual	2014	2013
	currency		
Long-term loans and borrowings	EUR	25,842	32,882
Short-term loans and borrowings	EUR	17,598	14,888
Short-term loans and borrowings	LTL	4,733	13,169
Long-term loans and borrowings	LTL	2,652	3,625
Finance lease liabilities	EUR	85	104
<b>Total</b>		<b>50,910</b>	<b>64,668</b>

The interest rate as to the agreements is from 1.62% to 5.9% as at 31 December 2014. The interest rate repricing is related to 3 or 6 months EURIBOR or VILIBOR.

The sensitivity of the profit or loss to an increase in the average annual interest rate for the Group's loans and borrowings by 0.5%, all other variables remaining constant, would increase the interest expenses and decrease the net result and equity for 2014 and as at 31 December by approximately 255 thousand Litass.

## 5. Financial risk management (cont'd)

### Market risk (cont'd)

#### Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Major currency risks of the Group occur due to the fact that the Group borrows foreign currency denominated funds as well as being involved in imports and exports. The Group does not use any financial instruments to manage its exposure to foreign exchange risk. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate of 3.4528 LTL for 1 EUR. On 1 January 2015 the Republic of Lithuania joined the euro zone and the Lithuanian national currency litas was replaced by the euro. All accounting figures included before the euro adoption date are translated from LTL to EUR at the rate of LTL 3.4528 for EUR 1. The Group did not have any material exposure to other foreign currencies as at 31 December 2014. Transactions and balances in other currencies are insignificant.

#### Market price risk

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

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

	Carrying amount	
	2014	2013
Available-for-sale financial assets	7,307	6,766
<b>Total</b>	<b>7,307</b>	<b>6,766</b>

A change in the market price of the securities held by 1% (up and down in price) would influence the Other comprehensive income and equity by 73 thousand litas in the same direction before the effect of income tax (62 thousand Litas after tax).

### **Financial instruments: fair values and risk management**

The Group has available-for-sale financial assets that are valued at fair value and amount to 7,307 thousand Litas. These investments are measured using direct input from the market (Level 1 fair value measurement). The Group does not use any instruments to manage the risks related to the changes in the fair value of these instruments. All other financial assets and liabilities of the Group are not measured at fair value and the carrying amount of those financial assets and financial liabilities approximates their fair value.

### **Operating risk**

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

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

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



## 5. Financial risk management (cont'd)

### Operating risk (cont'd)

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

<b>Beverage</b>	<b>Alcohol content by volume (most common)</b>	<b>Enacted excise tax rates effective starting 1 March 2015</b>	<b>Enacted excise tax rates effective starting 1 April 2014</b>
Sparkling wine	11%	72,12 EUR/HTL	225 LT/HTL
Wine	10.50%	72,12 EUR/HTL	225 LT/HTL
Sparkling wine drink	7–8%	28,67 EUR/HTL	85 LT/HTL
Cider	4.7%	28,67 EUR/HTL	85 LT/HTL
Fortified wine	18%	126,27 EUR/HTL	400 LT/HTL
Cocktails	5–6%	1,320.67 EUR/100%/HTL	4,460 LT/100%/HTL
Strong alcohol drinks	37.5–50%	1,320.67 EUR/100%/HTL	4,460 LT/100%/HTL

### Capital management

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

As at 31 December 2014 the equity of the Company Group ALITA, AB met the requirement of the Law on Companies that the company's equity may not be lower than ½ of the authorised capital.

6. Intangible assets

	Software	Other intangible assets	Total
<b>Cost</b>			
Balance as at 1 January 2014	1,591	1,858	3,449
Acquisitions	-	159	159
Disposals and write-offs	-	(75)	(75)
<b>Balance as at 31 December 2014</b>	<b>1,591</b>	<b>1,942</b>	<b>3,533</b>
<b>Accumulated amortisation and impairment:</b>			
Balance as at 1 January 2014	1,508	1,776	3,284
Amortisation for the period	65	48	113
Disposals and write-offs	-	(75)	(75)
<b>Balance as at 31 December 2014</b>	<b>1,573</b>	<b>1,749</b>	<b>3,322</b>
<b>Carrying amounts as at 31 December 2014</b>	<b>18</b>	<b>193</b>	<b>211</b>

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

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

Amortisation is recorded under general and administrative expenses.

## 7. Property, plant and equipment

	Buildings	Vehicles and equipment	Other property, plant and equipment	Construction in progress	Total
<b>Cost</b>					
Balance as at 1 January 2014	73,023	109,759	11,502	41	194,325
Acquisitions	27	114	460	18	619
Disposals and write-offs	-	(315)	(344)	-	(659)
Transfers between captions	-	(430)	430	-	-
<b>Balance as at 31 December 2014</b>	<b>73,050</b>	<b>109,128</b>	<b>12,048</b>	<b>59</b>	<b>194,285</b>
<b>Accumulated depreciation and impairment:</b>					
Balance as at 1 January 2014	36,815	95,554	11,328	-	143,697
Depreciation for the period	1,242	2,153	107	-	3,502
Disposals and write-offs	-	(315)	(344)	-	(659)
Transfers between captions	-	(430)	430	-	-
<b>Balance as at 31 December 2014</b>	<b>38,057</b>	<b>96,962</b>	<b>11,521</b>	<b>-</b>	<b>146,540</b>
<b>Carrying amounts as at 31 December 2014</b>	<b>34,993</b>	<b>12,166</b>	<b>527</b>	<b>59</b>	<b>47,745</b>
<b>Cost</b>					
Balance as at 1 January 2013	74,294	110,813	11,478	13	196,598
Acquisitions	43	399	98	28	568
Disposals and write-offs	(1,314)	(1,453)	(74)	-	(2,841)
<b>Balance as at 31 December 2013</b>	<b>73,023</b>	<b>109,759</b>	<b>11,502</b>	<b>41</b>	<b>194,325</b>
<b>Accumulated depreciation and impairment:</b>					
Balance as at 1 January 2013	36,274	94,476	11,304	-	142,054
Depreciation for the period	1,259	2,386	111	-	3,756
Disposals and write-offs	(718)	(1,308)	(87)	-	(2,113)
<b>Balance as at 31 December 2013</b>	<b>36,815</b>	<b>95,554</b>	<b>11,328</b>	<b>-</b>	<b>143,697</b>
<b>Carrying amounts as at 31 December 2013</b>	<b>36,208</b>	<b>14,205</b>	<b>174</b>	<b>41</b>	<b>50,628</b>

Property, plant and equipment, and investment property with the carrying amount of 45,950 thousand Litass as at 31 December 2014 (31 December 2013: 47,945 thousand Litass) have been pledged for loans and borrowings (Note 18).

The Group's property, plant and equipment and investment property with the carrying amount of 48,405 thousand Litass as at 31 December 2014 (2013: 51,382 thousand Litass) are insured against fire, natural forces and other damages.

The carrying amount of vehicles and equipment under finance lease was 108 thousand Litass as at 31 December 2014 (31 December 2013: 130 thousand Litass).

### Depreciation

Depreciation is allocated as follows:

	2014	2013
Cost of sales and inventories (finished goods)	2,451	2,607
Depreciation of boiler house for which the grant was received	634	635
General and administrative expenses	220	282
Selling and distribution expenses	197	232
<b>Total</b>	<b>3,502</b>	<b>3,756</b>

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

### Impairment

Due to previous years losses incurred by the Group's subsidiary company AB Anykščių Vynas for several years in a row, the Group has tested the property, plant and equipment of the subsidiary company (carrying amount of 17.2 million Litass) for impairment. During the test, the long-term forecasts (5 years) were prepared regarding the company's activities and the assets' value in use was calculated. Based on the performed assessment, the management of the Group has determined that the property, plant and equipment of the subsidiary company have not impaired.

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

Property, plant and equipment in the subsidiary company is allocated to two cash-generating units, Alcohol drinks and Fruit and berry products, part of assets is not allocated. Recoverable amount is estimated for both cash-generating units together since part of property, plant and equipment is not allocated to any cash-generating unit. Based on the performed assessment, the management of the Group has determined that the property, plant and equipment of the subsidiary company have not impaired. The 10% discount rate and 0.25% long-term growth rate for the periods subsequent to the forecasted period were used for the calculation of the recoverable amount. The Group used 5 years discounted cash flows model with terminal value component.

The change of the discount rate significantly influences the determined value in use, amounting to approximately 20.9 million Litass. The table with potential discount rates and long-term growth rates after the projection period together with potential impairment (losses) as calculated using these rates, is presented below.

Discount rate	Long-term growth rate after the projection period			
	1.25%	0.75%	0.25%	0.00%
9,66%	-	-	-	-
10,00%	-	-	-	-
10,34%	-	-	49	330
10,68%	-	154	710	968
11,02%	255	819	1,330	1,568
11,36%	923	1,441	1,913	2,133
11,70%	1,549	2,026	2,462	2,666

## 8. Investment property

	2014	2013
Balance as at 1 January	1,631	1,596
Acquisitions	-	35
Fair value change	(181)	-
<b>Balance as at 31 December</b>	<b>1,450</b>	<b>1,631</b>

The investment properties comprise of café and hotel in Palanga and apartment in Vilnius.

Fair values of the properties have been determined as at March 2012 by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. In addition, in 2014 a reduction of the fair value of the properties was recorded based on the market review of similar properties and negotiations with potential buyers of the properties by the management.

The fair value measurement for investment property of 1,450 thousand Litass has been categorized as a Level 2 in the fair value hierarchy.

The rental income of the investment properties amounted to 51 thousand Litass in 2014 (2013: 33 thousand Litass) and the maintenance costs of this property amounted to 23 thousand Litass in 2014 (2013: 17 thousand Litass).

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

## 9. Available-for-sale financial assets

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

	<u>2014</u>	<u>2013</u>
Acquisition cost of AB Šiaulių Bankas shares	9,693	9,693
<b>Total</b>	<b><u>9,693</u></b>	<b><u>9,693</u></b>
(Decrease) in fair value at the beginning of the year	(2,927)	(4,173)
Increase (decrease) in fair value during the period	541	1,246
<b>(Decrease) in fair value at the end of the year</b>	<b><u>(2,386)</u></b>	<b><u>(2,927)</u></b>
<b>Total</b>	<b><u>7,307</u></b>	<b><u>6,766</u></b>

As at 31 December 2014, the Company Group ALITA, AB owned 2.95% or 7,956,013 registered shares of AB Šiaulių Bankas with a nominal value of 1 Litas each. The value of the shares as at the reporting date is based on the quoted share price in the active market of AB Šiaulių Bankas. Increase in fair value of 541 thousand Litass for the shares in AB Šiaulių Bankas has been recognised in other comprehensive income.

The fair value measurement for available-for-sale financial assets of 7,307 thousand Litass has been categorized as a Level 1 in the fair value hierarchy.

According to contractual obligations assumed together with other shareholders of AB Šiaulių Bankas, the rights to dispose 7,956,013 registered shares of AB Šiaulių Bankas owned by the Company Group ALITA, AB, are restricted. The restrictions are in force until the majority shareholder owns a certain amount of shares of AB Šiaulių Bankas.

## 10. Inventories

	<u>2014</u>	<u>2013</u>
Raw materials	3,085	3,285
Packing materials	3,968	2,715
Auxiliary materials and supplies	540	522
Work in progress	5,823	5,254
Finished goods	5,985	4,344
Goods for resale	91	70
<b>Total</b>	<b><u>19,492</u></b>	<b><u>16,190</u></b>

Write-down of inventories to net realizable value amounts to 465 thousand Litass at 31 December 2014 (2013: 615 thousand Litass). The total value of inventories expensed as cost of sales and general and administrative expenses in the statement of profit or loss for the year 2014 was equal to 56,521 thousand Litass (56,937 thousand Litass in 2013).

In 2014 the Group did not fully use its production capacities; therefore, overhead production costs amounting to 909 thousand Litass (2013: 620 thousand Litass) incurred due to unused capacities were recognised under general and administrative expenses for the current year.

The Group has insured inventories for the amount of 19,881 thousand Litass against natural calamities, fire, and other damages. Inventories for the amount of 19,492 thousand Litass are pledged to the bank for loans and borrowings (Note 18).

Write-down of inventories is recorded under:

	<u>2014</u>	<u>2013</u>
Auxiliary materials and supplies	420	435
Finished goods	45	80
Work in progress	-	100
<b>Total</b>	<b><u>465</u></b>	<b><u>615</u></b>

#### 11. Prepayments

	<u>2014</u>	<u>2013</u>
Prepayments to local suppliers	587	509
Prepayments to foreign suppliers	215	291
Other prepayments	190	229
<b>Total</b>	<b><u>992</u></b>	<b><u>1,029</u></b>

#### 12. Trade accounts receivable

	<u>2014</u>	<u>2013</u>
Trade accounts receivable, gross	26,014	23,396
Impairment at the beginning of the year	(499)	(474)
Write-off of doubtful trade receivables	-	-
Additional impairment during the period	(644)	(25)
<b>Impairment at the end of the year</b>	<b><u>(1,143)</u></b>	<b><u>(499)</u></b>
<b>Total</b>	<b><u>24,871</u></b>	<b><u>22,897</u></b>

#### 13. Other accounts (financial assets) receivable

	<u>2014</u>	<u>2013</u>
Deposits	180	180
Other accounts receivable	138	132
<b>Total</b>	<b><u>318</u></b>	<b><u>312</u></b>

#### 14. Cash and cash equivalents

	<u>2014</u>	<u>2013</u>
Cash at banks	1,098	4,138
Cash in hand	83	68
<b>Total</b>	<b><u>1,181</u></b>	<b><u>4,206</u></b>

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

#### 15. Shareholders' equity

##### Share capital and share premium

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

- 3,126,000 ordinary registered shares, which are traded Nasdaq OMX Baltic stock exchange;
- 16,874,000 ordinary registered shares, which are not admitted to trading on a stock exchange.

All shares are fully paid.

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

On 10 April 2014 at the General Shareholders Meeting a decision was made to transfer 74,198 thousand Litass share premium to retained earnings (loss) of the previous years to cover accumulated losses.

##### Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until the legal reserve reach 10% of the authorised capital. On 10 April 2014 at the General Shareholders Meeting of the Company Group ALITA, AB a decision was made to transfer 5,083 thousand Litass from legal reserve to retained earnings (loss) of the previous years to cover accumulated losses.

## 15. Shareholders' equity (cont'd)

### Revaluation reserve

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

### Fair value reserve

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

	Increase (decrease) in value	Deferred income tax	Increase (decrease) in value after recognition of deferred tax
<b>Fair value reserve as at 31 December 2012</b>	(4,173)	626	(3,547)
Increase (decrease) in fair value during the period	1,246	(187)	1,059
<b>Fair value reserve as at 31 December 2013</b>	(2,927)	439	(2,488)
Increase (decrease) in fair value during the period	541	(81)	460
<b>Fair value reserve as at 31 December 2014</b>	(2,386)	358	(2,028)

## 16. Basic and diluted earnings per share

Basic earnings per share are calculated as follows:

	2014	2013*
Net profit (loss), attributable to the shareholders	4,709	3,909
Number of shares at the end of the period (thousand)	20,000	20,000
Weighted average number of shares during the period (thousands)	20,000	20,000
<b>Basic and diluted earnings per share (Litas)</b>	<b>0.24</b>	<b>0.20</b>

\* - restated, refer to Note 4 for further details.

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

## 17. Other accounts payable

	2014	2013
Value added tax (VAT)	4,015	3,628
Salaries and related taxes	3,759	1,115
Excise duty	2,515	2,087
Package tax	790	833
Vacation reserve	741	705
Advances received	236	56
Accrued expenses and other accounts payable	161	256
<b>Total non-financial liabilities</b>	<b>12,217</b>	<b>8,680</b>
Other accounts payable – financial liabilities	1,011	1,306
<b>Total</b>	<b>13,228</b>	<b>9,986</b>

## 18. Long-term and short-term borrowings

	2014	2013*
Long-term loans and borrowings	28,494	36,507
Long-term portion of lease liabilities	65	81
<b>Total non-current financial liabilities</b>	<b>28,559</b>	<b>36,588</b>
Current portion of long-term loans	11,120	8,271
Short-term loans and borrowings	11,211	19,786
Current portion of long-term lease liabilities	20	23
<b>Total current financial liabilities</b>	<b>22,351</b>	<b>28,080</b>
<b>Total financial liabilities</b>	<b>50,910</b>	<b>64,668</b>

As at 31 December 2014, the Group has long-term loans amounting to 39,614 thousand Litass with the repayment term in 2016. Current portion of these long-term loans amounts to 11,120 thousand Litass. The average variable interest rate of these loans was from 2.86% to 5.9% in 2014.

During December 2014, UAB MG Baltic Trade took over the claim rights to the loan and credit line agreements signed earlier between the Company and its subsidiary and banks. Altogether, without the change in the final repayment term, the repayment schedule of the credit granted to the Company has been amended, and the final repayment term of the credit granted to AB Anykščių Vynas was prolonged until 31 August 2015.

On 2 March 2015 the Group had signed an agreement with SEB bank according to which a long-term credit of 1,100 thousand EUR (3,798 thousand Litass) and a credit line (overdraft) of 1,200 thousand EUR (4,143 thousand Litass) were granted. The credits were mainly used to finance the repayment of credit granted by UAB MG Baltic Trade.

On 11 December 2014 a credit line agreement was signed between UAB MG Baltic Trade and the Company with the credit limit amounting to 15,000 thousand Litass. As at 31 December 2014 the utilised amount was 3,760 thousand Litass.

On January 2014 an agreement has been signed with the Group's former main bank for the factoring the receivable amounts without recourse until 30 November 2014. Up until this the Group used factoring with recourse rights. Due to this change the amount of receivables shown in the statement of financial position has decreased by 6,805 thousand Litass with the corresponding decrease in borrowings of the Group (impact on the statement of cash flows). The average variable interest rate was 3.02% in 2014.

The Group was not in compliance with part of the covenants as provided in the credit agreements; however, it had waivers from the creditors that no action would be taken for the period of at least one year from 31 December 2014 should there be a non-compliance.

To secure the long-term loans and borrowings under the respective credit agreements, the Group pledged property with a carrying amount of 35,664 thousand Litass as at 31 December 2014, equipment with the carrying amount of 10,286 thousand Litass as at 31 December 2014, inventories of 19,492 thousand Litass, all the current and future Group's funds at banks, trademarks, shares of the Group companies, all current and future land lease rights, rights to amounts receivable according to the list.

The Group accounts for Tax loans as any other loan from other entity; therefore, the balance of the loan is presented as loan and the cash changes (receipts and repayments) are presented as financial activities in the cash flow statement of the Group.

Long-term finance lease liabilities are payable as follows:

<b>As at 31 December 2014</b>	<b>Future minimum lease payments</b>	<b>Interest</b>	<b>Present value of finance lease payments</b>	
Less than one year	23	3	20	20
Between one and five years	70	5	65	65
<b>Total</b>	<b>93</b>	<b>8</b>	<b>85</b>	<b>85</b>
<b>As at 31 December 2013</b>	<b>Future minimum lease payments</b>	<b>Interest</b>	<b>Present value of finance lease payments</b>	
Less than one year	27	4	23	23
Between one and five years	93	12	81	81
<b>Total</b>	<b>120</b>	<b>16</b>	<b>104</b>	<b>104</b>



## 19. Government grants

	<u>2014</u>	<u>2013</u>
Asset related grants		
Balance as at 1 January	1,357	1,992
Amortisation	(634)	(635)
<b>Balance as at 31 December</b>	<b>723</b>	<b>1,357</b>
Income related grants		
Balance as at 1 January	-	-
Funds received from the European Structural Funds	85	-
Funds used for compensation of costs	(85)	-
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>
<b>Balance of the funds, received from EU structural funds</b>	<b>723</b>	<b>1,357</b>

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

Ministry of Economy of the Republic of Lithuania has allocated funding (amount of 145 thousand Litass) according to the European Union Structural Assistance Use Strategy of Lithuania for the period 2007–2013. The current project is targeted at the development of export markets. Project is financed (by 59 per cent of its total value) by the European Union Regional Development fund. Projects are going to be finished in April 2015.

## 20. Post-employment employee benefits

	<u>Net defined benefit liability</u>	
	<u>2014</u>	<u>2013</u>
<b>Balance at 1 January</b>	<b>905</b>	<b>290</b>
Paid	(185)	-
Remeasurement included in other comprehensive income	-	615
Current year charge included in profit or loss	117	-
Unwinding of financial discounting	50	-
<b>Balance at 31 December</b>	<b>887</b>	<b>905</b>

Based on the defined benefit plan, the Group holds no assets for fulfilment of respective liabilities.

