AB VILNIAUS DEGTINĖ

Annual Financial Statements and
Annual Statement for the year ended
On the 31th December 2014

Contents

Company Information

AB Vilniaus degtinė

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

Management

Juozas Daunys, Director General

Dalius Rutkauskas, Buying and Selling Director

Genadij Jurgelevič, Production Director

Board

Darius Žaromskis

Juozas Daunys

Dalius Rutkauskas

Genadij Jurgelevič

Auditor

UAB Grant Thornton Rimess

Banks

AB DNB bankas

AB SEB bankas

AB Swedbank

Confirmation of the Responsible Persons

In accordance with the provisions Article 22 of Law on the Securities Market of the Republic of Lithuania and regulations for provision and preparation of periodical and additional information, confirmed by the Bank of Lithuania, we, the Director General Juozas Daunys and Chief Financial Officer Renata Baliūnaitė of AB Vilniaus degtinė, confirm that as we know, the audited Annual Financial Statements of AB Vilniaus degtinė for the year ended on the 31th December, 2014, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, are realistic and properly show the assets, liabilities, financial condition, profit or loss, cash flows of AB Vilniaus degtinė, and Annual Statement of AB Vilniaus degtinė for the year ended on the 31th December, 2014 provides a clear review of business development and operation, condition of the company, together with the description of major risks and uncertainties which the company faces.

AB Vilniaus degtinė
Director General
Juozas Daunys
Vilnius,
12 March, 2015

AB Vilniaus degtinė
Chief Financial Officer
Česlava Ivickienė

Board Confirmation of the Annual Financial Statements

The Board has approved the Annual Financial Statements, the Annual Statement of AB Vilniaus degtinė for the year ended on the 31th December, 2014.

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

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

AB Vilniaus degtinė
Chairman of the Board
Darius Žaromskis

AB Vilniaus degtinė
Board Member
Juozas Daunys

AB Vilniaus degtinė
Board Member
Dalius Rutkauskas

AB Vilniaus degtinė
Board Member
Genadij Jurgélevič

Vilnius,
12 March, 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB VILNIAUS DEGTINĖ

Report on the financial statements

We have audited the accompanying financial statements of AB Vilniaus degtinė, which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter – the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of AB Vilniaus degtinė as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with the legal acts of the Republic of Lithuania regulating the financial accounting and preparation of the financial statements, and with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have read the accompanying annual report of AB Vilniaus degtinė for the year 2014 and have not identified any material inconsistencies between the financial information included and the audited financial statements.

Auditor
Arvydas Ziziliauskas
Auditor's certification No. 000467

27 March, 2015
40B A. Goštautas str., Vilnius

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

Statement on Financial Position

As on the 31th of December

In LTL	Notes	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Tangible assets	15	27 580 920	30 307 703
Intangible assets	14	9 466 737	10 214 544
Financial assets	16	6 723 701	7 285 469
Total non-current assets		**43 771 358**	**47 807 716**
Current assets			
Inventories	17	7 233 321	6 823 312
Prepayments and future expenses	18	660 810	390 281
Trade receivables	19	35 018 959	29 584 770
Other receivables	13,20	1 262 783	507 911
Cash and cash equivalents	21	7 178	961
Total current assets		**44 183 051**	**37 307 235**
TOTAL ASSETS		**87 954 409**	**85 114 951**

Notes on pages 12-38 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Česlava Lyčkienė

Vilnius,
12 March, 2015

Statement on Financial Position (cont'd)

As on the 31th of December

In LTL	Notes	31.12.2014	31.12.2013
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	24 408 431	24 408 431
Legal reserve	22	2 440 843	2 440 843
Retained earnings (loss)		13 320 496	9 520 263
Total equity		**40 169 770**	**36 369 537**
Non-current liabilities			
Interest bearing loans and borrowings	24	214 044	2 809 827
Governmental grants	25	8 055 753	8 856 446
Trade payables		43 773	89 631
Deferred tax liability	12	1 128 624	803 773
Total non-current liabilities		**9 442 194**	**12 559 677**
Current liabilities			
Interest bearing loans and borrowings	24	15 361 031	18 987 561
Trade payables		6 942 188	8 973 351
Income tax payables	26	135 786	0
Other payables	26	15 903 440	8 224 825
Total current liabilities		**38 342 445**	**36 185 737**
Total liabilities		**47 784 639**	**48 745 414**
TOTAL EQUITY AND LIABILITIES		**87 954 409**	**85 114 951**

Notes on pages 12-38 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Česlava Ivickienė