The key actuarial assumptions used for measurement of post-employment benefits as at 31 December 2014 and the sensitivity of the defined benefit obligation to reasonably possible changes to one of those assumptions, holding other assumptions constant, are the following:

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

## 21. Selling and distribution expenses

Selling and distribution expenses consist of:

	<u>2014</u>	<u>2013</u>
Advertising	6,916	7,295
Sales and marketing expenses	2,560	2,583
Transportation and logistics	1,338	1,336
Warehousing	1,136	1,075
Depreciation and amortisation	202	232
<b>Total</b>	<b>12,152</b>	<b>12,521</b>

**22. General and administrative expenses**

	<u>2014</u>	<u>2013</u>
Salaries, wages and social security	6,078	3,432
Maintenance and repairs, energy costs	1,211	1,304
Indirect costs related to production when full capacities are not used	909	620
Advisory services	831	1,120
Impairment of trade and other accounts receivable	644	25
Tax expenses (other than income tax)	443	958
Depreciation and amortisation	328	576
Insurance expenses	254	192
Write-down of inventories	65	265
Charity and support	26	26
Other	803	733
<b>Total</b>	<b><u>11,592</u></b>	<b><u>9,251</u></b>

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

	<u>2014</u>	<u>2013</u>
General and administrative expenses	6,078	3,432
Cost of sales	5,053	4,833
Selling and distribution expenses	2,698	2,637
<b>Total</b>	<b><u>13,829</u></b>	<b><u>10,902</u></b>

Staff costs by type:

	<u>2014</u>	<u>2013</u>
Salaries	7,894	7,450
Social insurance tax	3,274	2,537
Bonuses	2,155	576
Redundancy compensations	323	227
Post-employment employee benefits	91	-
Other employee benefits	58	93
Other forms of remuneration	34	19
<b>Total</b>	<b><u>13,829</u></b>	<b><u>10,902</u></b>

**23. Other income (expenses)**

	<u>2014</u>	<u>2013</u>
Services rendered	466	326
Gain from disposed property, plant and equipment	9	610
Other income	241	47
<b>Total income</b>	<b><u>716</u></b>	<b><u>983</u></b>
Cost of services rendered	(57)	(44)
Change in fair value of investment property	(181)	-
<b>Total expenses</b>	<b><u>(238)</u></b>	<b><u>(44)</u></b>

## 24. Finance income (expenses)

	<u>2014</u>	<u>2013</u>
Dividend income	-	29
Interest income	-	2
<b>Total income</b>	<b>-</b>	<b>31</b>
Interest expenses	(1,966)	(2,169)
Interest on overdue payments	(108)	(356)
Other finance expenses	(267)	(253)
<b>Total expenses</b>	<b>(2,341)</b>	<b>(2,778)</b>

## 25. Information according to business segments

### Geographic information

	<u>2014</u>	<u>2013</u>
Revenue from domestic market customers	69,109	71,130
Revenue from foreign customers	26,690	24,779
<b>Total</b>	<b>95,799</b>	<b>95,909</b>

All the Group's assets are located in Lithuania.

Business segment information for the year ended 31 December 2014 is presented below:

	<b>Produced alcoholic products</b>	<b>Fruit and berry products</b>	<b>Unallocated</b>	<b>Total</b>
Net segment sales revenue	90,180	4,495	1,124	95,799
Cost of sales, including depreciation	(60,572)	(3,552)	(498)	(64,622)
<b>Gross profit</b>	<b>29,608</b>	<b>943</b>	<b>626</b>	<b>31,177</b>
Other income	-	-	716	716
Operating expenses	(13,363)	(133)	(9,719)	(23,214)
Other expenses	-	-	(238)	(238)
Depreciation and amortisation	(202)	(46)	(281)	(530)
<b>Operating result</b>	<b>16,043</b>	<b>764</b>	<b>(8,896)</b>	<b>7,911</b>
Finance income	-	-	-	-
Finance expenses	-	-	-	(2,341)
<b>Profit before income tax</b>				<b>5,570</b>
<i>Segment assets</i>				
Non-current assets	40,868	3,220	13,891	57,979
Inventories	18,762	189	541	19,492
Other current assets	27,142	24	196	27,362
<b>Total segment assets</b>	<b>86,772</b>	<b>3,433</b>	<b>14,628</b>	<b>104,833</b>
<i>Segment liabilities</i>				
Government grants	723	-	-	723
Employee benefits	-	-	887	887
Financial liabilities	-	-	50,910	50,910
Trade accounts payable	11,865	260	1,105	13,230
Income tax	1,225	-	-	1,225
Other liabilities and provisions	12,160	21	1,047	13,228
<b>Total segment liabilities</b>	<b>25,973</b>	<b>281</b>	<b>53,949</b>	<b>80,203</b>
Acquisition of intangible assets, property, plant and equipment and investment property	295	-	483	778

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

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

	Produced alcoholic products	Fruit and berry products**	Unallocated**	Total
Net segment sales revenue	86,681	8,148	1,080	95,909
Cost of sales, including depreciation	(60,383)	(6,663)	(572)	(67,618)
<b>Gross profit</b>	<b>26,298</b>	<b>1,485</b>	<b>508</b>	<b>28,291</b>
Other income	-	-	983	983
Operating expenses	(12,650)	(166)	(7,869)	(20,685)
Impairment of property	(277)	-	-	(277)
Other expenses	-	-	(44)	(44)
Depreciation and amortisation	(205)	(70)	(535)	(810)
<b>Operating result</b>	<b>13,166</b>	<b>1,249</b>	<b>(6,957)</b>	<b>7,458</b>
Finance income	-	-	-	31
Finance expenses	-	-	-	(2,778)
<b>Profit before income tax</b>				<b>4,711</b>
<i>Segment assets</i>				
Non-current assets	42,632	3,421	14,113	60,166
Inventories	15,648	-	542	16,190
Other current assets	28,296	21	127	28,444
<b>Total segment assets</b>	<b>86,576</b>	<b>3,442</b>	<b>14,782</b>	<b>104,800</b>
<i>Segment liabilities</i>				
Government grants	1,357	-	-	1,357
Employee benefits	-	-	905	905
Financial liabilities	6,806	-	57,862	64,668
Trade accounts payable	7,383	-	510	7,893
Other liabilities and provisions	8,776	-	1,747	10,523
<b>Total segment liabilities</b>	<b>24,322</b>	<b>-</b>	<b>61,024</b>	<b>85,346</b>
Acquisition of intangible assets, property, plant and equipment and investment property	408	-	222	630

\* - restated, refer to Note 4 for further details.

\*\* The Group has changed the definition of the segment to include all the operations (production and sales) related to the fruit and berry activities; therefore, the comparative information for the year 2013 was adjusted accordingly. Previously, the segment was called Apple products and consisted of production and sales activities related to apple products.

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

	2014	2013
Customer 1	25,908	23,974
Customer 2	16,647	18,147
Customer 3	-	10,616
<b>Total net sales</b>	<b>42,555</b>	<b>52,737</b>

## 26. Current and deferred tax

	<u>2014</u>	<u>2013*</u>
Current tax expense	1,225	-
Deferred tax expense	(371)	827
<b>Total income tax expense recognised in profit or loss</b>	<b><u>854</u></b>	<b><u>827</u></b>

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

The reconciliation of effective tax rate is as follows:

	<u>2014</u>		<u>2013*</u>	
<b>Profit before tax</b>		<b>5,570</b>		<b>4,711</b>
Income tax using standard tax rate	15.0%	836	15.0%	707
Other non-taxable income	(0.0%)	-	(0.1%)	(4)
Non-deductible expenses	1.1%	62	3.0%	140
Change in deductible temporary expenses not previously recognised	(0.7%)	(36)	(0.2%)	(8)
Charity and support	(0.1%)	(8)	(0.2%)	(8)
<b>Total</b>	<b>15.3%</b>	<b>854</b>	<b>17.5%</b>	<b>827</b>

Tax loss carried forward is as follows:

	<u>2014</u>	<u>2013</u>
<b>Tax loss carried forward as at 1 January</b>	<b>25,484</b>	<b>31,308</b>
Set-off with current tax	(962)	(5,824)
Tax loss for the period	-	-
<b>Tax loss carried forward as at 31 December</b>	<b><u>24,522</u></b>	<b><u>25,484</u></b>

Calculation of deferred tax is as follows:

	<u>2014</u>		<u>2013*</u>		<u>2012*</u>	
	<u>Temporary differences</u>	<u>Deferred tax</u>	<u>Temporary differences</u>	<u>Deferred tax</u>	<u>Temporary differences</u>	<u>Deferred tax</u>
<b>Deferred tax asset</b>						
Accrued expenses	3,834	576	1,361	204	947	142
Available-for-sale financial assets	2,386	358	2,927	439	4,173	626
Investment property	1,344	202	1,326	199	1,441	216
Impairment of trade and other receivables	1,143	171	499	75	474	71
Employee benefits	887	133	905	136	290	44
Write-down of inventories to net realizable value	465	70	615	92	666	100
Impairment of property, plant and equipment	206	31	206	31	285	43
Tax loss carried forward	24,522	3,678	25,484	3,822	31,308	4,696
<b>Total deferred tax asset</b>		<b>5,219</b>		<b>4,998</b>		<b>5,938</b>
Unrecognised deferred tax asset		(3,047)		(3,083)		(3,075)
<b>Total recognised deferred tax asset</b>		<b><u>2,172</u></b>		<b><u>1,915</u></b>		<b><u>2,863</u></b>
<b>Deferred tax liability</b>						
Carrying amount of property, plant and equipment for which tax relief was applied	(5,389)	(808)	(5,564)	(835)	(5,739)	(861)
Revaluation of property, plant and equipment before reclassification to investment property	(650)	(98)	(696)	(104)	(696)	(104)
<b>Total recognised deferred tax liability</b>		<b><u>(906)</u></b>		<b><u>(939)</u></b>		<b><u>(965)</u></b>
<b>Net deferred tax asset</b>		<b><u>1,266</u></b>		<b><u>976</u></b>		<b><u>1,898</u></b>

\* - restated, refer to Note 4 for further details.

## 26. Current and deferred tax (cont'd)

Unrecognised deferred tax asset is as follows:

	2014		2013*	
	Temporary differences	Unrecognised deferred tax	Temporary differences	Unrecognised deferred tax
Tax losses carried forward	19,260	2,889	19,507	2,926
Impairment of property, plant and equipment	206	31	206	31
Impairment of trade debtors	527	79	383	57
Write-down of inventories to net realizable value	125	18	275	41
Vacation reserve	199	30	185	28
<b>Total unrecognised part of deferred tax asset</b>		<b>3,047</b>		<b>3,083</b>

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

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

The amounts recognised in other comprehensive income are as follows:

	2014			2013		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Available-for-sale financial assets	541	(81)	460	1,246	(187)	1,059
Remeasurements of defined benefit liability	-	-	-	(615)	93	(522)
<b>Total</b>	<b>541</b>	<b>(81)</b>	<b>460</b>	<b>631</b>	<b>(94)</b>	<b>537</b>

In 2014 and 2013, current income tax rate is 15%.

The change in deferred tax could be presented as follows:

	2014	2013*
<b>Deferred tax asset (liability) as at 1 January</b>	<b>976</b>	<b>1,898</b>
Recognised in profit or loss	371	(827)
Recognised in other comprehensive income	(81)	(94)
Rounding effect	-	(1)
<b>Deferred tax asset (liability) as at 31 December</b>	<b>1,266</b>	<b>976</b>

- restated, refer to Note 4 for further details.

## 27. Transactions with related parties

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

## 26. Transactions with related parties (cont'd)

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

The MG Baltic Group – UAB Mineraliniai Vandenyss – the parent company, which in turn is ultimately owned by UAB Koncernas MG BALTIC and other UAB Koncernas MG BALTIC owned companies

Legal entities related to former Supervisory Council members

The former main shareholder of the Group, FR&R Invest IGA S.A (until 5 December 2014), is indirectly owned by Swedbank, AB, a company registered in Sweden, which also owns Swedbank, AB registered in Lithuania, the primary lender to the Group. The rights and obligations of the Group, as a debtor, and Swedbank, AB (registered in Lithuania), as creditor, were set and exercised based on the procedures established by the credit agreement.

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

### Transactions with related parties

	2014	2013
Sales to the MG Baltic Group	41	-
Purchases and calculated interest from the MG Baltic Group	110	-
Consultancy services provided by legal entities related to Supervisory Council members	118	176

### Accounts receivable from related parties

	2014	2013
Due from the MG Baltic Group	73	-

### Accounts payable to related parties

	2014	2013
Loans from the MG Baltic Group	50,825	-

During 2014 the costs related to remuneration of the Group's management, 11 directors and department managers and chief accountants (11 in total in 2013), amounted to 3,440 thousand Litass, including bonuses of 1,821 thousand Litass (2013: 1,757 thousand Litass, including bonuses of 267 thousand Litass).

## 28. Contingent liabilities and assets

### Emission allowances

As at 31 December 2014 the Group companies have 19,294 units of greenhouse gas emission allowances unused (19,617 units as at 31 December 2013). The allowances are valued at zero value.

### Third party inventories held

The Group stores 1,700 t of apple concentrate at the storage facilities in the subsidiary (estimated value of 3,753 thousand Litass). The apple juice was produced and sold by the subsidiary during the year 2014 and the buyer is entitled to storage services until end of May 2015. The Group has insured these inventories for the amount of 5,000 thousand Litass against natural calamities, fire and other damages.

### Guarantees, warranties issued

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

### Operating leases as a lessee

The Group rents land plots from the State. The annual rent fee in 2014 amounted to 70 thousand Litass (2013: 95 thousand Litass). The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land. No provision is included in the consolidated financial statements as at 31 December 2014 as the management was not able to estimate the terms and volume of such works.

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

## 28. Contingent liabilities and assets (cont'd)

### Operating leases as a lessee (cont'd)

As 31 December 2014 and 2013, the future minimum lease payments under non-cancellable leases were payable as follows:

	2014	2013
Less than one year	155	223
Between one and five years	119	566
	<u>274</u>	<u>789</u>

The lease expenses recognised in profit or loss amounted to 220 thousand Litass (2013: 208 thousand Litass).

### Contingencies related with payment of taxes

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

### Contingencies related with the change of main shareholder

Upon the confirmation of the transaction of the acquisition of shares of the Group by UAB Mineraliniai Vandenyss, the acquirer has undertaken certain obligations to dispose of part of the assets and liabilities of the Group relating to the sales of certain brands of bitters and vodkas in the territory of Lithuania. Based on preliminary estimations made by shareholders and management, it is not expected that the mentioned disposal would have a significant impact on assets and liabilities of the Group.

### Main court and arbitration proceedings

1. The Vilnius Regional Administrative Court has examined the administrative case initiated by Plass Investments Limited against the Bank of Lithuania, in which Plass Investments Limited requested the court inter alia to annul the resolution of the Bank of Lithuania, dated 6 August 2013, to reapprove the circular of the mandatory non-competitive official tender offer to buy-up the remaining voting shares of the Company Group ALITA AB, dated 2 November 2011 and provided by FR&R Invest IGA S.A. On 11 April 2014 the Vilnius Regional Administrative Court rendered the decision, according to which the court decided to reject the claim of Plass Investments Limited as ungrounded. Plass Investments Limited has appealed the decision of Vilnius Regional Administrative Court, dated 11 April 2014, to the Supreme Administrative Court of Lithuania. The Company Group ALITA AB is involved in the case as a third person. In the opinion of the Company Group ALITA AB, the claim of Plass Investments Limited is ungrounded and should be dismissed. As of the issuance of these financial statements Plass Investments Limited had withdrawn the claim and the case had been dismissed.

2. After examination of the cassation appeal of Company's minority shareholder Plass Investments Limited, on 9 January 2015 the Supreme Court of Lithuania adopted a ruling, according to which the Court upheld the decision of the Lithuanian Court of Appeals of 14 March 2014. The ruling of the Supreme Court of Lithuania is final, undisputable and became valid as from its adoption.

As was previously reported, after examination of appeals of the Company, FR&R Invest IGA S.A. and Vytautas Junevičius regarding abolishment of the decision of the Kaunas Regional Court of 27 March 2013, on 14 March 2014 Lithuanian Court of Appeals rendered the decision, according to which the court abolished the decision of the Kaunas Regional Court of 27 March 2013 and adopted a new decision – to dismiss a claim of minority shareholder Plass Investments Limited regarding invalidation of the decisions of the extraordinary general meeting of shareholders, dated 3 October 2011 on reduction and increase of the Company's authorised capital, Articles of Association of the Company and of Share Subscription Agreement of 6 October 2011, concluded by the Company and FR&R Invest IGA S.A. Following the indicated decision the Lithuanian Court of Appeals also abolished all below specified interim measures applied by the Kaunas Regional Court. The decision of the Lithuanian Court of Appeals of 14 March 2014 became valid as from its adoption. On 23 May 2014 the Supreme Court of Lithuania accepted to examine the cassation appeal of Plass Investments Limited regarding abolishment of the decision of the Lithuanian Court of Appeals, dated 14 March 2014.



## **28. Contingent liabilities and assets (cont'd)**

### **Main court and arbitration proceedings (cont'd)**

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

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

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

The Company Group ALITA, AB has initiated:

- (i) proceedings before the Serbian court of general jurisdiction – the Commercial Court of Belgrade – to set-aside the Partial award of 15 November 2011 in so far as the question of jurisdiction is concerned (the Commercial Court of Belgrade (Serbia) satisfied the request of the Company Group ALITA, AB and by way of its judgment of 10 September 2012 set aside the Partial award of 15 November 2011; however, on 20 November 2012 representatives of the Company Group ALITA, AB in Serbia received the Privatisation agency's appeal; on 4 March 2014 the Company has received information that the Serbian Commercial Appellate Court annulled the decision of lower instance court – the Belgrade (Serbia) Commercial Court – and returned the case for re-examination to the Belgrade Commercial Court; On 7 April 2014 the Company Group ALITA, AB received the decision of the Belgrade Commercial Court, whereby the Belgrade Commercial Court without examining the case on the merits based on procedural issues dismissed the request of the Company Group ALITA, AB to set aside the Partial award concerning the jurisdiction of 15 November 2011. The Company Group ALITA, AB has appealed against the mentioned decision of the Belgrade Commercial Court to the higher – Serbian Commercial Appellate – court), and, furthermore,
- (ii) it has also started court proceedings for non-recognition in Lithuania of the Partial award of 15 November 2011 in so far as the question of jurisdiction is concerned at the Lithuanian Court of Appeal (the Lithuanian Court of Appeal examined this request on 25 February 2013 and ruled to stop the civil case until the respective Serbian court's decision in respect of the Partial award of 15 November 2011 rendered by the Arbitration tribunal comes into force).

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

## **28. Contingent liabilities and assets (cont'd)**

### **Main court and arbitration proceedings (cont'd)**

The Company Group ALITA, AB does not recognize the jurisdiction of the Arbitration tribunal and holds that all the claims of the Privatization agency against the Company Group ALITA, AB are ungrounded and are expected to be dismissed; therefore, no provisions for possible liabilities are formed in these financial statements. The Company Group ALITA, AB has started proceedings before the Serbian court of general jurisdiction – the Commercial Court of Belgrade – to set-aside the award of 17 September 2012. The intention of the Company Group ALITA, AB is to use all other available legal remedies to fight the award of 17 September 2012 made by the Arbitration tribunal. Should the final outcome of the litigation be unfavourable to the Company, there is a risk that significant amounts or other types of claims will be awarded and that could have a material negative effect on the Group's ability to continue as a going concern.

4. On 23 September 2013 the Group's subsidiary AB Anykščių Vynas received the announcement from the Panevėžys Regional Court on the claim provided by Plass Investments Limited, the shareholder of the Group's subsidiary, regarding invalidation of the Agreement on purchase-sale of the boiler house and of the movable and immovable assets related thereto, concluded on 20 June 2013 by and between the Group's subsidiary (the seller) and the buyer, as well as on application of restitution, related to execution of this agreement (the Group's subsidiary and the buyer of the mentioned assets are included as the respondents in the case). Panevėžys Regional Court by its decision dated 2 December 2014 has dismissed as ungrounded the claim of Plass Investments Limited. Plass Investments Limited has appealed the decision of Panevėžys Regional Court, dated 2 December 2014, to the Lithuanian Court of Appeals.

Group's subsidiary, Plass Investments Limited and the buyer of the assets concluded a peaceful settlement agreement with no additional liabilities, according to which Plass Investments Limited waived its appeal regarding the decision of the Panevėžys Regional Court of 2 December 2014 and all its claims lodged in a civil case.

## **29. Subsequent events**

On 12 February 2014 the extraordinary meeting of the shareholders has adopted a decision to elect new Supervisory Council members and to approve new By-laws of the Company.