Vilnius,
12 March, 2015

Comprehensive Income Statement

As on the 31th of December

In LTL	Notes	Jan-Dec 2014	Jan-Dec 2013
Sales revenue	5	**66 177 855**	**55 283 461**
Cost of sales		(45 238 322)	(38 116 885)
Gross profit	5	**20 939 533**	**17 166 576**
Other income	6	1 882 440	893 581
Sales and distribution expenses	7	(7 618 542)	(6 011 300)
Administrative expenses	8	(10 758 999)	(11 440 030)
Other expenses	6	(27 925)	(26 654)
Result from operating activities		**4 416 507**	**582 173**
Financial income	10	389 926	268 947
Financial expenses	10	(545 563)	(725 095)
Profit (loss) before tax		**4 260 870**	**126 025**
Corporate income tax	11	(460 637)	(79 226)
Profit (loss) for the period		**3 800 233**	**46 799**
Basic and diluted earnings (loss) per share	23	0,16	0.00
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		**3 800 233**	**46 799**

Notes on pages 12-38 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Česlava Ivickienė

Vilnius,
12 March, 2015

Statement of Changes in Equity

As on the 31th of December

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as on 1 January 2013		**24 408 431**	**2 440 843**	**0**	**9 473 464**	**36 322 738**
Profit (loss) for January-December of 2013					46 799	46 799
Capital and reserves as on 31 December 2013		**24 408 431**	**2 440 843**	**0**	**9 520 263**	**36 369 537**
Capital and reserves as on 1 January 2014		**24 408 431**	**2 440 843**	**0**	**9 520 263**	**36 369 537**
Profit (loss) for January-December of 2014					3 800 233	3 800 233
Capital and reserves as on 31 December 2014	22	**24 408 431**	**2 440 843**	**0**	**13 320 496**	**40 169 770**

Notes on pages 12-38 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Česlava Ivickienė

Vilnius,
12 March, 2015

APPROVED
by the General Shareholder's Meeting on

Cash Flows Statement

As on the 31th of December

In LTL	Jan-Dec 2014	Jan-Dec 2013
Profit (loss) for the period	3 800 233	46 799
Depreciation and amortisation	3 367 067	3 579 628
Impairment of trade receivables and other receivables	(990 582)	1 384 979
Net financial expenses	209 584	295 510
Gain (loss) on disposal of non-current assets	4 634	(14 969)
Corporate income tax expenses	460 637	79 226
Net cash flows from ordinary activities before changes in working capital	6 851 573	5 371 173
Change in inventories	(410 009)	2 714 583
Change in prepayments	(270 529)	(138 786)
Change in trade receivables and other receivables	(3 460 560)	(5 837 059)
Change in trade payables and other payables	5 615 859	(3 446 447)
Net cash flows from operating activities	1 474 761	(6 707 709)
Income tax paid	0	0
Net cash flows from operating activities	**8 326 334**	**(1 336 536)**
Interest	506 885	8 218
Proceeds from disposal of non-current assets	400	15 000
Acquisition of property, plant and equipment	(402 900)	(127 405)
Acquisition of intangible non-current assets	(215 036)	(120 378)
Acquisition of investments	0	(5 000)
Loans	(1 605 840)	0
Loans received	200 000	
Net cash flows from investing activities	**(1 516 491)**	**(229 565)**
Repayment of loans	(2 527 384)	(2 527 384)
Loans received	0	0
Increase of other financial debt	4 201 730	0
Decrease of other financial debt	(7 794 788)	5 138 328
Financial lease payments	(203 050)	(497 554)
Governmental grants received	0	0
Interest paid	(480 134)	(556 468)
Net cash flows from financing activities	**(6 803 626)**	**1 556 922**
Net cash flows from operating, investing and financing activities	**6 217**	**(9 179)**
Cash and cash equivalents at the beginning of the period	**961**	**10 140**
Cash and cash equivalents at the end of the period	**7 178**	**961**

Notes on pages 12-38 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Česlava Ivickienė

Vilnius, 12 March, 2014

Notes

1 Reporting entity

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

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

As on the 31th of December 2014, its shares are held by the following shareholders

Shareholder	Number of shares	Nominal value in LTL	Total value in LTL
Sobieski Sp.z.o.o.	16 668 632	1	16 668 632
DORA SOLUTIONS OU	3 602 498	1	3 602 498
SEB SA OMNIBUS (funds/inst clients)	2 233 476	1	2 233 476
Daiva Žaromskienė	1 220 422	1	1 220 422
Other shareholders	683 403	1	683 403
Total capital	**24 408 431**	**1**	**24 408 431**

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

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

The Company employed 159 staff members as on the 31th of December 2014 (151 staff members as on the 31th of December 2013).