On 2 March 2015 the subsidiary company has concluded a loan contract with AB SEB Bankas under which it was granted a long-term credit amounting to 1,100 thousand EUR (equivalent to 3,798 thousand litas) and an account credit surplus limit amounting to 1,200 thousand EUR (equivalent to 4,143 thousand litas). The long-term credit repayment term is established until 27 February 2020, the term of repayment of account credit surplus limit is established until 31 May 2016. The funds received were used to settle the short term credit to UAB MG Baltic Trade.

On 1 January 2015 the Republic of Lithuania joined the eurozone and the Lithuanian national currency litas was replaced by the euro. As a result, the Company converted its financial accounting to euros as from 1 January 2015 and the financial statements for subsequent years will be prepared and presented in euros. Comparative information will be translated into euros using the official exchange rate of LTL 3.4528 to EUR 1.

## **30. Information on the Group as a going concern**

As described in more detail in Note 28, the Group is a party to legal actions involving significant claims against it. Although the management of the Group believes that all of them are ungrounded and are or will be contested there is a risk that significant amounts or other types of claims will be awarded and that could have a material negative effect on the Group's ability to continue as a going concern. However, the management of the Group believes none of these legal claims will be satisfied and the Group's exposure will be limited to legal fees paid and payable to lawyers as the management considers the possibility to claim these costs from the claimants as remote.

Although the Group's current liabilities exceed current assets, the management of the Group is sure, that the short term credit facilities granted or the short term parts of the long term credits will be extended to ensure operations of the Group.

Taking account of the above mentioned and the achieved long-term agreements with the creditors on the extension of the maturities of the major part of loans for a period longer than one year, also the fact that positive cash flows are expected to be generated from operating activities, in management's opinion, the Group's ability to continue as a going concern is secure.

### 31. Investments in subsidiaries, non-controlling interests (NCI)

As at 31 December 2014, the Company Group ALITA, AB held 94.90% or 18,980,045 ordinary registered shares of the subsidiary company AB Anykščių Vynas and is considered a controlling shareholder of the subsidiary company. The subsidiary company produces and sells alcoholic beverages and fortified fruit and berry wine, spirits, cider and concentrated apple and berry juice.

The main financial indicators of the subsidiary that has NCI:

	AB Anykščių Vynas	
	2014	2013
NCI percentage	5.1%	5.1%
Non-current assets	18,156	20,229
Current assets	6,020	5,165
<b>Total assets</b>	<b>24,176</b>	<b>25,394</b>
Non-current liabilities	193	171
Current liabilities	10,283	11,654
<b>Total liabilities</b>	<b>10,476</b>	<b>11,825</b>
<b>Net assets</b>	<b>13,700</b>	<b>13,569</b>
<b>Net assets attributable to NCI</b>	<b>699</b>	<b>692</b>
Income	16,254	20,299
Expenses	(16,123)	(20,789)
<b>Net profit (loss)</b>	<b>131</b>	<b>(490)</b>
Other comprehensive income	-	(145)
<b>Net profit (loss) attributable to NCI</b>	<b>7</b>	<b>(25)</b>
Other comprehensive income attributable to NCI	-	(7)
Cash flows from operating activities	1,208	33
Cash flows from investment activities	1,508	1,323
Cash flows from financing activities	(2,617)	(1,471)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>99</b>	<b>(115)</b>

### 32. Information related with the reorganization of the operations

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

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

General Director

Česlovas Matulevičius

Finance and IT Director

Justinas Damašas

**Company Group ALITA, AB**

Separate annual financial statements for  
the year ended 31 December 2014

## **Company details**

### **Company Group ALITA, AB**

Telephone: +370 315 57243  
Telefax: +370 315 79467  
Company code: 302444238  
Registered office: Alytus, Miškininkų str. 17

### **Supervisory Council**

Raimondas Kurlianskis (Chairman) from 12/02/2015  
Inga Žemkauskienė from 12/02/2015  
Dalius Balceris from 12/02/2015

### **Board of Directors**

Vidas Lazickas (Chairman)  
Romanas Raulynaitis  
Marijus Strončikas  
Justas Rameika

### **Auditor**

KPMG Baltics, UAB

### **Banks**

Swedbank, AB  
AB SEB Bankas  
AB DNB Bankas  
Nordea Bank Finland Plc Lithuania Branch



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## **Independent Auditor's Report**

To the Shareholders of the Company Group ALITA, AB

### **Report on the Separate Financial Statements**

We have audited the accompanying separate financial statements of the Company Group ALITA, AB ("the Company"), which comprise the separate statement of financial position as at 31 December 2014, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, set out on pages 52–92.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the unconsolidated financial position of the Company Group ALITA, AB as at 31 December 2014, and of its unconsolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.




*Emphasis of Matter*

Without qualifying our opinion, we draw your attention to Note 28 to the separate financial statements “Contingent liabilities and assets” which contains information on an ongoing dispute between the Serbian Privatization Agency and the Company. The final outcome of the litigation referred to in this Note is unknown at the date of signing these financial statements and no provisions for possible liabilities are formed in these financial statements. Should the final outcome of the litigation be unfavourable to the Company it may result in significant uncertainty relating to the ability of the Company to continue as a going concern.

**Report on Other Legal and Regulatory Requirements**

Furthermore, we have read the consolidated annual report of the Company Group ALITA, AB for the year ended 31 December 2014, set out on pages 93–134 of the separate financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the separate financial statements of the Company Group ALITA, AB for the year ended 31 December 2014.

On behalf of KPMG Baltics, UAB



Domantas Dabulis  
Partner pp  
Certified Auditor



Toma Marčinauskytė  
Certified Auditor

Vilnius, the Republic of Lithuania  
27 March 2015

## Separate statement of financial position

	Notes	31 December 2014	31 December 2013
<b>Assets</b>			
Intangible assets	5	286	274
Investment property	7	1,450	1,631
Property, plant and equipment	6	30,613	33,299
Investments in subsidiaries	8	9,699	9,699
Available-for-sale financial assets	9	7,307	6,766
Deferred tax assets	26	1,266	976
<b>Total non-current assets</b>		<b>50,621</b>	<b>52,645</b>
Inventories	10	15,768	13,310
Prepayments	11	999	999
Trade accounts receivable	12	23,158	20,980
Other accounts receivable	13	277	271
Cash and cash equivalents	14	1,047	4,171
<b>Total current assets</b>		<b>41,249</b>	<b>39,731</b>
<b>Total assets</b>		<b>91,870</b>	<b>92,376</b>
<b>Shareholders' equity</b>			
Share capital	15	20,000	20,000
Share premium		-	74,198
Reserves		(1,436)	3,187
Retained earnings (accumulated losses)		2,217	(81,691)
<b>Total shareholders' equity</b>		<b>20,781</b>	<b>15,694</b>
<b>Liabilities</b>			
Government grants	19	723	1,357
Long-term borrowings	18	29,559	39,488
Employee benefits	20	694	734
<b>Total non-current liabilities</b>		<b>30,976</b>	<b>41,579</b>
Short-term borrowings	18	14,900	19,312
Trade accounts payable		11,481	7,135
Income tax liability		1,202	-
Other accounts payable	17	12,530	8,656
<b>Total current liabilities</b>		<b>40,113</b>	<b>35,103</b>
<b>Total liabilities</b>		<b>71,089</b>	<b>76,682</b>
<b>Total liabilities and shareholders' equity</b>		<b>91,870</b>	<b>92,376</b>

The notes on pages 56-92 are an integral part of these separate financial statements.

General Director

Česlovas Matulevičius

Finance and IT Director

Justinas Damašas



## Separate statement of profit or loss and other comprehensive income

	Notes	2014	2013
Gross sales turnover		132,465	127,805
Excise tax		(49,642)	(49,234)
<b>Revenue</b>	25	<b>82,823</b>	<b>78,571</b>
Cost of sales	25	(54,759)	(53,263)
<b>Gross profit</b>		<b>28,064</b>	<b>25,308</b>
Other income	23	1,336	976
Selling and distribution expenses	21	(10,899)	(11,157)
General and administrative expenses	22	(10,333)	(7,444)
Other expenses	23	(661)	(492)
<b>Operating profit</b>		<b>7,507</b>	<b>7,191</b>
Finance income	24	-	31
Finance costs	24	(2,049)	(2,375)
<b>Net finance costs</b>		<b>(2,049)</b>	<b>(2,344)</b>
<b>Profit before income tax</b>		<b>5,458</b>	<b>4,847</b>
Income tax	26	(831)	(801)
<b>Net profit (loss)</b>		<b>4,627</b>	<b>4,046</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Remeasurements of defined benefit liability		-	(444)
Effect of deferred tax		-	67
		-	(377)
<b>Items that are or may be reclassified to profit or loss</b>			
Net change in fair value of available-for-sale financial assets	9	541	1,246
Effect of deferred tax		(81)	(187)
		460	1,059
<b>Total other comprehensive income</b>		<b>460</b>	<b>682</b>
<b>Total profit or loss and other comprehensive income for the reporting year</b>		<b>5,087</b>	<b>4,728</b>
Basic and diluted earnings per share (in Litus)	16	0.23	0.20

The notes on pages 56–92 are an integral part of these separate financial statements.

General Director

Česlovas Matulevičius

Finance and IT Director

Justinas Damašas

## Separate statement of changes in equity

	Notes	Share capital	Share premium	Compulsory reserve	Fair value reserve	Revaluation reserve	Retained earnings (accumulated losses)	Total equity
Balance as at 31 December 2012		20,000	74,198	5,083	(3,547)	592	(85,360)	10,966
Transactions with owners of the Company		-	-	-	-	-	-	-
Profit or loss and other comprehensive income		-	-	-	-	-	4,046	4,046
Net profit (loss)		-	-	-	1,059	-	(377)	682
Other comprehensive income		-	-	-	1,059	-	3,669	4,728
Total profit or loss and other comprehensive income		-	-	-	2,118	-	3,292	5,410
Balance as at 31 December 2013		20,000	74,198	5,083	(2,488)	592	(81,691)	15,694
Transactions with owners of the Company		-	(74,198)	(5,083)	-	-	79,281	-
Transfers from reserves and share premium (Note 15)		-	-	-	-	-	4,627	4,627
Profit or loss and other comprehensive income		-	-	-	-	-	460	460
Net profit (loss)		-	-	-	460	-	-	460
Other comprehensive income		-	-	-	-	-	-	-
Total profit or loss and other comprehensive income		-	-	-	460	-	460	920
Balance as at 31 December 2014		20,000	-	-	(2,028)	592	2,217	20,781

The notes on pages 56–92 are an integral part of these separate financial statements.

General Director

Česlovas Matulevičius

Finance and IT Director

Justinas Damasas

## Separate statement of cash flows

	Notes	2014	2013
<b>Cash flow from operating activities:</b>			
Net profit (loss)		4,627	4,046
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortisation	5, 6, 19	2,336	2,718
Impairment and write-off of trade accounts receivable	12	600	25
Change in fair value of investment property and property, plant and equipment	7	181	-
Write-offs of property, plant and equipment		-	108
(Profit) loss from sale of property, plant and equipment	23	(4)	(13)
Write-down of inventories	22	65	78
Interest paid	24	1,782	2,000
Interest, dividend received	24	-	(31)
Income tax		831	801
		<u>10,418</u>	<u>9,732</u>
Changes in current assets and current liabilities:			
Decrease (increase) in inventories	10	(2,523)	201
Decrease (increase) in trade accounts receivable	12	(9,584)	1,253
Decrease (increase) in prepayments	11	-	(418)
Decrease (increase) in other accounts receivable	13	(6)	(17)
Increase (decrease) in trade and other accounts payable	17	8,180	3,465
<b>Net cash flows from operating activities</b>		<u>6,485</u>	<u>14,216</u>
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant and equipment and investment property	6	(145)	(391)
Acquisition of intangible assets	5	(159)	(164)
Proceeds from sale (write-off) of property, plant and equipment		12	35
Interest, dividend received	24	-	31
<b>Net cash used in investing activities</b>		<u>(292)</u>	<u>(489)</u>
<b>Cash flows from financing activities:</b>			
Loans received	18	3,650	-
Repayment of loans		(11,295)	(9,753)
Interest paid	24	(1,672)	(2,000)
<b>Net cash used in financing activities</b>		<u>(9,317)</u>	<u>(11,753)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	14	<u>(3,124)</u>	<u>1,974</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>4,171</u>	<u>2,197</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>1,047</u>	<u>4,171</u>

The notes on pages 56-92 are an integral part of these separate financial statements.

General Director

Česlovas Matulevičius

Finance and IT Director

Justinas Damašas

## Notes

### 1. Reporting entity

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

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

As at 31 December 2014 the authorised share capital of the Company Group ALITA, AB amounted to 20,000,000 Litass and was divided into 20,000,000 ordinary registered shares with the nominal value of 1 Litass each.

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

On 5 December 2014 the transaction under the Share Sale-Purchase Agreements concluded by FR&R Invest IGA S.A. and Vytautas Junevičius with UAB Mineraliniai Vandenyss on 25 September 2014 has been completed. By this transaction UAB Mineraliniai Vandenyss acquired 19,806,552 units of shares of the Company Group ALITA, AB.

The shareholders as at 31 December are listed below:

	2014		2013	
	Nominal value (LTL)	Percent	Nominal value (LTL)	Percent
UAB Mineraliniai Vandenyss	19,806,552	99.03%	-	-
FR&R Invest IGA S.A.	-	-	16,911,188	84.56%
Vytautas Junevičius	-	-	2,895,364	14.48%
Other shareholders	193,448	0.97%	193,448	0.96%
<b>Total</b>	<b>20,000,000</b>	<b>100.00%</b>	<b>20,000,000</b>	<b>100.00%</b>

The main shareholder of the Company, UAB Mineraliniai Vandenyss is indirectly owned by UAB Koncernas MG BALTIC, a company registered in Lithuania.

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

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

### 2. Basis of preparation

#### Statement of compliance

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

These separate annual financial statements were prepared and signed by the management of the Company on 27 March 2015. The shareholders of the Company have a right to reject the financial statements and request that they be amended and reissued.

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

## 2. Basis of preparation (cont'd)

### New standards, amendments and interpretations

#### (a) Changes in accounting policies

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

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

##### (i) *IFRS 12: Disclosure of Interests in Other Entities*

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

As a result of IFRS 12, the Company has expanded its disclosures about its interests in subsidiaries (Note 8).

IFRS 11 Joint Arrangements also became first applicable in 2014; however, it is not applicable to the Company as the Company does not participate in joint arrangements.

##### (ii) *IFRS 10: Consolidated Financial Statements*

As a result of IFRS 10 (2011), the Company has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Company reassessed the control conclusion for its investees at 1 January 2014. The Company concluded that there are no changes in control assessment as a consequence of new rules introduced by IFRS 10 (2011).

##### (iii) *Other amendments to standards*

The following amendments to standards with effective date of 1 January 2014 did not have any impact on these financial statements:

- IAS 27 (2011) Separate Financial Statements;
- IAS 28 (2011) Investments in Associates and Joint Ventures;
- Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 27 on Investment Entities;
- Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting.

#### (b) Standards, interpretations and amendments to published standards that are not yet effective

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

##### (i) *Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)*

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

The Company does not expect the Amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

## 2. Basis of preparation (cont'd)

### Statement of compliance (cont'd)

#### (b) Standards, interpretations and amendments to published standards that are not yet effective (cont'd)

##### (ii) *IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014)*

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government.

In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.

The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not result in a change in the Company's accounting policy regarding levies imposed by governments.

##### (iii) *Annual Improvements to IFRSs*

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Company.

### Basis of measurement

The financial statements are prepared on the historical cost basis, except for available for sale financial assets and investment property that are measured at fair value. These financial statements are prepared on a going concern basis (Note 28).

### Functional and presentation currency

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

### Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs, as adopted by the European Union, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of IFRSs, as adopted by the European Union, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed later.

#### Determination of fair values

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

Note 7 – Investment property

Note 9 – Available-for-sale financial assets

## 2. Basis of preparation (cont'd)

### Use of estimates and judgments (cont'd)

#### Impairment losses on property, plant and equipment

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable value.

The carrying amounts of property, plant and equipment are disclosed in Note 6.

#### Impairment losses on receivables

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

The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

#### Impairment losses for investments in subsidiaries

The amounts of the Company's investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investments is estimated. If the shares of a subsidiary are quoted in an active market, recoverable amount is estimated based on the shares quoted price. When the quoted price is lower than the acquisition cost of the shares, impairment is recognised in profit or loss. If no active market exists for the shares of subsidiaries, then the recoverable amount is calculated by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investments. If the recoverable amount of shares is lower than their acquisition cost, impairment is recognised in profit or loss.

The carrying amounts of investments in subsidiaries are disclosed in Note 8.

#### Impairment losses for available-for-sale securities

In the case if investments are classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Company evaluates, among other factors, historical share price movements and duration and extent to which the fair value of investment is less than its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit or loss (Note 9).

#### Recognition of deferred tax asset

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

The carrying amounts of deferred tax asset are disclosed in Note 26.

## 2. Basis of preparation (cont'd)

### Use of estimates and judgments (cont'd)

#### Useful lives of property, plant and equipment

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

The carrying amounts of property, plant and equipment are disclosed in Note 6.

#### Going concern

For going concern judgement see Note 28.

#### Production costs

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

#### Measurement of defined benefit obligations

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

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

## 3. Significant accounting principles

### Foreign currency

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

### Financial instruments

#### Non-derivative financial instruments

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

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

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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



### 3. Significant accounting principles (cont'd)

#### Financial instruments (cont'd)

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

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

Loans and receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment losses, if any. Short-term receivables are not discounted. Available-for-sale financial assets are non-derivative financial assets that are not classified in any other groups of financial assets (loans and amounts receivable, financial assets held to maturity). Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

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

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

##### *Derivative financial instruments*

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

##### *Share capital – ordinary shares*

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

#### Property, plant and equipment

##### *Recognition and measurement*

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

The buildings were accounted as follows:

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

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

### 3. Significant accounting principles (cont'd)

#### Property, plant and equipment (cont'd)

##### Recognition and measurement (cont'd)

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

##### Subsequent costs

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

##### Depreciation

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

The estimated useful lives are as follows:

- |  |            |
|--|------------|
| • Buildings and constructions            | 8–80 years |
| • Plant and machinery                    | 2–50 years |
| • Motor vehicles, furniture and fixtures | 4–25 years |
| • IT equipment                           | 4–5 years  |

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

##### Reclassification into investment property

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

#### Intangible assets

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

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

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

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

### **3. Significant accounting principles (cont'd)**

#### **Investment property**

Investment properties of the Company consist of buildings that are held to earn rentals or for capital appreciation, rather than for use in the production, or supply of goods, or services or for administration purposes, or sale in the ordinary course of business. Investment property is initially measured at cost and subsequently at fair value at the end of each reporting period with any change therein recognised in profit or loss.

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

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

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

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

#### **Leased assets**

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

#### **Investments in subsidiaries**

Investments in subsidiaries are accounted for at acquisition cost less impairment losses in these separate financial statements.

#### **Emission allowances**

The EU Emission Allowance Trading Scheme was established by Directive 2003/87/EC and commenced on 1 January 2005. The first phase ran for the three-year period from 2005 to 2007; the second runs for five years from 2008 to 2012 to coincide with the first Kyoto Commitment Period. At the beginning of 2012 the Ministry of Environment of the Republic of Lithuania has decided to extend the validity of unused emission allowances, which were carried forward to the third period from 2013 to 2020. The scheme works on a 'Cap and Trade' basis. EU Member States' governments are required to set an emission cap for each phase for all 'installations' covered by the Scheme. This cap is established in the National Allocation Plan (NAP), which is issued by the relevant authority in each Member State. The NAP describes the amount of yearly emissions (measured in tons of carbon dioxide equivalents) permitted per installation for each phase for which allowances will be allocated on an annual basis.

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

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

### 3. Significant accounting principles (cont'd)

#### Emission allowances (cont'd)

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

When unused emission allowances are sold, sale proceeds are recognised as income in profit or loss.

#### Inventories

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

The cost of inventories is determined based on FIFO (First-In, First-Out) principle, and includes expenditure incurred in acquiring the inventories, production and conversion costs, and other costs incurred in bringing them to their existing location and condition.

In case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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

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

#### Impairment

##### *Financial assets*

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

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

The Company considers evidence of impairment for receivables at a specific asset level.

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

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

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

### 3. Significant accounting principles (cont'd)

#### Impairment (cont'd)

##### *Non-financial assets*

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Fair value is determined by referencing to its selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Impairment and reversals of impairment are stated in profit or loss under general and administrative expenses.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### Dividends

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

#### Government grants and subsidies

Two types of grants are recognised:

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

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

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

#### Provisions

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

#### Employee benefits

##### *Short-term employee benefits*

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

### 3. Significant accounting principles (cont'd)

#### Employee benefits (cont'd)

##### Social security contributions

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

##### Termination benefits

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

##### Post-employment employee benefits

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

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

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

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

#### Revenue

##### Revenue from goods sold

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

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

Additionally, the Company discloses Gross sales revenue and Excise tax levied in the statement of profit or loss, because, in the opinion of the management, such presentation gives better representation of the Company's activities and financial position.

### 3. Significant accounting principles (cont'd)

#### Revenue (cont'd)

##### *Services and rental income*

Revenue from the services rendered is recognised in profit or loss as the services are rendered in proportion to costs. The revenue recognised is net of discounts provided. Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

#### **Costs**

Costs are recognised based on accrual principle in the accounting period in which the related income is generated not depending upon the time of settlement. Cost of services and goods sold are recognised in the accounting and presented in the financial statements in the same accounting period when the goods are sold and services rendered.

Cost of sales comprises cost of goods sold and services rendered.

Selling and distribution expenses comprise costs regarding sales, advertising, warehousing, transportation and similar costs.

Administrative expenses include salaries and social security, repair expenses, communications, asset insurance, taxes, office expenses, etc., including depreciation and amortisation.

#### **Lease payments**

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

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

#### **Finance income and costs**

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

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

#### **Income tax**

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

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

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

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

### 3. Significant accounting principles (cont'd)

#### Income tax (cont'd)

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

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

#### Segment reporting

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

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

The following summary describes the operations of each reportable segment.

Reportable segment	Operations
Alcoholic beverages	Production and sales of various alcoholic beverages
Fruit and berry products (former name – Apple products)	Production of fresh and concentrated fruit or berry juice and other fruit or berry based non-alcohol products, sales of fruit or berry based products and other related activities (former name – Apple products)
Unallocated	Sales of raw materials and commodities, sales of products in specialized store and other

#### Earnings per share

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

#### Determination of fair values

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

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

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

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

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

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



### 3. Significant accounting principles (cont'd)

#### Determination of fair values (cont'd)

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

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

##### Investment property

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

##### Equity securities

The fair value of equity securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted or no active market exists, determined using a valuation technique.

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

##### Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other receivables with outstanding maturities shorter than six months with no stated interest rate is deemed to approximate their face value on initial recognition and carrying amount on any subsequent date as the effect of discounting is immaterial. This fair value is determined for disclosure purposes.

##### Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Market interest rate was determined at 2.86% as at 31 December 2014 (31 December 2013: 2.8%). For finance leases the market rate of interest is determined by reference to similar lease agreement. Fair value of shorter term financial liabilities with no stated interest rate is deemed to approximate their face value on initial recognition and carrying amount on any subsequent date as the effect of discounting is immaterial.

### 4. Financial risk management

The Company has exposure to the following risks:

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

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

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

#### 4. Financial risk management (cont'd)

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

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

##### *Credit risk*

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

Due to the nature of its operations, the Company has significant concentration of credit risk (over 55% of total turnover) with three major clients.

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

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

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

	<b>Carrying amount</b>	
	<b>2014</b>	<b>2013</b>
Trade accounts receivable	23,158	20,980
Other accounts receivable	277	271
Cash and cash equivalents	1,047	4,171
<b>Total</b>	<b>24,482</b>	<b>25,422</b>

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

	<b>2014</b>		<b>2013</b>	
	<b>Total amount</b>	<b>Impairment</b>	<b>Total amount</b>	<b>Impairment</b>
Not overdue	22,326	-	19,621	-
Overdue 0–30 days	550	-	1,220	-
Overdue 30–60 days	87	-	122	-
Overdue 61–90 days	14	-	-	-
More than 90 days	1,097	(916)	333	(316)
<b>Total</b>	<b>24,074</b>	<b>(916)</b>	<b>21,296</b>	<b>(316)</b>

The major part of trade receivables of the Company are related to buyers from Lithuania or the European Union; therefore, the management of the Company considers the geographical risk related to trade receivables to be limited.

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

##### *Liquidity risk*

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

#### 4. Financial risk management (cont'd)

##### *Liquidity risk (cont'd)*

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

<b>31 December 2014</b>	<b>Carrying amount</b>	<b>Contractual net cash flows</b>	<b>6 months or less</b>	<b>6–12 months</b>	<b>1–2 years</b>	<b>2–5 years</b>
<b>Financial liabilities</b>						
Loans and borrowings	44,459	46,242	4,584	11,494	30,142	23
Trade accounts payable	11,481	11,481	11,481	-	-	-
Other accounts payable	1,011	1,011	1,011	-	-	-
Financial guarantees issued	-	7,805	7,557	124	124	-
<b>Total</b>	<b>56,951</b>	<b>66,539</b>	<b>24,633</b>	<b>11,618</b>	<b>30,266</b>	<b>23</b>

<b>31 December 2013</b>	<b>Carrying amount</b>	<b>Contractual net cash flows</b>	<b>6 months or less</b>	<b>6–12 months</b>	<b>1–2 years</b>	<b>2–5 years</b>
<b>Financial liabilities</b>						
Loans and borrowings	58,800	62,317	14,161	6,871	38,295	2,990
Trade accounts payable	7,135	7,135	7,135	-	-	-
Other accounts payable	1,306	1,306	1,306	-	-	-
Financial guarantees issued	-	7,432	7,432	-	-	-
<b>Total</b>	<b>67,241</b>	<b>78,190</b>	<b>30,034</b>	<b>6,871</b>	<b>38,295</b>	<b>2,990</b>

Interest rate applied to the estimated cash flows discount:

	<b>2014</b>	<b>2013</b>
Loans and borrowings	1.62–5.9%	2.826–5.9%

##### *Market risk*

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

##### *(i) Interest rate risk*

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

The Company's borrowings are subject to variable interest rates related to VILIBOR and EURIBOR. As at 31 December 2014, the Company did not use any financial instruments to hedge against its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Variable interest rate financial liabilities were as follows:

	<b>Contractual currency</b>	<b>2014</b>	<b>2013</b>
Long-term loans and borrowings	EUR	25,822	32,882
Short-term loans and borrowings	EUR	10,167	7,456
Long-term loans and borrowings	LTL	3,652	6,525
Short-term loans and borrowings	LTL	4,733	11,833
Finance lease liabilities	EUR	85	104
<b>Total</b>		<b>44,459</b>	<b>58,800</b>

#### **4. Financial risk management (cont'd)**

##### Market risk (cont'd)

##### *(i) Interest rate risk (cont'd)*

The interest rate as to the agreements is from 1.62% to 5.9% as at 31 December 2014. The interest rate repricing is related to 3 or 6 months EURIBOR or VILIBOR.

The sensitivity of the profit or loss to an increase in the average annual interest rate for the Company's loans and borrowings by 0.5 percent, all other variables remaining constant, would increase the interest expenses and decrease the net result and equity for 2014 and as at 31 December 2014 by approximately 217 thousand Litass.

##### *(ii) Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Major currency risks of the Company Group ALITA, AB occur due to the fact that the Company borrows foreign currency denominated funds as well as being involved in imports and exports. The Company does not use any financial instruments to manage its exposure to foreign exchange risk. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate of 3.4528 LTL for 1 EUR. On 1 January 2015 the Republic of Lithuania joined the euro zone and the Lithuanian national currency litass was replaced by the euro. All accounting figures included before the euro adoption date are translated from LTL to EUR at the rate of LTL 3.4528 for EUR 1. The Company did not have any material exposure to other foreign currencies as at 31 December 2014. Transactions and balances in other currencies are insignificant.

##### *(iii) Market price risk*

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

	<b>Carrying amount</b>	
	<b>2014</b>	<b>2013</b>
Available-for-sale financial assets	7,307	6,766
<b>Total</b>	<b>7,307</b>	<b>6,766</b>

A change in the market price of the securities held by 1% (up and down in price) would influence the Other comprehensive income and equity by 73 thousand litass in the same direction before the effect of income tax (62 thousand Litass after tax).

#### **Financial instruments: fair values and risk management**

The Company has available-for-sale financial assets that are valued at fair value and amount to 7,307 thousand Litass. These investments are measured using direct input from the market (Level 1 fair value measurement). The Company does not use any instruments to manage the risks related to the changes in the fair value of these instruments. All other financial assets and liabilities of the Company are not measured at fair value and the carrying amount of those financial assets and financial liabilities approximates their fair value.

##### Operating risk

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

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

- The Company has a strict approval system for operations performed – initial accounting documents basing the operation must pass through several approval and control stages before entering the accounting management system. This ensures control of economic operation performance in all steps.

#### 4. Financial risk management (cont'd)

##### *Operating risk (cont'd)*

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

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

<b>Beverage</b>	<b>Alcohol content by volume (most common)</b>	<b>Enacted excise tax rates effective starting 1 March 2015</b>	<b>Enacted excise tax rates effective starting 1 April 2014</b>
Sparkling wine	11%	72.12 EUR/HTL	225 LT/HTL
Wine	10.50%	72.12 EUR/HTL	225 LT/HTL
Sparkling wine drink	7–8%	28.67 EUR/HTL	85 LT/HTL
Cider	4.7%	28.67 EUR/HTL	85 LT/HTL
Fortified wine	18%	126,27 EUR/HTL	400 LT/HTL
Cocktails	5–6%	1,320,67 EUR/100%/HTL	4,460 LT/100%/HTL
Strong alcohol drinks	37.5–50%	1,320,67 EUR/100%/HTL	4,460 LT/100%/HTL

#### **Capital management**

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

As at 31 December 2014 the Company's equity met the requirement of the Law on Companies that the Company's equity may not be lower than ½ of the authorised capital.

**5. Intangible assets**

	<b>Trade marks</b>	<b>Software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>				
Balance as at 1 January 2014	137	1,591	1,414	3,142
Acquisitions	-	-	159	159
<b>Balance as at 31 December 2014</b>	<b>137</b>	<b>1,591</b>	<b>1,573</b>	<b>3,301</b>
<b>Accumulated amortisation and impairment</b>				
Balance as at 1 January 2014	28	1,508	1,332	2,868
Amortisation for the period	34	65	48	147
<b>Balance as at 31 December 2014</b>	<b>62</b>	<b>1,573</b>	<b>1,380</b>	<b>3,015</b>
<b>Carrying amounts as at 31 December 2014</b>	<b>75</b>	<b>18</b>	<b>193</b>	<b>286</b>

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

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

Amortisation is recorded under general and administrative expenses.

**6. Property, plant and equipment**

	<b>Buildings</b>	<b>Vehicles and equipment</b>	<b>Other property, plant and equipment</b>	<b>Construc- tion in progress</b>	<b>Total</b>
<b>Cost</b>					
Balance as at 1 January 2014	45,238	63,029	4,850	28	113,145
Acquisitions	27	81	19	18	145
Disposals and write-offs		(164)	(248)	-	(412)
<b>Balance as at 31 December 2014</b>	<b>45,265</b>	<b>62,946</b>	<b>4,621</b>	<b>46</b>	<b>112,878</b>
<b>Accumulated depreciation and impairment:</b>					
Balance as at 1 January 2014	23,731	51,447	4,668	-	79,846
Depreciation for the period	784	1,963	76	-	2,823
Disposals and write-offs		(156)	(248)	-	(404)
<b>Balance as at 31 December 2014</b>	<b>24,515</b>	<b>53,254</b>	<b>4,496</b>	<b>-</b>	<b>82,265</b>
<b>Carrying amounts as at 31 December 2014</b>	<b>20,750</b>	<b>9,692</b>	<b>125</b>	<b>46</b>	<b>30,613</b>
<b>Cost</b>					
Balance as at 1 January 2013	45,195	64,108	4,822	-	114,125
Acquisitions	43	319	96	28	486
Disposals and write-offs	-	(1,398)	(68)	-	(1,466)
<b>Balance as at 31 December 2013</b>	<b>45,238</b>	<b>63,029</b>	<b>4,850</b>	<b>28</b>	<b>113,145</b>
<b>Accumulated depreciation and impairment:</b>					
Balance as at 1 January 2013	22,936	50,561	4,657	-	78,154
Depreciation for the period	795	2,154	79	-	3,028
Disposals and write-offs	-	(1,268)	(68)	-	(1,336)
<b>Balance as at 31 December 2013</b>	<b>23,731</b>	<b>51,447</b>	<b>4,668</b>	<b>-</b>	<b>79,846</b>
<b>Carrying amounts as at 31 December 2013</b>	<b>21,507</b>	<b>11,582</b>	<b>182</b>	<b>28</b>	<b>33,299</b>

Property, plant and equipment with a carrying amount of 30,055 thousand Litass as at 31 December 2014 (31 December 2013: 31,494 thousand Litass) have been pledged for loans and borrowings (Note 18).

The Company's property, plant and equipment and investment property with the carrying amount of 32,063 thousand Litass as at 31 December 2014 (2013: 34,930 thousand Litass) are insured against fire, natural forces and other damages.

The carrying amount of vehicles and equipment under finance lease was 108 thousand Litass as at 31 December 2014 (31 December 2013: 130 thousand Litass).

## 6. Property, plant and equipment (cont'd)

### Depreciation

Depreciation is allocated as follows:

	<u>2014</u>	<u>2013</u>
Cost of sales and inventories (finished goods)	1,896	2,003
Depreciation of boiler house for which the grant was received	634	635
General and administrative expenses	165	224
Selling and distribution expenses	128	166
<b>Total</b>	<b><u>2,823</u></b>	<b><u>3,028</u></b>

## 7. Investment property

	<u>2014</u>	<u>2013</u>
Balance as at 1 January	1,631	1,596
Acquisitions	-	35
Fair value change	(181)	-
<b>Balance as at 31 December</b>	<b><u>1,450</u></b>	<b><u>1,631</u></b>

Fair values of the properties have been determined as at March 2012 by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. In addition, in 2014 a reduction of the fair value of the properties was recorded based on the market review of similar properties and negotiations with potential buyers of the properties by the management.

The fair value measurement for investment property of 1,450 thousand Litas has been categorized as a Level 2 in the fair value hierarchy.

The rental income of the investment properties amounted to 51 thousand Litas in 2014 (2013: 33 thousand Litas) and the maintenance costs of this property amounted to 23 thousand Litas in 2014 (2013: 17 thousand Litas).

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

## 8. Investments in subsidiaries

Investments consist of the following:

	<u>2014</u>	<u>2013</u>
Acquisition cost of AB Anykščių Vynas	33,365	33,365
Impairment	(23,666)	(23,666)
<b>Total, net</b>	<b><u>9,699</u></b>	<b><u>9,699</u></b>

As at 31 December 2014, the Company held 94.90% or 18,980,045 ordinary registered shares of the company AB Anykščių Vynas with a nominal value of 1 Litas each. As at 31 December 2011 the impairment was determined by reference to the market value of the company's quoted shares. In 2013 and 2014, public circulation of the shares was too low to provide reliable information about the fair value of the share; therefore, the estimation of the impairment was based on the discounted cash flows of the subsidiary company. No further impairment was determined.

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



## 8. Investments in subsidiaries (cont'd)

The Company has pledged the shares of the subsidiary to the creditor for the loans issued (Note 18). Also, the Company issued a guarantee for the subsidiary (Note 28).

The main financial indicators of the subsidiary:

	<b>AB Anykščių Vynas</b>	
	<b>2014</b>	<b>2013*</b>
Non-current assets	18,156	20,229
Current assets	6,020	5,165
<b>Total assets</b>	<b>24,176</b>	<b>25,394</b>
Non-current liabilities*	193	171
Current liabilities	10,283	11,654
<b>Total liabilities</b>	<b>10,476</b>	<b>11,825</b>
<b>Net assets</b>	<b>13,700</b>	<b>13,569</b>
Income	16,254	20,299
Expenses	(16,123)	(20,789)
<b>Net profit (loss)*</b>	<b>131</b>	<b>(490)</b>
Net assets attributable to the Company	13,001	12,877
Profit (loss) attributable to the Company	124	(465)

\* The figures of AB Anykščių Vynas for 2013 were restated retrospectively due to the correction of error related to recognition of deferred tax asset – non-current liabilities and accumulated losses as at 31 December 2013 decreased by 809 thousand Litass and net loss for 2013 increased by 52 thousand Litass.

## 9. Available-for-sale financial assets

	<b>2014</b>	<b>2013</b>
Acquisition cost of AB Šiaulių Bankas shares	9,693	9,693
(Decrease) in fair value at the beginning of the year	(2,927)	(4,173)
Increase (decrease) in fair value during the period	541	1,246
<b>(Decrease) in fair value at the end of the year</b>	<b>(2,386)</b>	<b>(2,927)</b>
<b>Total</b>	<b>7,307</b>	<b>6,766</b>

As at 31 December 2014, the Company Group ALITA, AB owned 2.95% or 7,956,013 registered shares of AB Šiaulių Bankas with a nominal value of 1 Litass each. The value of the shares as at the reporting date is based on the quoted share price in the active market of AB Šiaulių Bankas. Increase in fair value of 541 thousand Litass for the shares in AB Šiaulių Bankas has been recognised in other comprehensive income (Note 15).

The fair value measurement for available-for-sale financial assets of 7,307 thousand Litass has been categorized as a Level 1 in the fair value hierarchy.

According to contractual obligations assumed together with other shareholders of AB Šiaulių Bankas, the rights to dispose 7,956,013 registered shares of AB Šiaulių Bankas owned by the Company Group ALITA, AB are restricted. The restrictions are in force until the majority shareholder owns a certain amount of shares of AB Šiaulių Bankas.

## 10. Inventories

	<u>2014</u>	<u>2013</u>
Raw materials	3,515	3,120
Packing materials	3,498	2,435
Auxiliary materials and supplies	425	495
Work in progress	4,044	3,359
Finished goods	4,262	3,871
Goods for resale	24	30
<b>Total</b>	<b><u>15,768</u></b>	<b><u>13,310</u></b>

Write-down of inventories to net realizable value amounts to 340 thousand Litas at 31 December 2014 (2013: 340 thousand Litas). Write-down of inventories is recorded for auxiliary materials and supplies. The total value of inventories expensed as cost of sales and general and administrative expenses in profit or loss for the year 2014 was equal to 46,724 thousand Litas (44,899 thousand Litas in 2013).

In 2014 the Company did not fully use its production capacities; therefore, overhead production costs amounting to 808 thousand Litas (2013: 564 thousand Litas) incurred due to unused capacities were recognised under general and administrative expenses for the current year.

The Company has insured inventories for the amount of 17,000 thousand Litas against natural calamities, fire, and other damages. All of the inventories of the Company are pledged for the bank loans and borrowings (Note 18).

## 11. Prepayments

Prepayments consist of:

	<u>2014</u>	<u>2013</u>
Prepayments to local suppliers	587	509
Prepayments to foreign suppliers	215	291
Other prepayments	197	199
<b>Total</b>	<b><u>999</u></b>	<b><u>999</u></b>

## 12. Trade accounts receivable

Trade accounts receivable consist of:

	<u>2014</u>	<u>2013</u>
Trade accounts receivable	23,734	21,034
Trade accounts receivable due from subsidiary company	340	262
<b>Total</b>	<b><u>24,074</u></b>	<b><u>21,296</u></b>
Impairment at the beginning of the year	(316)	(291)
Additional impairment during the period	(600)	(25)
Write-off of doubtful trade receivables	-	-
<b>Impairment at the end of the year</b>	<b><u>(916)</u></b>	<b><u>(316)</u></b>
<b>Total</b>	<b><u>23,158</u></b>	<b><u>20,980</u></b>

## 13. Other accounts receivable

Other accounts receivable (financial assets) consist of:

	<u>2014</u>	<u>2013</u>
Deposits	139	139
Other accounts receivable	138	132
<b>Total</b>	<b><u>277</u></b>	<b><u>271</u></b>

#### 14. Cash and cash equivalents

Cash and cash equivalents consist of:

	<u>2014</u>	<u>2013</u>
Cash at banks	973	4,107
Cash on hand	74	64
<b>Total</b>	<b><u>1,047</u></b>	<b><u>4,171</u></b>

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

#### 15. Shareholders' equity

##### *Share capital and share premium*

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

- 3,126,000 ordinary registered shares, which are traded on the Nasdaq OMX Baltic stock exchange;
- 16,874,000 ordinary registered shares, which are not admitted to trading on a stock exchange.

All shares are fully paid.

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

On 10 April 2014 at the General Shareholders Meeting a decision was made to transfer 74,198 thousand Litas share premium to retained earnings (loss) of the previous years to cover accumulated losses.