2 Summary of significant accounting principles

Statement of compliance

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

Basis of preparation

The financial statements are presented in the national currency Litas, which is the functional currency of the Company. From 2 February 2002 to 31 December 2014 the euro exchange rate was 3,4528 LTL = 1 EUR. Since 1 January 2015 Lithuanian national currency is EUR and LTL is exchanged to EUR by exchange rate of 3,4528 LTL = 1 EUR. They are prepared on the historical basis.

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

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation (cont'd)

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

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

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

Foreign currency

Translation of amounts in foreign currencies into the national currency

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

Non-derivative financial instruments

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

Cash and cash equivalents include cash balances and demand deposits.

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

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Non-derivative financial instruments (cont'd)

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

Financial derivatives

The Company did not use or have derivative financial instruments within the period ended on the 31th of December 2014.

Non-current tangible assets

Recognition and measurement

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

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

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

Subsequent costs

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

Depreciation

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

The estimated useful lives are as follows:

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Non-current intangible assets

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

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

- Software and licences 3 years
- Sobieski trademark 20 years

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

Leased assets

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

Inventories

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

The costs of inventories is determines based on FIFO principle.

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

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

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

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

Governmental grants

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

Notes

2 Summary of significant accounting principles (cont'd)

Grants are related to assets

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

Impairment

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

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

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

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

Notes

2 Summary of significant accounting principles (cont'd)

Reversals of impairment (cont'd)

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

Dividends

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

Employee benefits

The Company has no determined allowances and inducement plans or payment schemes concerning its chares. Liabilities against retired former employees of the Company are fulfilled by the State. In 2014 the Company began to pay contributions to the pension fund for the Company's management (directors).

Provisions

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

Revenue

Sales of goods

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

Services rendered, assets disposed

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

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

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

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

2 Summary of significant accounting principles (cont'd)

Expenses

Operating lease payments

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

Financial lease payments

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

Net financing costs

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

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

Corporate income tax

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

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

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Segment reporting

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

Basic and diluted earnings (loss) per share

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

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

Amendments of the standards during the year

Amendment to IAS 27 Separate Financial Statements (effective for financial years beginning on or after 1 January 2014).
As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 Separate Financial Statements requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments.
The implementation of this amendment will not have any impact on the financial position or performance of the Company, however may result in additional disclosures in the financial statements of the Company.

Amendment to IAS 28 Investments in Associates and Joint Ventures (effective for financial years beginning on or after 1 January 2014).
As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates.
The implementation of this amendment will not have any impact on the financial position or performance of the Company, however may result in additional disclosures in the financial statements of the Company.

Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014).
This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

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

Implementation of this amendment will not have any impact on the financial statements of the Company.

Amendment to IAS 36 Impairment of Assets (effective for financial years beginning on or after 1 January 2014).
This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures.
The amendment do not have any impact on the financial position or performance of the Company, however may result in additional disclosures.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 January 2014).
The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.
The amendment do not have any impact on the financial statements of the Company.

IFRS 10 Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2014).
IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities.
The amendment do not have any impact on the financial statements of the Company.

IFRS 11 Joint Arrangements (effective for financial years beginning on or after 1 January 2014).
IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses.
The amendment do not have any impact on the financial statements of the Company.

IFRS 12 Disclosures of Interests in Other Entities (effective for financial years beginning on or after 1 January 2014).
IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity.
The amendment will result in additional disclosures in the Company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities (effective for financial years beginning on or after 1 January 2014).

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

The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them.
The implementation of this amendment will not have any impact on the financial statements of the Company, as the Company is not an Investment entity.

The Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

Amendments to IAS 19 Employee Benefits (effective in EU since 1 February 2015).
The amendments address accounting for the employee contributions to a defined benefit plan.
The implementation of this amendment will not have any impact on the financial statements of the Company.

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU).
IFRS 9 will eventually replace IAS 39. The IASB has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting.
The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 14 Regulatory Deferral Accounts (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU).
It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB.
The implementation of this standard will not have any impact on the Company's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU).
The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The implementation of this amendment will not have any impact on the financial statements of the Company.

Amendments to IAS 16 and IAS 41. Agriculture: Bearer Plants (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

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

Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of in accordance with IAS 41.
The implementation of this amendment will not have any impact on the financial statements of the Company.

Amendments to IAS 27. Equity Method in Separate Financial Statements (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU).
Amendments allow the use of the equity method to account for investments in subsidiaries, joint ventures and associates.
The Company has not yet evaluated the influence of these amendments to the financial statements.