##### *Legal reserve*

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until the legal reserve reach 10% of the authorised capital. On 10 April 2014 at the General Shareholders Meeting a decision was made to transfer 5,083 thousand Litas from legal reserve to retained earnings (loss) of the previous years to cover accumulated losses.

##### *Revaluation reserve*

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

##### *Fair value reserve*

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

	<u>Increase (decrease) in value</u>	<u>Deferred income tax</u>	<u>Increase (decrease) in value after recognition of deferred tax</u>
<b>Fair value reserve as at 31 December 2012</b>	<b>(4,173)</b>	<b>626</b>	<b>(3,547)</b>
Increase (decrease) in fair value during the period	1,246	(187)	1,059
<b>Fair value reserve as at 31 December 2013</b>	<b><u>(2,927)</u></b>	<b><u>439</u></b>	<b><u>(2,488)</u></b>
Increase (decrease) in fair value during the period	541	(81)	460
<b>Fair value reserve as at 31 December 2014</b>	<b><u>(2,386)</u></b>	<b><u>358</u></b>	<b><u>(2,028)</u></b>

## 16. Basic and diluted earnings per share

	2014	2013
Net profit (loss), attributable to the shareholders	4,627	4,046
Number of shares at the end of the period (thousand)	20,000	20,000
Weighted average number of shares during the period (thousands)	20,000	20,000
<b>Basic and diluted earnings per share (in Litass)</b>	<b>0.23</b>	<b>0.20</b>

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

## 17. Other accounts payable

	2014	2013
Value added tax (VAT)	3,901	3,337
Excise duty	2,471	1,507
Salaries and related taxes	3,383	1,000
Packaging tax	699	766
Vacation reserve	542	520
Advances received	236	56
Accrued expenses and other accounts payable	287	164
<b>Total – non-financial liabilities</b>	<b>11,519</b>	<b>7,350</b>
Other accounts payable – financial liabilities	1,011	1,306
<b>Total</b>	<b>12,530</b>	<b>8,656</b>

## 18. Long-term and short-term borrowings

	2014	2013
Long-term loans and borrowings	28,494	36,507
Long-term loans from subsidiary	1,000	2,900
Long-term portion of lease liabilities	65	81
<b>Total non-current liabilities</b>	<b>29,559</b>	<b>39,488</b>
Current portion of long-term loans	11,120	8,271
Short-term loans and borrowings	3,760	11,018
Current portion of long-term lease liabilities	20	23
<b>Total current liabilities</b>	<b>14,900</b>	<b>19,312</b>
<b>Total borrowings</b>	<b>44,459</b>	<b>58,800</b>

As at 31 December 2014, the Company has long-term loans amounting to 40,614 thousand Litass (11,762 thousand EUR), their repayment terms are in 2016 and in 2017. Current portion of these long-term loans amounts to 11,120 thousand Litass. The average variable interest rate of these loans was from 2.86% to 5.9% in 2014.

During December 2014, UAB MG Baltic Trade took over the claim rights to the loan and credit line agreements signed earlier between the Company and banks. Altogether, without the change in the final repayment term, the repayment schedule of the credit granted to the Company has been amended.

On 11 December 2014 a credit line agreement was signed between UAB MG Baltic Trade and the Company with the credit limit amounting to 15,000 thousand Litass. As at 31 December 2014 the utilised amount was 3,760 thousand Litass.

In January 2014 an agreement was signed with the Company's former main bank for the factoring of the receivable amounts without recourse until 30 November 2014. Up until this the Company used factoring with recourse rights. Due to this change the amount of receivables shown in the statement of financial position has decreased by 6,805 thousand litass with the corresponding decrease in borrowings of the Company (impact on the statement of cash flows). The average variable interest rate was 3.02% in 2014.

The Company was not in compliance with part of the covenants as provided in the credit agreements; however, the Company had waivers from the lenders that no action would be taken for the period of at least one year from 31 December 2014, should there be a non-compliance.

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

To secure the long-term loans and borrowings under the respective credit agreements, the Company pledged property with a carrying amount of 21,917 thousand Litas as at 31 December 2014, equipment with the carrying amount of 8,138 thousand Litas as at 31 December 2014, inventories of 5,000 thousand Litas, all the current and future Company's funds at banks, trademarks, shares of the subsidiaries, all current and future land lease rights, rights to amounts receivable according to the list.

The Company accounts for Tax loans as any other loan from other entity; therefore, the balance of the loan is presented as loan and the cash changes (receipts and repayments) are presented as financial activities in the cash flow statement of the Company. Finance lease liabilities are payable as follows:

### As at 31 December 2014

	Future minimum lease payments	Interest	Present value of finance lease payments
Less than one year	23	3	20
Between one and five years	70	5	65
<b>Total</b>	<b>93</b>	<b>8</b>	<b>85</b>

### As at 31 December 2013

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

## 19. Government grants

	2014	2013
<i>Asset related grants</i>		
Balance as at 1 January	1,357	1,992
Amortisation	(634)	(635)
<b>Balance as at 31 December</b>	<b>723</b>	<b>1,357</b>
<i>Income related grants</i>		
Balance as at 1 January	723	1,357
Funds received from the European Structural Funds	85	-
Funds used for compensation of costs	(85)	-
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>
<b>Balance of the funds, received from EU structural funds</b>	<b>723</b>	<b>1,357</b>

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

Ministry of Economy of the Republic of Lithuania has allocated funding (amount of 145 thousand Litas) according to the European Union Structural Assistance Use Strategy of Lithuania for the period 2007-2013. The current project is targeted at the development of export markets. Project is financed (by 59 per cent of its total value) by the European Regional Development fund. Projects are going to be finished in April 2015.

## 20. Post-employment employee benefits

	<b>Net defined benefit liability</b>	
	<b>2014</b>	<b>2013</b>
<b>Balance at 1 January</b>	<b>734</b>	<b>290</b>
Paid	(185)	-
Current year charge included in profit or loss	104	-
Remeasurement included in other comprehensive income	-	444
Unwinding of financial discounting	41	-
<b>Balance at 31 December</b>	<b>694</b>	<b>734</b>

Based on the defined benefit plan, the Company holds no assets for fulfilment of respective liabilities.

The key actuarial assumptions used for measurement of post-employment benefits as at 31 December 2014 and the sensitivity of the defined benefit obligation to reasonably possible changes to one of those assumptions, holding other assumptions constant, are the following:

<b>Assumption</b>	<b>Base</b>	<b>Change by</b>	<b>Impact on defined benefit obligation</b>	
			<b>On increase</b>	<b>On decrease</b>
Annual salary increase	2%	0.5%	21	(21)
Discount rate	5%	0.5%	(20)	21

## 21. Selling and distribution expenses

	<b>2014</b>	<b>2013</b>
Advertising	6,490	6,888
Sales and marketing expenses	2,441	2,423
Warehousing	986	780
Transportation and logistics	849	900
Depreciation and amortisation	133	166
<b>Total</b>	<b>10,899</b>	<b>11,157</b>

## 22. General and administrative expenses

	<b>2014</b>	<b>2013</b>
Salaries, wages and social security	5,557	2,931
Maintenance and repairs	1,493	1,242
Advisory services	721	977
Impairment of trade and other accounts receivable	601	25
Tax expenses (other than income tax)	358	456
Energy costs	334	387
Depreciation and amortisation	312	549
Insurance expenses	213	154
Write-down of inventories	65	78
Charity and support	19	26
Other	660	619
<b>Total</b>	<b>10,333</b>	<b>7,444</b>

Staff costs by type:

	<b>2014</b>	<b>2013</b>
Salaries	6,457	5,911
Social insurance tax	2,777	2,029
Bonuses	2,068	525
Redundancy compensations	323	108
Post-employment employee benefits	80	-
Other employee benefits	48	76
Other forms of remuneration	34	19
<b>Total</b>	<b>11,787</b>	<b>8,668</b>

## 22. General and administrative expenses (cont'd)

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

	<u>2014</u>	<u>2013</u>
General and administrative expenses	5,557	2,931
Cost of sales	3,793	3,378
Selling and distribution expenses	2,437	2,359
<b>Total</b>	<b><u>11,787</u></b>	<b><u>8,668</u></b>

## 23. Other income (expenses)

Other income (expenses) consists of:

	<u>2014</u>	<u>2013</u>
Services rendered	1,119	975
Profit from disposed property, plant and equipment	4	-
Other income	213	1
<b>Total income</b>	<b><u>1,336</u></b>	<b><u>976</u></b>
Cost of services rendered	(480)	(397)
Loss from disposed property, plant and equipment	-	(95)
Change in fair value of investment property	(181)	-
<b>Total expenses</b>	<b><u>(661)</u></b>	<b><u>(492)</u></b>

## 24. Finance income (costs)

	<u>2014</u>	<u>2013</u>
Dividend income	-	29
Interest income	-	2
Penalties, delinquency charges received	-	-
<b>Total income</b>	<b><u>-</u></b>	<b><u>31</u></b>
Interest expenses	(1,782)	(2,000)
Interest on overdue payments	(20)	(122)
Currency exchange gain (loss), net	-	-
Other finance costs	(247)	(253)
<b>Total costs</b>	<b><u>(2,049)</u></b>	<b><u>(2,375)</u></b>

## 25. Information according to business segments

### Geographic information

	<u>2014</u>	<u>2013</u>
Revenue from domestic market customers	61,403	61,725
Revenue from foreign customers	21,420	16,846
<b>Total</b>	<b><u>82,823</u></b>	<b><u>78,571</u></b>

All the Company's assets are located in Lithuania.

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

	<u>2014</u>	<u>2013</u>
Customer 1	23,743	22,076
Customer 2	14,341	15,107
Customer 3	7,785	8,433
<b>Total</b>	<b><u>45,869</u></b>	<b><u>45,616</u></b>

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

Business segment information for the year ended 31 December 2014 is presented below:

	Produced alcoholic products	Fruit and berry products	Unallocated	Total
Net segment sales revenue	80,870	-	1,953	82,823
Cost of sales, including depreciation	(53,160)	-	(1,599)	(54,759)
<b>Gross profit</b>	<b>27,710</b>	-	<b>354</b>	<b>28,064</b>
Other income	-	38	1,298	1,336
Operating expenses	(12,277)	(30)	(8,484)	(20,792)
Other expenses	-	-	(661)	(661)
Depreciation and amortisation	(133)	(46)	(262)	(440)
<b>Operating result</b>	<b>15,300</b>	<b>(38)</b>	<b>(7,755)</b>	<b>7,507</b>
Finance income	-	-	-	-
Finance costs	-	-	-	(2,049)
<b>Profit before income tax</b>				<b>5,458</b>
<i>Segment assets</i>				
Non-current assets	28,137	1,357	21,127	50,621
Inventories	15,398	-	370	15,768
Other current assets	25,481	-	-	25,481
<b>Total segment assets</b>	<b>69,016</b>	<b>1,357</b>	<b>21,497</b>	<b>91,870</b>
<i>Segment liabilities</i>				
Government grants	723	-	-	723
Financial liabilities	-	-	44,459	44,459
Employee benefits	-	-	694	694
Trade accounts payable	11,236	-	245	11,481
Income tax liability	1,202	-	-	1,202
Other liabilities	12,130	-	400	12,530
<b>Total segment liabilities</b>	<b>25,291</b>	-	<b>45,798</b>	<b>71,089</b>
Acquisition of intangible assets, property, plant and equipment and investment property	304	-	-	304



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

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

	Produced alcoholic products	Fruit and berry products (restated)*	Unallocated (restated)*	Total
Net segment sales revenue	76,026	1,314	1,231	78,571
Cost of sales, including depreciation	(50,962)	(1,358)	(943)	(53,263)
<b>Gross profit</b>	<b>25,064</b>	<b>(44)</b>	<b>288</b>	<b>25,308</b>
Other income	-	50	926	976
Operating expenses	(11,507)	(38)	(6,263)	(17,808)
Other expenses	-	-	(492)	(492)
Write-down of inventories	(78)	-	-	(78)
Depreciation and amortisation	(166)	(70)	(479)	(715)
<b>Operating result</b>	<b>13,313</b>	<b>(102)</b>	<b>(6,020)</b>	<b>7,191</b>
Finance income	-	-	-	31
Finance costs	-	-	-	(2,375)
<b>Profit before income tax</b>				<b>4,847</b>
<i>Segment assets</i>				
Non-current assets	30,645	1,416	20,584	52,645
Inventories	12,834	-	476	13,310
Other current assets	26,421	-	-	26,421
<b>Total segment assets</b>	<b>69,900</b>	<b>1,416</b>	<b>21,060</b>	<b>92,376</b>
<i>Segment liabilities</i>				
Government grants	1,357	-	-	1,357
Financial liabilities	6,806	-	51,994	58,800
Employee benefits	-	-	734	734
Trade accounts payable	6,994	-	141	7,135
Other liabilities	8,656	-	-	8,656
<b>Total segment liabilities</b>	<b>23,813</b>	<b>-</b>	<b>52,869</b>	<b>76,682</b>
Acquisition of intangible assets, property, plant and equipment and investment property	327	-	358	685

\* The Company has changed the definition of the segment to include all the operations (production and sales) related to the fruit and berry activities; therefore, the comparative information for the year 2013 was adjusted accordingly. Previously, the segment was called Apple products and consisted of production and sales activities related to apple products.

**26. Current and deferred tax**

	2014	2013
Current tax	(1,202)	-
Change in deferred tax	371	(801)
<b>Total income tax expense recognised in profit or loss</b>	<b>(831)</b>	<b>(801)</b>

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

The reconciliation of effective tax rate is as follows:

	2014		2013	
<b>Profit before tax</b>		<b>5,458</b>		<b>4,847</b>
Income tax using standard tax rate	15.0%	819	15.0%	727
Other non-taxable income		-	(0.1%)	(4)
Non-deductible expenses	0.6%	33	3.0%	143
Change in deductible temporary expenses not previously recognised	(0.3%)	(15)	(1.2%)	(57)
Support, charity	(0.1%)	(6)	(0.2%)	(8)
<b>Total income tax expense recognised in profit or loss</b>	<b>15.2%</b>	<b>831</b>	<b>16.5%</b>	<b>801</b>

The amounts recognised in other comprehensive income are as follows:

	2014			2013		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Remeasurements of defined benefit liability	-	-	-	(444)	67	(377)
Available-for-sale financial assets	541	(81)	460	1,246	(187)	1,059
<b>Total</b>	<b>541</b>	<b>(81)</b>	<b>460</b>	<b>802</b>	<b>(120)</b>	<b>682</b>

## 26. Current and deferred tax (cont'd)

Calculation of deferred tax is as follows:

	2014		2013	
	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
Impairment of investments in subsidiary	23,666	3,550	23,666	3,550
Accrued expenses	3,707	557	1,176	176
Available-for-sale financial assets	2,386	358	2,927	439
Investment property	1,344	202	1,326	199
Employee benefits	694	104	734	110
Write-down of inventories to net realizable value	340	51	340	51
Impairment of trade receivables	916	137	316	47
Tax loss carried forward	-	-	584	88
<b>Total deferred tax asset</b>		<b>4,959</b>		<b>4,660</b>
Unrecognised deferred tax asset (temporary deductible expenses not recognised)		(3,595)		(3,580)
<b>Total recognised deferred tax asset</b>		<b>1,364</b>		<b>1,080</b>
Revaluation of property, plant and equipment before reclassification to investment property	(650)	(98)	(696)	(104)
<b>Total recognised deferred tax liability</b>		<b>(98)</b>		<b>(104)</b>
<b>Net deferred tax asset</b>		<b>1,266</b>		<b>976</b>

Unrecognised deferred tax asset is as follows:

	2014		2013	
	Temporary differences	Unrecognised deferred tax	Temporary differences	Unrecognised deferred tax
Impairment of investments in subsidiary	23,666	3,550	23,666	3,550
Impairment of trade receivables	300	45	200	30
<b>Total unrecognised part of deferred tax asset</b>		<b>3,595</b>		<b>3,580</b>

At the end of 2014 the main part of the unrecognised deferred tax asset consisted of the impairment of the investment in subsidiary AB Anykščių Vynas.

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

In 2014 and 2013, current income tax rate is 15%.

The change in deferred tax could be presented as follows:

	2014	2013
<b>Deferred tax asset (liability) as at 1 January</b>	<b>976</b>	<b>1,897</b>
Recognised in profit or loss	371	(801)
Recognised in other comprehensive income	(81)	(120)
<b>Deferred tax asset (liability) as at 31 December</b>	<b>1,266</b>	<b>976</b>

## 27. Transactions with related parties

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

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

The MG Baltic Group – UAB Mineraliniai Vandensys – the parent company, which in turn is ultimately owned by UAB Koncernas MG Baltic and other UAB Koncernas MG Baltic owned companies

AB Anykščių Vynas (subsidiary)

Legal entities related to former Supervisory Council members

The former main shareholder of the Company, FR&R Invest IGA S.A (until 5 December 2014), is indirectly owned by Swedbank, AB, a company registered in Sweden, which also owns Swedbank, AB registered in Lithuania, the primary lender to the Company. The rights and obligations of the Company, as a debtor, and Swedbank, AB (registered in Lithuania), as creditor, were set and exercised based on the procedures established by the credit agreement.

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

### Transactions with related parties

	<u>2014</u>	<u>2013</u>
Sales to the MG Baltic Group	41	-
Sales to subsidiaries	2,286	2,362
Purchases and calculated interest from the MG Baltic Group	110	-
Purchases and calculated interest from subsidiary	1,621	601
Consultancy services provided by legal entities related to Supervisory Council members	118	176

### Accounts receivable from related parties

	<u>2014</u>	<u>2013</u>
Due from the MG Baltic Group	73	-
Due from subsidiary	340	262

### Accounts payable to related parties

	<u>2014</u>	<u>2013</u>
Loans from the MG Baltic Group	43,374	-
Loans from subsidiary	1,000	2,900
Accounts payable to legal entities related to Supervisory Council members	89	32

During 2014 the costs related to management remuneration amounted to 3,277 thousand Litas, including bonuses of 1,788 thousand Litas (2013: 1,633 thousand Litas, including bonuses of 267 thousand Litas). The management consists of 10 employees: directors and department managers as well as chief accountant (2013: 9).

The Company has a guarantee issued for the loans and borrowings of the subsidiary AB Anykščių Vynas.

Also, the subsidiary AB Anykščių Vynas has a guarantee issued for the loans and borrowings of the Company Group ALITA, AB.

## **28. Contingent liabilities and assets**

### **Emission allowances**

As at 31 December 2014 the Company has 19,294 units of greenhouse gas emission allowances unused (19,608 units as at 31 December 2013). The allowances are valued at zero value.

### **Guarantees, warranties issued and other contingencies**

As at 31 December 2014, the Company has a guarantee issued for the payment of the loan of 7,430 thousand Litās (2,152 thousand EUR) and borrowings of the subsidiary AB Anykščių Vynas as to the respective credit agreement.

As at 31 December 2014, the Company has a guarantee issued for the payment of the account payable of 373 thousand Litās of the subsidiary AB Anykščių Vynas.

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

### **Operating leases as a lessee**

The Company rented land plots from the State. The annual rent fee in 2014 amounted to 54 thousand Litās (2013: 76 thousand Litās). The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land. No provision is included in the financial statements as at 31 December 2014 as the management was not able to estimate the terms and volume of such works.

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

As at 31 December 2014 and 2013, the future minimum lease payments under non-cancellable leases were payable as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	155	223
Between one and five years	119	566
More than five years	-	-
	<u><b>274</b></u>	<u><b>789</b></u>

The lease expenses recognised in profit or loss amounted to 220 thousand Litās (2013: 208 thousand Litās).

### **Contingencies related with payment of taxes**

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

### **Contingencies related with the change of main shareholder**

Upon the confirmation of the transaction of the acquisition of shares of the Company Group ALITA, AB by UAB Mineraliniai Vandenys, the acquirer has undertaken certain obligations to dispose of part of the assets and liabilities of the Group (Company Group ALITA, AB and AB Anykščių Vynas) relating to the sales of certain brands of bitters and vodkas in the territory of Lithuania. Based on preliminary estimations made by shareholders and management, it is not expected that the mentioned disposal would have a significant impact on assets and liabilities of the Company.

### **Main court and arbitration proceedings**

1. The Vilnius Regional Administrative Court has examined the administrative case initiated by Plass Investments Limited against the Bank of Lithuania, in which Plass Investments Limited requested the court inter alia to annul the resolution of the Bank of Lithuania, dated 6 August 2013, to reapprove the circular of the mandatory non-competitive official tender offer to buy-up the remaining voting shares of the Company Group ALITA AB, dated 2 November 2011 and provided by FR&R Invest IGA S.A. On 11 April 2014 the Vilnius Regional Administrative Court rendered the decision, according to which the court decided to reject the claim of Plass Investments Limited as ungrounded. Plass Investments Limited has appealed the decision of Vilnius Regional Administrative Court, dated 11 April 2014, to the Supreme Administrative Court of Lithuania. The Company Group ALITA AB is involved in the case as a third person. In the opinion of the Company Group ALITA AB, the claim of Plass Investments Limited is ungrounded and should be dismissed.

## **28. Contingent liabilities and assets (cont'd)**

### **Main court and arbitration proceedings (cont'd)**

As of the issuance of these financial statements Plass Investments Limited had withdrawn the claim and the case had been dismissed.

2. After examination of the cassation appeal of Company's minority shareholder Plass Investments Limited, on 9 January 2015 the Supreme Court of Lithuania adopted a ruling, according to which the Court upheld the decision of the Lithuanian Court of Appeals of 14 March 2014. The ruling of the Supreme Court of Lithuania is final, undisputable and became valid as from its adoption.

As was previously reported, after examination of appeals of the Company, FR&R Invest IGA S.A. and Vytautas Junevičius regarding abolishment of the decision of the Kaunas Regional Court of 27 March 2013, on 14 March 2014 Lithuanian Court of Appeals rendered the decision, according to which the court abolished the decision of the Kaunas Regional Court of 27 March 2013 and adopted a new decision – to dismiss a claim of minority shareholder Plass Investments Limited regarding invalidation of the decisions of the extraordinary general meeting of shareholders, dated 3 October 2011 on reduction and increase of the Company's authorised capital, Articles of Association of the Company and of Share Subscription Agreement of 6 October 2011, concluded by the Company and FR&R Invest IGA S.A. Following the indicated decision the Lithuanian Court of Appeals also abolished all below specified interim measures applied by the Kaunas Regional Court. The decision of the Lithuanian Court of Appeals of 14 March 2014 became valid as from its adoption. On 23 May 2014 the Supreme Court of Lithuania accepted to examine the cassation appeal of Plass Investments Limited regarding abolishment of the decision of the Lithuanian Court of Appeals, dated 14 March 2014.

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

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

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

## **28. Contingent liabilities and assets (cont'd)**

### **Main court and arbitration proceedings (cont'd)**

The Company Group ALITA, AB has initiated:

- (i) proceedings before the Serbian court of general jurisdiction – the Commercial Court of Belgrade – to set-aside the Partial award of 15 November 2011 in so far as the question of jurisdiction is concerned (the Commercial Court of Belgrade (Serbia) satisfied the request of the Company Group ALITA, AB and by way of its judgment of 10 September 2012 set aside the Partial award of 15 November 2011; however, on 20 November 2012 representatives of the Company Group ALITA, AB in Serbia received the Privatisation agency's appeal; on 4 March 2014 the Company has received information that the Serbian Commercial Appellate Court annulled the decision of lower instance court – the Belgrade (Serbia) Commercial Court – and returned the case for re-examination to the Belgrade Commercial Court; on 7 April 2014 the Company Group ALITA, AB received the decision of the Belgrade Commercial Court, whereby the Belgrade Commercial Court without examining the case on the merits based on procedural issues dismissed the request of the Company Group ALITA, AB to set aside the Partial award concerning the jurisdiction of 15 November 2011. The Company Group ALITA, AB has appealed against the mentioned decision of the Belgrade Commercial Court to the higher – Serbian Commercial Appellate – court), and, furthermore,
- (ii) it has also started court proceedings for non-recognition in Lithuania of the Partial award of 15 November 2011 in so far as the question of jurisdiction is concerned at the Lithuanian Court of Appeal (the Lithuanian Court of Appeal examined this request on 25 February 2013 and ruled to stop the civil case until the respective Serbian court's decision in respect of the Partial award of 15 November 2011 rendered by the Arbitration tribunal comes into force).

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

The Company Group ALITA, AB does not recognize the jurisdiction of the Arbitration tribunal and holds that all the claims of the Privatization agency against the Company Group ALITA, AB are ungrounded and are expected to be dismissed; therefore, no provisions for possible liabilities are formed in these financial statements. The Company Group ALITA, AB has started proceedings before the Serbian court of general jurisdiction – the Commercial Court of Belgrade – to set-aside the award of 17 September 2012. The intention of the Company Group ALITA, AB is to use all other available legal remedies to fight the award of 17 September 2012 made by the Arbitration tribunal. Should the final outcome of the litigation be unfavourable to the Company, there is a risk that significant amounts or other types of claims will be awarded and that could have a material negative effect on the Company's ability to continue as a going concern.

4. On 23 September 2013 the Company's subsidiary AB Anykščių Vynas received the announcement from the Panevėžys Regional Court on the claim provided by Plass Investments Limited, the shareholder of the Group's subsidiary, regarding invalidation of the Agreement on purchase-sale of the boiler house and of the movable and immovable assets related thereto, concluded on 20 June 2013 by and between the Group's subsidiary (the seller) and the buyer, as well as on application of restitution, related to execution of this agreement (the Group's subsidiary and the buyer of the mentioned assets are included as the respondents in the case). Panevėžys Regional Court by its decision dated 2 December 2014 has dismissed as ungrounded the claim of Plass Investments Limited. Plass Investments Limited has appealed the decision of Panevėžys Regional Court, dated 2 December 2014, to the Lithuanian Court of Appeals. The Group's subsidiary, Plass Investments Limited and the buyer of the assets concluded a peaceful settlement agreement, according to which Plass Investments Limited waived its appeal regarding the decision of the Panevėžys Regional Court of 2 December 2014 and all its claims lodged in a civil case.

## **29. Subsequent events**

On 12 February 2014 the extraordinary meeting of the shareholders adopted a decision to elect new Supervisory Council members and to approve new By-laws of the Company.

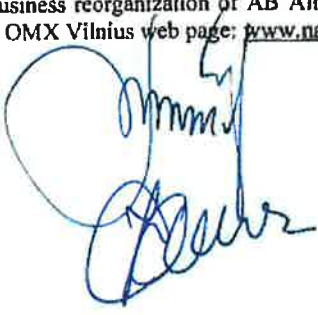
On 1 January 2015 the Republic of Lithuania joined the eurozone and the Lithuanian national currency litas was replaced by the euro. As a result, the Company converted its financial accounting to euros as from 1 January 2015 and the financial statements for subsequent years will be prepared and presented in euros. Comparative information will be translated into euros using the official exchange rate of LTL 3.4528 to EUR 1.

**30. Information related with the reorganization of the operations**

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

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

General Director



Česlovas Matulevičius

Finance and IT Director

Justinas Damašas



**COMPANY GROUP ALITA, AB**  
**THE CONSOLIDATED ANNUAL REPORT**  
**2014**

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

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

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

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

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

## 1. MAIN INFORMATION ABOUT THE ISSUER

### 1.1. Reporting period covered by this Annual Report

The Annual Report was drawn up for the period from 1 January, 2014 to 31 December, 2014.

### 1.2. The issuer and its contact information

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

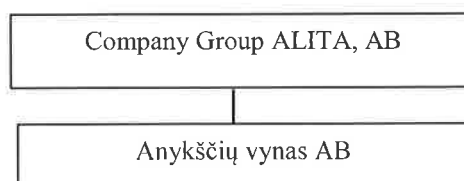
The subsidiary of the issuer and its contact information:

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

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

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

Organizational structure of the Company Group ALITA, AB:



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

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

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

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

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

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

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

***Data on the Company Group ALITA, AB securities trading***

On 4 January 2010, the securities issued by the Company Group ALITA, AB were admitted to the Secondary List of NASDAQ OMX Vilnius, following the decision of the Board of 23 December 2009 (Minutes No 108). The shares of the Company Group ALITA, AB are divided in two parts: 3,126,000 (three million one hundred twenty six thousand) units have ISIN code LT0000128266, ticker AGP1L, and 16,874,000 (sixteen million eight hundred seventy four thousand) units have ISIN code LT0000128589. The total value of shares amounted to LTL 20,000,000 (twenty million), the nominal value of the share is 1 LTL (one Litas). Starting 1 January 2015 euro became the national currency of the Republic of Lithuania and share capital was changed to 5,800,000 EUR (Five million eight hundred thousand), nominal value of one share is equal to 0.29 EUR. Shares with ISIN code LT0000128589 are not traded in NASDAQ OMX Vilnius.

In 2014, the Company Group ALITA, AB had not acquired its own shares.

***The information about securities transactions of Anykščių vynas AB***

On 3 July 1995, ordinary registered shares of Anykščių vynas AB were included into the NASDAQ OMX Vilnius Secondary List. At the beginning of 2014 there were 20,000,000 (twenty million) ordinary registered shares of Anykščių vynas AB of LTL 1 (one) nominal value of each of it. The total nominal value of shares amounted to LTL 20,000,000 (twenty million). Starting 1 January 2015 euro became the national currency of the Republic of Lithuania and share capital was changed to 5,800,000 EUR (Five million eight hundred thousand), nominal value of one share is equal to 0.29 EUR. The ISIN code of these shares is LT0000112773 and the ticker is ANK1L.

In 2014, Anykščių vynas AB had not acquired its own shares.

## 2. OTHER INFORMATION ABOUT THE ISSUER

### 2.1. The composition of the Issuer's authorized capital

The authorized capital of the Company Group ALITA, AB is LTL 20,000,000 (twenty million) (from 1 January 2015 – 5,800,000 (five million eight hundred thousand) EUR).

The composition of the authorized capital of the Company Group ALITA, AB by the type of the shares as at 31 December 2014:

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

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

The composition of the authorized capital of Anykščių vynas AB by type of the shares as at 31 December 2014:

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

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

### 2.2. Restrictions on transferability of the securities

There are no restrictions on transferability of the shares of the Company Group ALITA, AB.

There are no mutual agreements of the shareholders of which the Issuer is aware and which might result in the restriction of the share transferability and/or voting.

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

### 2.3. Information about the principal investments made during reporting period

The management and the shareholders are active in order to ensure the financial stability of the Company, to balance the cash flows. Over the past few years many funds have been provided for investments and many production improvement and efficiency issues were solved. Group's needs for investments were as follows: amount of investments of the Company Group ALITA, AB in 2014 was 279 thousand LTL (most of this was made in production equipment, purchasing new brands and IT section) and Anykščių vynas AB had investments for 505 thousand LTL (most of this was made in production equipment improvement).

### 2.4. Information about shareholders

On 5 December 2014 the transaction under the Share Sale-Purchase Agreements concluded by FR&R Invest IGA S.A. and Vytautas Junevičius with UAB Mineraliniai Vandenyys on 25 September 2014 was completed. By this transaction UAB Mineraliniai Vandenyys acquired 19,806,552 units of shares of the Company Group ALITA, AB.

As at 31 December 2014, the Company Group ALITA, AB had listed 521 shareholders.

On 31 December 2014, the following shareholders of the Company Group ALITA, AB held 5% or more of the Company's authorized capital:

Name, surname/ company name, legal form, office address, registration code	Number of ordinary registered shares held by the right of ownership, units	Portion of the authorized capital held, %	Portion of the votes attaching to the shares held by the right of ownership, %
„Mineraliniai Vandenys“, UAB	19,806,552	99.03	99.03

The main shareholder of the Company, UAB Mineraliniai Vandenys is indirectly owned by UAB Koncernas MG Baltic.

On 31 December 2014, other shareholders together held 193,448 of the Company's shares. Their holdings accounted for 0.97% of all outstanding shares and votes attaching to them.

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

There are no shareholders with restricted voting rights.

#### **2.5. Information about mutual agreements of the shareholders**

There are no mutual agreements of the shareholders of which the Issuer is aware and which might result in the restriction of the share transferability and/or voting rights.

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

Information about the companies with the capital directly or indirectly owned by the Company Group ALITA, AB on 31 December 2014, when this part of the capital could have a strong impact valuating the Company's owned property, liabilities, financial position, loss and profit:

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

On 31 December 2014 the Company Group ALITA, AB held 18,980,045 units (or 94.90%) of the ordinary registered shares of its subsidiary Anykščių vynas AB, with the nominal value of LTL 1 (one) each (from 1 January 2015 – 0.29 EUR). On 31 December 2014, 1,019,955 units (or 5.10%) of shares of Anykščių vynas AB were owned by other minority shareholders.

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

On 31 December 2014, the Company had a holding of 7,956,013 (or 2.95%) ordinary registered shares of Šiaulių bankas AB, in the nominal value of LTL 1 (one) each. The changes in fair value of Šiaulių bankas AB shares are estimated in the Company's accounting with reference to the market value of Šiaulių bankas AB shares estimated at the reporting day. The revaluation of Šiaulių bankas AB shares is recorded in other comprehensive income.

## 2.7. Information about employees

The total number of personnel of the Group:

31 December 2014	31 December 2013
242	233

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

Personnel	2014			2013		
	Average number of employees	%	Average salary	Average number of employees	%	Average salary
Managers	11	6.7	13,149	10	6.3	11,330
Specialists and officials	73	44.5	3,576	74	46.5	3,348
Workers	80	48.8	2,024	75	47.2	1,906
<b>Total:</b>	<b>164</b>	<b>100</b>	<b>3,454</b>	<b>159</b>	<b>100</b>	<b>3,159</b>

The average number of employees increased by 5 persons. The average salary increased by 295 LTL or 9.3%. The average salary increased due to result of raising salaries from February.

The structure of employees of the Company Group ALITA, AB by education as at 31 December 2014 and 2013:

Employees education	31/12/2014		31/12/2013	
	Number of employees	%	Number of employees	%
University degree	75	42.6	71	43.0
College	45	25.6	52	31.5
Secondary	55	31.2	42	25.5
Unfinished secondary	1	0.6	-	-
<b>Total:</b>	<b>176</b>	<b>100</b>	<b>165</b>	<b>100</b>

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

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

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

The dynamics of average number of employees and average monthly salary (without compensations) of ANYKŠČIŲ VYNAS AB during the year 2014 and 2013 by personnel groups:

Personnel	2014			2013		
	Average number of employees	%	Average salary	Average number of employees	%	Average salary
Managers	2	2.9	6,103	2	2.7	4,652
Specialists and officials	23	33.3	2,003	24	32.4	1,896
Workers	44	63.8	1,466	48	64.9	1,492
<b>Total:</b>	<b>69</b>	<b>100</b>	<b>1,777</b>	<b>74</b>	<b>100</b>	<b>1,720</b>

The average number of employees decreased by 5 persons, or 6.8%, due to optimization of production and managing functions. The average salary rate increased by 57 LTL, This was the result of raising salaries from February.

ANYKŠČIŲ VYNAS AB employees's structure comparison by education as at 31 December 2014 and 31 December 2013:

Employees education	31 12 2014		31 12 2013	
	Number of employees	%	Number of employees	%
University degree	17	25.8	18	27.3
College	22	33.3	21	31.8
Secondary	26	39.4	26	39.4
Unfinished secondary	1	1.5	1	1.5
<b>Total:</b>	<b>66</b>	<b>100</b>	<b>68</b>	<b>100</b>

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

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

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

There were no powers of attorney for Issuer's bodies to issue or buy Issuer's shares in 2014.

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

##### **General information about the Company's managing bodies**

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

- The General Shareholders Meeting;
- The Supervisory Board (elected by the General Shareholders Meeting of 3 members for 4 years);
- The Board (elected by the Supervisory Board: 4 members for 4 years);
- The Chief Executive Officer (General Director) who is elected by the Company's Board.

The Company's Articles of Association may be amended by the decision of the General Shareholders Meeting which would be adopted by a qualified majority of vote of at least 2/3 of all the votes carried by the shares of the shareholders attending the meeting, whose shares grant them more than 1/2 of all votes.

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

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

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

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

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

#### ***Other information about the Company's managing bodies***

##### **The Supervisory Board:**

Name, surname	Position	Beginning of term	End of term
Raimondas Kurlianskis	Chairman	06/02/2015	06/02/2019
Inga Žemkauskienė	Member	06/02/2015	06/02/2019
Dalius Balceris	Member	06/02/2015	06/02/2019
Leena Maria Saarinen	Chairman	03/10/2011	05/12/2014
Vytautas Junevičius	Member	03/10/2011	05/12/2014
Jan Aberg	Member	03/10/2011	05/12/2014
Mats A Andersson	Member	03/10/2011	19/04/2013

The additional information about the current Supervisory Board members:

##### **Raimondas Kurlianskis**

Education: University degree, Vilnius University, Faculty of Economics, Labour Economy; Vilnius University, International Business School, Administration of International Business

Participation in other companies' activities:

Vicepresident and Board member of the MG Baltic group.

General Director and Chairman of the Board of MG Baltic Media, UAB

Director and Chairman of the Board of Alfa Media, UAB

Board member of MG Baltic Investment UAB,

Chairman of the Board of UPG Baltic UAB,

Chairman of the Board Mediafon UAB,

Chairman of the Board Laisvas ir nepriklausomas kanalas UAB,

Chairman of the Supervisory Council of Anykščių vinas, AB,

He does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

##### **Inga Žemkauskienė**

Education: University degree, Vilnius University, Faculty of Law; specialisation- civil law.

Participation in other companies' activities:

Attorney at Law and partner at law firm Raulynaitis, Žemkauskienė and Partners

Lecturer of civil procedure at Mykolas Romeris University.

Member of the Supervisory Council of STUMBRAS, AB

Member of the Supervisory Council of Anykščių vinas, AB,

She does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.



**Dalius Balceris**

Education - University degree, Vilnius University, Faculty of Law; specialisation- civil law

Participation in other companies' activities:

Attorney at Law and partner at law firm Raulynaitis, Žemkauskienė and Partners

Member of the Supervisory Council of STUMBRAS, AB

Member of the Supervisory Council of Anykščių vynos, AB,

He does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

The additional information about the former Supervisory Board members:

**Leena Maria Saarinen**

Education University degree, Master of Science, Food Technology.

Participation in other companies' activities:

Member of the Board in a Finnish Company Virvo Oy,

Chairwoman of the Board in a Finnish company Suomen from Finland.fi Oy,

Chairwoman of the Board in a Finnish Company Nofu Oy (has 7% of shares),

Board member in a Finnish company Helsingin Mylly Oy,

Member of the Board in a Finnish Company Arla Ingman Oy,

Member of the Board in a Finnish Company Digia Oy,

Member of the Board in a Finnish Company Image Wear Oy,

Member of the Board in a Norwegian Company Arcus-Gruppen AS,

Member of the Board of Finnish Company Etteplan Oyj.

She had no shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

**Vytautas Junevičius**

Education –University degree, engineer–economist; the specialist in international economic relationships.

From 1994 to 2009 the CEO of Alita AB (on 07/10/2009 the name was changed to ALT investicijos); from 07/10/2009 to 30/11/2009 the CEO of the Company Group ALITA, AB; from 01/12/2009 to 31/10/2011 worked as an advisor to the CEO of the Company Group ALITA, AB; since 01/11/2011 to 31/12/2014 had worked as a senior advisor to the CEO of the Company Group ALITA.

Participation in other companies' activities:

Chairman of the Board of Anykščių vynos AB (since 26/04/2012 to 05/12/2014),

Board member of Šiaulių bankas AB,

Vice President of Vilnius Chamber of Commerce, Industry and Crafts.

Until 05/12/2014 he had 2,895,364 (or 14.48%) of the Company Group ALITA, AB shares, 320,560 or 0.13% of Šiaulių bankas AB shares. He had no shares in Anykščių vynos AB.

**Jan Aberg**

Education: University degree, Bachelor of Business Administration and Economics, Stockholm Economics School/Institute for Managers – integrated leadership, Swedish Institute for Quality – the inspector.

Participation in other companies' activities:

Chief Executive Officer of a Swedish company FR&R Invest AB,

Member of the Board of Luxembourg companies FR&R Invest Lux Holding S.A and FR&R Invest IGA S.A.

Member of the Board of a Dutch Company FR&R Nemo BV.

He had no shares in Company Group ALITA, AB and Anykščių vynos AB.

During 2014 no loans were granted to, guaranties issued to or sureties granted for the obligations of the members of the Supervisory Board.

**The Board:**

Name, surname	Position	Beginning of term	End of term
Vidas Lazickas	Chairman	05/12/2014	05/12/2018
Justas Rameika	Member	05/12/2014	05/12/2018
Romanas Raulynaitis	Member	05/12/2014	05/12/2018
Marijus Strončikas	Member	05/12/2014	05/12/2018
Carl Andreas De Neergaard	Chairman	23/07/2012	05/12/2014
Vaidas Mickus	Member	23/07/2012	05/12/2014
Algirdas Ragelis	Member	23/07/2012	05/12/2014

The additional information about the current Board members:

**Vidas Lazickas**

Education: University degree, Vilnius Construction Technical School, Industrial and Civil Contraction. Vilnius University, Faculty of Economics, Management and Arrangement of Production.

Participation in other companies' activities:

Director of Economy and Finances and Board member of the of the MG Baltic group,

Director General and Board Member of MG Baltic Investment,

Director and Board member of Minvista UAB,

Director of Eminta UAB,

Board member of MG Baltic Trade UAB,

Board member of Apranga APB,

Board member of Laisvas ir nepriklausomas kanalas UAB,

Board member of MG Baltic Media UAB,

Board member of MV Eesti OU,

Board member of MV Latvia SIA,

Board member of MV Poland S.P. z.o.o,

Board member of MG Valda UAB,

Chairman of the board of Anykščių vynas, AB,

Chairman of the board of Mitnija UAB

Director of Euvalda UAB,

Chief accountant Extera UAB.

He does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

**Justas Rameika**

Education: University degree, Vilnius University, Faculty of Economics; Europese Hogeschool Brussel, Faculty of Economics; Vilnius University, Business Management.

Participation in other companies' activities:

Chief financial officer of UAB MG Baltic Trade;

Finance controller of MG Baltic Group;

Board member of Alfa Media UAB,

Board member of UPG Baltic UAB,

Board member of Minvista UAB,

Board member of MV Poland S.P. z.o.o,

Board member of Anykščių vynas, AB,

He does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

**ROMANAS RAULYNAITIS**

Education: University degree, Vilnius University, Faculty of Economics; Vilnius University, Faculty of Law; Vilnius University, Faculty of History.

Participation in other companies' activities:

Lawyer and partner of lawyer firm Raulynaitis, Žemkauskienė ir partneriai;

Board member of MG Baltic group;

He does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

**Marijus Strončikas**

Education: University degree, Kaunas University of Technology (KTU), Informatics, Master; Baltic Institute of Corporate Governance (BICG), Professional Board Member (Executive education).

Participation in other companies' activities:

IT and Purchasing Director at MG Baltic Group;

Board member of Apranga APB,

Board member of Anykščių vynos, AB,

He does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

The additional information about the former Board members:

**Carl Andreas de Neergaard**

Education: University degree (Bachelor and Master of Accounting and Corporate Finance).

Participation in other companies' activities:

Investment manager in Swedbank AB, Sweden.

He had no shares in Company Group ALITA, AB and Anykščių vynos AB.

**Vaidas Mickus**

Education: University degree (Business Administration – Bachelor, Accounting and Audit – Master's degree).

Participation in other companies' activities:

Finance & IT Director of the Company group ALITA, AB from 24/05/2012 to 23/07/2012; the CEO of the Company Group ALITA, AB since 24/07/2012 to 09/02/2015.

Board member of Anykščių vynos AB since 26/07/2012 to 05/12/2014.

He had no shares in Company Group ALITA, AB and Anykščių vynos AB.

**Algirdas Ragelis**

Education: University degree (Bachelor of Mechanical Engineering).

Production Director of the Company Group ALITA, AB since 16/01/2012.

He does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

The former Board members Vaidas Mickus and Algirdas Ragelis are the employees of the Company, they are paid a salary in accordance with their employment agreements and are ensured all social guarantees as prescribed by the Collective Agreement. Other Board members were not paid a salary or other payments during 2014. Board members were not granted any loans, no guaranties were issued and no sureties were granted to cover their obligations.

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

Name, surname	Position	Beginning of term	End of term
Česlovas Matulevičius	General Director	10/02/2015	
Vaidas Mickus	General Director	23/07/2012	09/02/2015
Vaidas Mickus	Finance and IT Director	24/05/2012	23/07/2012
Justinas Damašas	Finance and IT Director	18/02/2013	
Alina Miežiūnienė	Chief Accountant	07/10/2009	

Additional information about the current General Director and Chief Accountant:

**Česlovas Matulevičius**

Education: University degree

Participation in other companies' activities:

General Director and Board Member of Stumbras AB,

Board Member of Mineraliniai Vandeny UAB,

Board Member of MV Eesti OU,

Board Member of MV Latvia SIA,

Board Member of MV Poland S.P. z.o.o,

He does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

**Justinas Damašas** – Finance and IT Director.

Education – University degree (Management and Business Administration – the Bachelor’s and Master’s degree).  
He does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

**Alina Miežiūnienė** – Chief Accountant.

Education – University degree (Accounting and Auditing, the Economist).  
She does not own any shares in Company Group ALITA, AB and AB ANYKŠČIŲ VYNAS.

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

**The information about estimated average amounts for the Company’s one member of the Supervisory Board, the Board and the Administration during the year 2014 and 2013:**

	Average members number during the period		Benefits for carrying out the Supervisory Board or the Board member functions, thousand LTL		Salary and related benefits, thousand LTL**		Other benefits, thousand LTL		Average benefits for one member, thousand LTL per month*	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Supervisory Board members	3	3	-	-	248.6	252.3	-	-	90.4	77.6
Board members	3	3	-	-	513.2	485.1	-	21.2	166.6	159.8
Administration members	3	3	-	-	617.2	508.6	21.2	37.0	212.8	186.8

\* Average numbers estimated by accurate actual average number during the relevant period.

\*\* - includes only the calculated and paid amounts and does not include the accruals for bonuses, if any (ref. to Note 27 of the financial statements of the Company).

***The subsidiary company’s Anykščių vynos AB managing bodies***

Under the Articles of Association of ANYKŠČIŲ VYNAS AB, which were valid until 22 January 2015 the company’s management bodies were:

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

On 22 January 2015 extraordinary shareholders meeting of ANYKŠČIŲ VYNAS AB approved the new bylaws that were on the same date registered in the Register of Legal Entities. The new bylaws contain the following governing bodies:

The General Shareholders Meeting;  
The Supervisory Board (of 3 members elected for 4 years by the General Shareholders Meeting);  
The Board (elected by the Supervisory Board: 3 members for 4 years);  
The Head of the Company (Director) who is elected by the company’s Board.

The General Shareholders Meeting works under the competence set by the Company Law of the Republic of Lithuania and by ANYKŠČIŲ VYNAS AB Articles of Association.

The company's Articles of Association may be amended only by resolution of the General Shareholders Meeting passed by at least 2/3 majority vote of the shareholders present at the General Meeting following the order provided for in the Law on Companies.

The Supervisory Board is the collegial supervision body 3 members elected for 4 years by the General Shareholders Meeting. The Chairman is elected from the Supervisory Board members. The Supervisory Board members' tenure is unlimited.

The Board is a collegial management body 3 members, elected for 4 year by the Supervisory Board. The Chairman of the Board is elected from the Board members. The Board members tenure is unlimited.

The Head of the company – Director is a sole company's governing body, whose competence is foreseen by the Company Law of the Republic of Lithuania and Articles of Association of the company. The Head of the company is elected and dismissed by the Board. The Head of the company approves the Rules of Administration Work, organizes daily activities of the company and represents the company in the relationships with the third parties, and performs other functions prescribed by the bylaws.

#### **The Supervisory Board:**

Name, surname	Position	Beginning of term	End of term
Raimondas Kurlianskis	Chairman	06/02/2015	06/02/2019
Inga Žemkauskienė	Member	06/02/2015	06/02/2019
Dalius Balceris	Member	06/02/2015	06/02/2019

Additional information about the current Supervisory Board members is presented under the additional information about the managing members of the Company Group ALITA, AB.

#### **The Board:**

Name, surname	Position	Beginning of term	End of term
Vidas Lazickas	Chairman	22/01/2015	22/01/2019
Justas Rameika	Member	22/01/2015	22/01/2019
Marijus Strončikas	Member	22/01/2015	22/01/2019
Vytautas Junevičius	Chairman	26/04/2012	05/12/2014
Vaidas Mickus	Member	26/07/2012	05/12/2014
Audrius Zuzevičius	Member	09/11/2012	05/12/2014
Artūras Tiurinas	Member	09/11/2012	22/11/2013

Additional information about the current Board members is presented under the additional information about the managing members of the Company Group ALITA, AB.

#### ***Additional information about the former Board members of Anykščių vynas AB:***

##### **Audrius Zuzevičius**

Education: University degree (engineer-mechanic).

Director of Anykščių vynas AB since 23/01/2012.

He had no shares in Company Group ALITA, AB and Anykščių vynas AB.

##### **Artūras Tiurinas**

Education: University degree (Bachelor and Master Degree in Managing and Business Administration).

He had no shares in Company Group ALITA, AB and Anykščių vynas AB.

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

The former Board member Audrius Zuzevičius is the employee of the company, he is paid a salary in accordance with his employment agreement and is ensured all social guarantees as prescribed by the Collective Agreement. In 2014 no salary was paid and no other payments were made to other Board members. During 2014 Board members of Anykščių vynas AB were not granted any loans, no guaranties were issued and no sureties were granted to cover their obligations.

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

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

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

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

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

The information about estimated average amounts for the company's one member of the Supervisory Board, the Board and the Administration during the year 2014 and 2013 (thousand LTL per year)

	Average members number during the period		Benefits for carrying out the Supervisory Board or the Board member functions		Salary and related benefits		Other benefits		Average benefits for one member	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Board members	3	3	-	-	85.3	71.5	-	-	31,0	23.8
Administration members	2	2	-	-	146.5	124.0	-	-	73.3	62.0

**2.10. The Audit committee**

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

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

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

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

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

### ***2.11. Significant agreements and related party transactions***

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

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

Also, consulting contracts are concluded for provision of consulting services with legal persons associated with former members of the Supervisory Board, the contracts with former Supervisory Board members on Supervisory Board members' duties. The Company has signed a distribution agreement with the main shareholder UAB Mineraliniai Vandensys. No other material transactions or deals have been concluded with the shareholders, employees, members of the Board, members of the Supervisory Board or their immediate relatives.

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

Other information about the transactions with related parties in 2014 is presented in Note 27 to the separate financial statements and Note 27 to the consolidated financial statements.

#### ***Sureties between the companies of the Group***

Information about the surety contracts between the Group and also other sureties is presented in Note 28 of the consolidated financial statements.

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

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

### ***2.13 Information about other significant agreements between related parties***

The information about significant agreements between related parties and transactions with the related parties of the previous periods and of the period of 2014 is published in the annual audited financial statements and in the financial statements for the previous years of the Company Group ALITA, AB, which can be found at [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com) or at [www.alita.lt](http://www.alita.lt).

## 2.14 Data about the publicly disclosed information

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

Date	Name of the notification
28/02/2014	Consolidated non-audited annual results of Company Group ALITA, AB of 2013
04/03/2014	The Serbian Commercial Appellate Court annulled the decision of the Belgrade Commercial Court and returned the case for re-examination
17/03/2014	Decision of the Lithuanian Court of Appeals regarding abolishment of the decision of Kaunas Regional Court of 27 March 2013 and dismissal of the claim of minority shareholder Plass Investments Limited was received
19/03/2014	Regarding convocation of Annual General Meeting of Shareholders of Company group ALITA AB
19/03/2014	Regarding the adopted decisions of the Board of Company group ALITA AB, related to the Annual General Meeting of Shareholders, being convened
08/04/2014	The Belgrade Commercial Court dismissed the request to set-aside the partial arbitral award
10/04/2014	Company Group ALITA AB annual information for the year 2013
10/04/2014	Decisions of annual general meeting of shareholders of Company group ALITA, AB
05/05/2014	Consolidated non-audited results of Company Group ALITA, AB for the I quarter of 2014
26/05/2014	The cassation appeal of Plass Investments Limited was accepted to examine
07/08/2014	Consolidated non-audited results of Company group ALITA, AB for the first half of 2014 year
25/09/2014	Share Sale-Purchase Agreements for sale of the controlling block of shares in the company have been signed
26/11/2014	Consolidated non-audited results of Company Group ALITA, AB for the first 9 months of 2014 year
05/12/2014	Transaction under the Share Sale-Purchase Agreements for sale of the controlling block of shares in the company has been completed
09/12/2014	Notification on the disposal of voting rights
09/12/2014	Notification on the acquisition of voting rights
09/12/2014	Notification about the intention to submit a mandatory tender offer
12/12/2014	The Chairman of the Board of Directors has been elected
12/01/2015	Ruling of the Supreme Court of Lithuania regarding upholding of the decision of Lithuanian Court of Appeals of 14 March 2014 and dismissal of the claim of minority shareholder Plass Investments Limited was received
13/01/2015	Notification regarding approval of the circular of the mandatory tender offer
15/01/2015	Regarding the announcement of the non-competitive mandatory tender offer circular
15/01/2015	Regarding convocation of Extraordinary General Meeting of Shareholders of Company group ALITA AB
15/01/2015	Regarding the adopted decisions of the Board of Company group ALITA AB, related to the Extraordinary General Meeting of Shareholders, being convened
23/01/2015	Opinion of the board of Company group ALITA AB about the announced mandatory non-competitive official offer to buy shares of the company
05/02/2015	The report on the implementation of mandatory non-competitive tender offer was received
06/02/2015	Decisions of an Extraordinary General Meeting of Shareholders of Company group ALITA, AB
09/02/2015	Regarding revocation of the general manager of the company, appointment of a new general manager and chairman of the supervisory council
17/02/2015	Registration of the new wording of articles of association of the company
27/02/2015	Consolidated non-audited results of Company Group ALITA, AB for the 12 months of 2014 year



## **2.15 The risk factors related with the Issuer's activity**

The main risk factors which had an impact on the Company's economic-financial performance in 2014 and which are significant for its future:

### *Legal risk*

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

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

### *Consumption*

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

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

### *Market risk. Currency rates*

The Company's functional currency was Litas, starting 1 January, 2015 – EUR. The Company is exposed to the currency risk in respect of procurement and borrowing from banks as well as due to sales and accounts receivable in other currencies than Litas or Euro.

### *Procurement*

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

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

### *Seasonality*

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

### *Credit risk*

Due to the specific activity the Company is exposed to a large credit risk: over 73% of its turnover falls to a few major wholesale customers. The Company applies procedures, ensuring assessment and monitoring of the customers' credibility as well as encouragement of more favourable terms of settlement. The Company does not guarantee for the other parties trading obligations.

### *Financial risk*

On 31 December 2014 the Group companies had 39.6 million LTL (11.5 million EUR) of long-term loans and leasing liabilities and 11.2 million LTL (3.2 million EUR) of short-term loans and leasing liabilities. The current level of the Company's financial debt may affect that the additional attraction of the loaned capital to carry out the future financial demands could be relatively complicated and/or relatively expensive.

More information about the Company's loans and interest rates is included in Note 18 of the audited separate financial statements and Note 18 to the consolidated financial statements for 2014.

### *Top management and high qualification employees*

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

### *Environmental protection*

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

### *Quality of the Products*

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

### *Intellectual property*

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

Other social, technical, technological and ecological factors are deemed to have no major impact on the Company's business and financial activities in 2015.

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

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

**2.17. The main lawsuits and arbitrations**

The information about the main lawsuit and arbitrations in 2014 is included in Note 28 of the audited separate financial statements and Note 28 of the consolidated financial statements.

**2.18 Information regarding compliance with the Corporate Governance Code**

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

**2.19. Significant events after reporting period**

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

**3. DATA ABOUT ISSUER'S ACTIVITIES**

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

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

The most popular trademark is the sparkling wine “Alita”. The sparkling wine is one of the most important and representative product of the Company. The production of this wine is close to the classical production technology of champagne, because the same biochemical processes are taking place in the tanks during the fermentation as when you ferment champagne in the classical method in the bottles. During these processes the wine is saturated with carbonic acid naturally. The sparkling wine “Alita” sweet few years in the row in the competition of Lithuanian Association of Trade Companies and the biggest trade networks was recognized as the most popular item in its category. In 2013 two new product was presented to consumers – rose sparkling wine “Alita Rosé” and quality red sparkling wine “Alita Cabernet Sauvignon”. In 2014 the range was extended by introducing one more sparkling wine – “Alita Riesling” which received positive evaluation right from the start. Also in 2014 the consumers were presented with another novelty – especially light and fresh tasting semi sparkling wine “Alita RUBY”. It is a synthesis of new trade mark and new semi sparkling wine technologies developed at the factory.

The consumers also appreciate brandies “Alita”, “Alita XO”, “Alita Reserva”. In 2011 the white brandy “Pure” with no analogue in the Lithuanian market was presented to consumers and it received very favourable valuation from consumers. It was awarded the Silver medal in the competition “Prodexpo 2012” in Moscow in 2012. Because of the great success of this white brandy the Company released classic taste brandy “Pure Black”. Brandy “Pure Black” in Moscow at the international Exhibition PRODEXPO-2013 was awarded by Silver medal.

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

The subsidiary company Anykščių vynas AB, established in 1926, has the biggest experience in the production of the natural fruit-and berry wine. The Company began to produce the berry wine in 1927. The range was adjusted by the constant changing taste of the consumer, but the natural black currant wine remained one of the most popular. In 2007 the black currant wine was named after the Mindaugas castle Voruta, which, according to predictions of researchers, was near Anykščiai. Being popular several years ago the traditional Lithuanian drinks – natural wines – find their consumer and a team of admirers again. This was proved in December 2009, when the black currant wine “Voruta” was awarded the name of the Nation Heritage by the Ministry of Agriculture of Lithuania. The natural currant wine “Voruta” was awarded the gold medal in the competition “The Lithuanian Year Product 2010”. It was already the second award of this product. In 2009 “Voruta” was also awarded the gold medal in the competition of the alcoholic drinks “Zolotoj Grifon” in Yalta. Natural chokeberry wine “Voruta” in the competition “Lithuanian Product of the Year 2011” was awarded by gold medal. In 2013 new taste in Voruta product range has been provided to the customers – natural apple wine Voruta. In 2014 another taste was added – garden fruit. This product had been successfully integrated into “Voruta” natural wines family.

At the end of 2014 new product was provided to the market – originally bottled sweet apple and sweet cherry wine.

### ***3.1. Quality and environment managing systems***

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

The activity of each organization has an influence not only on the production quality but also on the environment, people and workers' health. In order to manage its activity, product influence upon the environment, the Company operates in conformity with the requirements of the standards of the Environment Management System EN ISO 14001:2004. In 2014 the recertification audits of the Management Quality System were performed in the Company Group ALITA, AB according to EN ISO 9001:2008 standard and Anti-pollution Management System according to EN ISO 14001:2004 standard. During the audit no discrepancies were detected and the above mention certificates (issued in 2011) were left in force until 25 August 2017.

In 2014 the Company Group ALITA, AB carried out the environmental objectives and targets. The main source of pollution is the boiler room but pollution ration into atmosphere had not been exceeded during the last years. The Company had no fines or restrictions or halts of production activities because of the environmental damage. There were no other risk factors or accidents.

In 2014 the measures under the Environment Protection project were implemented. During 2014 the Company had used 2,960 MWh (2013 – 2,850 MWh) of electricity, 41.1 thousand m<sup>3</sup> (2013 – 36.7 thousand m<sup>3</sup>) of water and 749.8 thousand m<sup>3</sup> (2013 – 793.7 thousand m<sup>3</sup>) of natural gas.

The Company has the agreement with packaging waste recycler. During 2014 the Company bought 4,929 tons of glass packaging, 47.8 tons of plastic packaging, 300.6 tons of paper and cardboard packaging, 41.5 tons of wooden packaging and 0.06 tons metallic packaging of waste recycling services.

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

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

### **3.2. Belonging to the associated organizations**

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

- Association GSI Lithuania;
- The National Governors Association's power grid;
- Legal Business Alliance;
- Personnel management professionals association;
- Lithuanian Confederation of Industrialists;
- Vilnius Chamber of Commerce, industry and crafts

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

### **3.3. Short review of Issuer's activities**

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

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

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

During the year 2014, exports sales of alcohol drinks expanded by 27%, and export part in the total sales expanded by 26%. This is the fifth year of the ongoing upward trend in the main export markets – Russia, Latvia, Estonia and other. Company Group ALITA AB started to export to Denmark and renewed trade with Poland this year. Export sales had grown because of successful cooperation with the main retail chains in the Baltic States and outsourcing projects.

In 2014 the Company applied for European Union structural assistance and received approval for the new project "Company Group Alita, AB export markets development" which is expected to help to increase sales in Western and Eastern Europe and China markets. Due to this project, Company participated in these exhibitions: "PRODEXPO-2014" in Moscow, "PROWEIN-2014" in Dusseldorf, "VINEXPO-2014" in Hong Kong, "POLAGRA-2014" in Poland.

Much attention is paid to the development of new products and their quality. 41 new products, including outsourced products, were presented to the consumers in 2014.

## **4. FINANCE**

2014 was profitable for the Group. The improvement of financial results was influenced by the rapid increase in export sales and successful marketing strategy in Lithuanian market.

Company group ALITA, AB consolidated activity results for the 12 months of 2014 year according to the International Financial reporting standards– 5.6 million LTL (1.6 million EUR) profit before taxes. In comparison with the same period in 2013 the result before taxes has increased by 0.9 million LTL (0.3 million EUR). The positive financial results were influenced by rapidly growing export and successful marketing strategy in Lithuanian market.

The consolidated sales revenue for the 12 months of 2014 year amounted to 95.8 million LTL (27.7 million EUR) and in comparison with the same period in 2013 almost unchanged. At the same period of 2013 the sales revenues were 95.9 million LTL (27.8 m EUR).

Other financial information is presented in the separate and consolidated financial statements for the annual period ended on 31 December 2014.

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

## 5. THE COMPANY AND THE SOCIETY

The Company Group ALITA, AB and Anykščių vynas AB contribute to the social and cultural life of the country and towns where the companies are settled. In 2014 the budget of the Republic of Lithuania received 82.8 million LTL in the form of different taxes. The taxes divided up as follows (thousands of LTL):

The name of the tax	The Company Group ALITA, AB	Anykščių vynas AB	Total
Excise duty	49,662	7,289	56,951
Value added tax	16,526	2,383	18,909
Social insurance fees	2,878	601	3,479
Income tax	1,202	-	1,202
Income tax from the salary	998	170	1,168
Packaging costs	699	91	790
Other taxes	211	76	287
<b>Total</b>	<b>72,176</b>	<b>10,610</b>	<b>82,786</b>

The Company Group ALITA, AB and Anykščių vynas AB concluded the collective agreements where the benefits for the social care were foreseen, giving the allowances to the Company workers. In 2014 the Company paid 47.9 thousand LTL, Anykščių vynas AB paid 10.5 thousand LTL to different pay-outs for the employees. Every year the funds are dedicated for the social-cultural program for the Group's workers.

## 6. THE COMPANY'S PLANS AND PROJECTIONS

The economic and social situation will have the main impact for the sales growth in 2015, so it is difficult to forecast the Company's turnover and profit. The main goals planned for 2015:

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

The management and the shareholders are active in order to ensure the financial stability of the Company, to balance the cash flows. Over the past few years many funds have been provided for investments and many production improvement and efficiency issues were solved. The Company does not have investment plans approved for 2015; however, minimal planned investment should be 384.5 thousand EUR.

General Director

Česlovas Matulevičius

## To the Consolidated Annual Report for 2014 of the Company Group ALITA, AB

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

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

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

<p>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.</p>	<p>Yes</p>	<p>The Supervisory Council of the Company is responsible for effective supervision of the activities of the management bodies of the Company (i.e. to elect and remove the Board members; if the Company operates unprofitably, to consider whether the Board members fit to perform their duties; to supervise the activity of the Board and the manager of the Company; to submit its proposals and comments to the General Meeting of Shareholders on the Company's operating strategy, the activity of the Board and the manager of the Company; to carry out other activities assigned to it by laws and other regulations).</p> <p>The Board of the Company is responsible for proper strategic management of the Company (i.e. to approve the business strategy of the Company, to adopt the most important decisions prescribed by legal acts regarding the organisational and management structure of the Company, transactions, different obligations to be assumed, etc.).</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.</p>	<p>Not applicable</p>	<p>The Company has both the Board and the Supervisory Council.</p>
<p>2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.<sup>1</sup></p>	<p>Yes</p>	<p>A collegial supervisory body elected by the General Meeting of Shareholders – the Supervisory Council operates as of 6 October 2011. Candidates to members of the Supervisory Council are nominated and the voting for these candidates is conducted in compliance with the procedure prescribed by laws and following the Shareholders' Agreement(s), in so far it is authorised by the laws of the Republic of Lithuania.</p>
<p>2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.<sup>2</sup></p>	<p>Yes</p>	<p>Under the Articles of Association, the Board of the Company consists of 4 members. 4 Board members (out of 4 possible) are elected. Under the Articles of Association, the Supervisory Council consists of 3 members. 3 members (out of 3 possible) of the Supervisory Council are elected. Every member has one vote when decisions are taken by these bodies.</p>
<p>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.</p>	<p>Yes</p>	<p>Members of the Supervisory Council are elected for the maximum period stipulated by the Law on Companies – 4 years; the number of their terms of office is not limited. Furthermore, there are no restrictions as to the re-election of members. The General Meeting of Shareholders may remove the Supervisory Council or its members before the expiry of the term of office thereof. A member of the Supervisory Council may also resign from office before the expiry of his term of office by giving a written notice in this regard to the Company at least 14 calendar days in advance. The procedure for removing a member of the Supervisory Council is not easier than the removal procedure applied to a Board member.</p>

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

<sup>2</sup> Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.



<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The chairperson of the Supervisory Council was not the Director of the Company; his present or former offices are not an obstacle for implementing independent and impartial supervisions.</p>
<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup></b></p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>Under the Articles of Association (registered with the Register of Legal Entities on 12 February 2015), the General Meeting of Shareholders elects the Supervisory Council. Candidates to members of the Supervisory Council are nominated and the voting for these candidates is conducted in compliance with the procedure prescribed by laws and following the Shareholders' Agreement(s), in so far it is authorised by the laws of the Republic of Lithuania. The Supervisory Council submits its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, set of annual financial statements, draft of profit/loss appropriation and the annual report of the Company as well as the activities of the Board and the manager of the Company, informs the meeting of shareholders in case the financial standing of the Company has deteriorated below the values presented in the Strategic Business Plan.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>Yes</p>	<p>The information about the candidates to members of the Supervisory Council is put in the papers of the General Meeting (where the candidates are nominated in advance) and the shareholders may familiarise with such information beforehand in accordance with the procedure prescribed by the Law of the Republic of Lithuania on Companies. The data on the members of the Supervisory Council is compiled, specified and presented in the Annual Report of the Company and the Register of Legal Entities of the Republic of Lithuania.</p>
<p>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.</p>	<p>Yes</p>	<p>The candidates to members of the Supervisory Council inform the General Meeting about their education, working experience and expertise. The Annual Report provides the composition of the Supervisory Council, the education and working experience of its members.</p>

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

<p>3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>Yes/No</p>	<p>The members of the Supervisory Council of the Company have the proper qualification, long-term expertise and versatile knowledge and experience to fulfil their tasks properly; however, no periodical evaluation takes place.</p> <p>As of 19 April 2013, the functions of the audit committee in the Company are being performed by the Supervisory Council, the members of which have a recent knowledge and relevant experience in the fields of finance and accounting for the stock exchange listed companies.</p> <p>The Company has no remuneration committee. The Board of the Company implements separate functions of the committee.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>No</p>	<p>New members of the Supervisory Council familiarise with their duties, the Company and its activity individually. No annual review is conducted subject to the condition that persons participating in the activity of the Company and other organisations have sufficient knowledge and skills.</p>
<p>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<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>No</p>	<p>Until now the Company has not assessed the independency of members of elected collegial bodies and the content of the definition of adequacy of independent members has not been discussed. In any case, in performing their duties, the members of the Supervisory Council try to avoid conflicts of interest. The General Meeting of Shareholders, which has elected the candidates who receive the most votes, decides whether or not to have an independent member in the Supervisory Council. In nominating their candidates to the Supervisory Council and voting for them, the shareholders follow their own opinion which candidates will represent their interests the best.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <p>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</p>	<p>No</p>	<p>The documents governing the activity of collegial bodies of the Company do not define the independency criteria for collegial bodies; however, considering the provided criteria, it could be stated that the members of the Supervisory Council of the Company are not independent.</p>

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

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

<p>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;</p> <p>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);</p> <p>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);</p> <p>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;</p>		
<p>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;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
<p>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.</p>	No	The Company has not established additional criteria regarding the independency of the members of the Supervisory Council.
<p>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.</p>	No	The Company has not applied the disclosure of independence criteria referred to in the Code in practice yet (see items 3.6, 3.7).
<p>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.</p>	No	The Company has not applied the evaluation and disclosure practice of independence of the members of a collegial body yet (see items 3.6, 3.7).

3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. <sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	See items 3.6, 3.7.
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance. <sup>8</sup>	Yes	Under the Articles of Association of the Company, the Supervisory Council assesses the financial standing of the Company, among other things, by comparing financial performance of the Company reflected in the financial statements against the values of the Strategic Business Plan. The Supervisory Council submits its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, set of annual financial statements, draft of profit/loss appropriation and the annual report of the Company as well as the activities of the Board and the manager of the Company, and performs other functions assigned to it in the Articles of Association of the Company and the Law on Companies.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) maintain under all circumstances independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes/No	<p>According to the information available to the Company, the members of its Supervisory Council act in good faith with regard to the Company, in the interest of the Company and its shareholders and not in their own or third party interests, ensuring that their independency when taking decisions is maintained.</p> <p>The Company has no independent members of the Supervisory Council.</p>
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 <sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The members of the Supervisory Council actively participate in the meetings of the Supervisory Council and devote sufficient time and attention to the performance of their duties. No member of the Supervisory Council has participated in less than half of the meetings of the Supervisory Council yet.

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

<sup>7</sup> See Footnote 3.

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

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

<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The Company complies with the specified recommendations, the Supervisory Council treats all the shareholders of the Company fairly and impartially. The members of collegial bodies, prior to taking any decision the criteria of which are stipulated in the Articles of Association, consider the impact of the decision on the shareholders. The shareholders are provided with information in accordance with the procedure prescribed in the Articles of Association, and no more information than required by legal acts is provided to the shareholders.</p>
<p>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.</p>	<p>Yes</p>	<p>The Articles of Association does not provide for that transactions 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.</p>
<p>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<sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>Yes/No</p>	<p>The persons that elected the members of the Supervisory Council do not affect the work and decisions of the Supervisory Council. The members of the Supervisory Council are authorised to receive the information and documents necessary to perform their duties properly through the Board and the manager of the Company. The collegial bodies of the Company are provided with all financial means and other conditions necessary for their work. The Company has no Remuneration Committee.</p>
<p>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<sup>11</sup>. 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.</p>	<p>Yes/No</p>	<p>The Supervisory Council has no independent members. However, activities of the collegial body are organized so the members of the body have significant influence over material issues, where conflicts of interests are highly possible. The issues related to nomination of the members of the Board of the Company, approval of transactions with the Related Persons.</p> <p>Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.</p> <p>As of 19 April 2013, the functions of the audit committee in the Company are being performed by the Supervisory Council. The scope and the execution of these functions are established by the legal acts in force.</p>

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

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

<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Yes/No</p>	<p>The Supervisory Council is fully responsible for decisions attributable to its field of competence.</p> <p>Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	<p>Yes/No</p>	<p>The functions of the audit committee are being performed by the Supervisory Council to which 3 members are elected (out of 3 possible).</p> <p>Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.</p>
<p>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.</p>	<p>No</p>	<p>Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.</p>
<p>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.</p>	<p>Yes/No</p>	<p>The Supervisory Council which performs the functions of the audit committee has the right to invite the Director of the Company, Board members (member), employees responsible for finance and accounting, as well as external auditors.</p> <p>Decisions and other written documents approved by Supervisory Council performing the functions of the Audit Committee are presented to the Director and the Board of the Company.</p> <p>Nomination and remuneration committees are not formed; however, the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.</p>



<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) Properly consider issues related to succession planning;</li> <li>5) Review the policy of the management bodies for selection and appointment of senior management.</li> </ol> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>No</p>	<p>Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.</p>
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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;</li> <li>4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</li> <li>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>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);</li> </ol>	<p>No</p>	<p>Nomination and remuneration committees are not formed, however the Board and the Supervisory Council carry out separate functions attributable to such committees, i.e. assess the skills, knowledge and experience of individual directors, consider the general policy of application of the remuneration (including incentives) system.</p>

<p>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.</p> <p>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:</p> <p>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;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>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.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>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);</p> <p>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;</p> <p>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;</p> <p>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>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;</p>	<p>Yes</p>	<p>As of 19 April 2013 the functions of the audit committee are being performed by the Company's Supervisory Council. The functions of the audit committee are performed to the scope as it is established by the legal acts in force and complies with recommendations stated under item 4.14 of this Code.</p>



<p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>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.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>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.</p> <p>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.</p> <p>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.</p>		
<p>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.</p>	<p>No</p>	<p>Corporate documents of the Company do not provide for individual evaluation of the activity of a collegial body because the legal acts of the Republic of Lithuania do not require doing so. Decisions regarding the Company's activities are adopted by the Board, which is accountable to the General Meeting.</p>

<b>Principle V: The working procedure of the company's collegial bodies</b>		
<b>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.</b>		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The chairperson of the Board and the chairperson of the Supervisory Council implement these recommendations.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month <sup>12</sup> .	Yes	The Board of the Company organises its meetings or adopts written decisions at least once a month. When necessary, its meetings are held several times a month. The Supervisory Council organises its meetings or adopts written decisions at least once a quarter.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The members of the Supervisory Council and of the Board are informed about the future meeting in advance; the material for the discussion is handed in the fixed time.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The Company complies with the provisions of this recommendation.
<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b>		
<b>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.</b>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The authorized capital of the Company consists of the ordinary registered shares that grant equal rights to all the shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	In annual and half-yearly reports of the issuer, the Company discloses detailed information enabling an investor to draw valid conclusions on the acquisition of and the rights carried by the shares. The information is published in the Central Storage Facility ( <a href="http://www.crib.lt">www.crib.lt</a> ) and on the website of the Company.

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

<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.<sup>13</sup> 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.</p>	No	<p>The Company's Articles of Association does not provide for criteria of important transactions, following which selected transactions would be subject to approval of the general shareholders' meeting. The possibility to get acquainted and to take part in making important decisions to the Company is not given to all the shareholders.</p>
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.</p>	Yes	<p>The convocation of the General Meeting is published in the Central Storage Facility (<a href="http://www.crib.lt">www.crib.lt</a>) and on the website of the Company under the established procedure. The shareholders are allowed to get acquainted with the Company documents related to the agenda of the General Meeting, the terms and procedure prescribed in the Law of the Republic of Lithuania on Companies and in the Articles of Association of the Company.</p>
<p>6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	Yes	<p>The Company publishes the documents prepared for the General Meeting, including draft resolutions and adopted decisions, in the Central Storage Facility (<a href="http://www.crib.lt">www.crib.lt</a>) and on the website of the Company.</p> <p>The information related to the General Meeting convened and the decisions taken there at is provided in the information system of the stock exchange and on the website of the Company in the Lithuanian and English languages.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	Yes	<p>The shareholders of the Company may exercise the right to participate in the General Meeting either in person or through a proxy provided the person has a properly executed power of attorney. The Company also makes it possible for the shareholders to vote by filling up a general voting bulletin in absentia, as it is foreseen by the Law of the Republic of Lithuania on Companies.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	No	<p>The Company does not follow this recommendation. There was no need and request of the shareholders.</p>

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

<b>Principle VII: The avoidance of conflicts of interest and their disclosure</b>		
<b>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.</b>		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	Under the Company's opinion there were no failures to comply with this principle in 2014.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	Under the Company's opinion there were no failures to comply with this principle in 2014.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The Articles of Association of the Company registered with the Register of Legal Entities on 12 February 2015 does not provide for such obligation to inform; however, the Articles of Association of the Company provides that the Company's transactions with the Head of the Company, heads of the Company's structural departments or their deputies as well as with the persons related with these people should be approved by the Board.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes/No	The members of the Board and of the Supervisory Council of the Company have familiarised with these provisions and must comply with these recommendations
<b>Principle VIII: Company's remuneration policy</b>		
<b>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.</b>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not make a public statement of the Company's remuneration policy because it is the internal and confidential document of the Company. The general information on the average sizes of the payments of the separate groups of the workers and the total sum of the payoffs to the Company managers is stated in the Annual Report openly.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Not applicable	See item 8.1.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;	Not applicable	See item 8.1.

<p>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</p> <p>3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;</p> <p>4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</p> <p>5) Sufficient information on deferment periods with regard to variable components of remuneration;</p> <p>6) Sufficient information on the linkage between the remuneration and performance;</p> <p>7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</p> <p>8) Sufficient information on the policy regarding termination payments;</p> <p>9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</p> <p>10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</p> <p>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;</p> <p>12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;</p> <p>13) Remuneration statement should not include commercially sensitive information.</p>		
<p>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.</p>	<p>Not applicable</p>	<p>See item 8.1.</p>
<p>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.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <p>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;</p> <p>2) The remuneration and advantages received from any undertaking belonging to the same group;</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</p> <p>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:</p> <p>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</p>	<p>Not applicable</p>	<p>See item 8.1.</p>

<p>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;</p> <p>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;</p> <p>4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>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.</p> <p>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.</p>		
<p>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.</p>	Not applicable	See item 8.1.
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	Not applicable	See item 8.1.
<p>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.</p>	Not applicable	See item 8.1.
<p>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.</p>	No	The Company does not follow this recommendation.
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>	Yes	The Company followed this recommendation.
<p>8.11. Termination payments should not be paid if the termination is due to inadequate performance.</p>	No	The termination payments are paid following the legal acts, collective agreement existing in the Company and the employment contracts.
<p>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.</p>	No	The Company does not follow this recommendation.

8.13. Shares should not vest for at least three years after their award.	Not applicable	There is no practice of awarding shares in the Company.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	There is no such practice of awarding shares, share options or any other rights to acquire shares in the Company.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	There is no such practice of awarding shares, share options or any other rights to acquire shares in the Company.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Yes	Remuneration of non-executive or supervisory directors does not include share options.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	In the Company's general meetings issues regarding directors' remuneration are not being voted for.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The Company does not follow this recommendation.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	There is no such practice of remunerating directors in shares, share options or any other right to purchase shares in the Company.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting:  1) Grant of share-based schemes, including share options, to directors;  2) Determination of maximum number of shares and main conditions of share granting;  3) The term within which options can be exercised;  4) The conditions for any subsequent change in the exercise of the options, if permissible by law;  5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	The Company does not follow this recommendation.



8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	There is no such practice of remuneration in share options in the Company.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	No	There is no such practice in the Company.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	No	Schemes indicated in Article 8.19. are not practiced in the Company.
<p><b>Principle IX: The role of stakeholders in corporate governance</b></p> <p><b>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.</b></p>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The rights of stakeholders that are protected by law are respected.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	The stakeholders can take part in the Company management as far as the laws of the Republic of Lithuania allow.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The regulation is followed as far as it is allowed by the laws of the Republic of Lithuania.



**Principle X: Information disclosure and transparency**

**The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> <li>1) The financial and operating results of the company;</li> <li>2) Company objectives;</li> <li>3) Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>5) Material foreseeable risk factors;</li> <li>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7) Material issues regarding employees and other stakeholders;</li> <li>8) Governance structures and strategy.</li> </ol> <p>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.</p>	<p>Yes/No</p>	<p>The information, provided in these recommendations, except the information about remuneration referred to in item 4, is disclosed in these sources: in the Annual Report, Financial Statements and in its Explanatory Notes, in the Reports about the essential events. This information is published in the Central Storage Facility (<a href="http://www.crib.lt">www.crib.lt</a>) or on the website of the Company.</p>
<p>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.</p>	<p>Yes</p>	<p>The consolidated results of the activities of the Company group are disclosed.</p>
<p>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.</p>	<p>Yes</p>	<p>The information on the qualification and experience of the members of the collegial bodies is disclosed in the Annual Report. The payment policy is not disclosed openly because it is the internal and confidential Company document. The general information on the average sizes of the payments and the total sum of the payoffs to the Company managers is stated in the Annual Report openly.</p>
<p>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.</p>	<p>No</p>	<p>The Company does not follow this recommendation.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>The vital information is published in the Central Storage Facility (<a href="http://www.crib.lt">www.crib.lt</a>) and on the website of the Company in the Lithuanian and English languages.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>The vital information is published in the Central Storage Facility (<a href="http://www.crib.lt">www.crib.lt</a>) and on the website of the Company in Lithuanian and English.</p>

<p>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.</p>	<p>Yes</p>	<p>The Company takes account of this recommendation and publishes this information on the website.</p>
<p><b>Principle XI: The selection of the company's auditor</b></p>		
<p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></p>		
<p>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.</p>	<p>Yes</p>	<p>The independent auditor carries out the audit of the Company's annual financial statements and the audit of the annual report.</p>
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>No</p>	<p>The Board proposes a candidate firm of auditors to the General Meeting.</p>
<p>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.</p>	<p>Not applicable</p>	<p>The audit firm of the Company did not provide any non-audit services to the Company and so it did not receive any payment for it from the Company.</p>