Amendments to IFRS 10 and IAS 28. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU).
Amendments alter so that the current requirements for the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business, as defined in IFRS 3. The gain or loss from the sale or contribution of assets that constitute a business between an investor and its associate or joint venture is recognised in full.
The Company has not yet evaluated the influence of these amendments to the financial statements.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU).
IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and some revenue-related Interpretations; establishes a new control-based revenue recognition model; changes the basis for deciding whether revenue is recognised at a point in time or over time; provides new and more detailed guidance on specific topics; expands and improves disclosures about revenue.
The Company has not yet evaluated the influence of these amendments to the financial statements.

IFRIC Interpretation 21 Levies (effective in EU since 01 June, 2014).
This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs.
The implementation of this interpretation will not have any impact on the financial statements of the Company.

Improvements to IFRSs

Effective for financial years beginning on or after 1 July 2014, once endorsed by the EU:

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

In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards:

- IFRS 1 First-time adoption of IFRS;
- IFRS 2 Share-based Payment;
- IFRS 3 Business Combinations;
- IFRS 8 Operating Segments;
- IFRS 13 Fair value Measurement;
- IAS 16 Property, Plant and Equipment;
- IAS 24 Related Party Disclosures;
- IAS 38 Intangible Assets;
- IAS 40 Investment property.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Company.

Effective for financial years beginning on or after 1 July 2016, once endorsed by the EU:

In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards:

- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'
- IFRS 7 'Financial Instruments: Disclosures'
- IAS 19 'Employee Benefits'
- IAS 34 'Interim Financial statements

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Company.

4 Critical accounting estimates and judgements

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

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. Impairment losses on receivables are recognized to pay a delay of 1 year. In determining whether impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, or national or local economic conditions that correlate with the group of receivables. Management estimates future cash flows from the debtors based on historical loss experience of debtors with similar credit risk. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Notes

4 Critical accounting estimates and judgements (cont'd)

Impairment loses on construction in progress

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

Impairment loses on building and land

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

Impairment losses on trademark

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

Sales revenue recogninision

Sales are recognised net of excise tax: total amount of excise tax in 2014 was LTL 129 918 thous. and total amount of excise tax in 2013 was LTL 111 663 thous.

5 Segment reporting

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

Revenue and gross profit for January-December 2014

In LTL	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	52 808 446	8 123 076	1 835 687	3 410 646	66 177 855
Gross profit	19 944 597	572 723	43 277	378 936	20 939 533

Revenue and gross profit for January-December 2013

In LTL	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	43 539 423	6 526 168	1 982 364	3 235 506	55 283 461
Gross profit	16 023 472	676 974	95 990	370 140	17 166 576

Notes

5 Segment reporting (cont'd)

Products are being sold in both the Lithuanian and EU markets, with exports being made to third countries. The sales of alcoholic beverages manufactured by the Company grew by 51,2 percent in the markets of the EU and third countries, while those of ethanol (for use in foodstuffs) and its products fell by 7,7 percent. The geographical segments have been classified into the following regions: Lithuania, EU Countries, Third Countries.

Revenue and gross profit by the geographical segments

	Jan-Dec 2014		Jan-Dec 2013	
In LTL	Revenue	Gross profit	Revenue	Gross profit
Lithuania	52 793 986	18 346 984	44 974 101	15 670 812
EU Countries	11 370 152	1 851 476	9 410 438	1 285 535
Third Countries	2 013 717	741 073	898 922	210 229
Total	66 177 855	20 939 533	55 283 461	17 166 576

6 Income and expenses of other activities

In LTL	Jan-Dec 2014	Jan-Dec 2013
Lease of premises and utilities	128 398	118 552
Income from sales of intangible asstes	20 391	14 998
Income from sales of materials and spare parts	186 374	214 381
Electricity sales profit	111 919	329 988
Transportation	105 313	0
Indemnification	1 103 648	0
Other income	226 397	215 662
Total other income	1 882 440	893 581
Other expenses	(27 925)	(26 654)
Loss from sales of intangible asstes	0	0
Loss from sales of electricity	0	0
Loss from sales of materials and spare parts	0	0
Total other expenses	(27 925)	(26 654)
Net income and expenses of other activities	**1 854 515**	**866 927**

7 Sales and distribution expenses

In LTL	Jan-Dec 2014	Jan-Dec 2013
Advertising expenses	(4 714 928)	(3 812 995)
Personnel expenses	(1 257 151)	(914 822)
Transportation expenses	(816 080)	(658 597)
Market research expenses	(55 249)	(85 031)
Packaging expenses	(162 993)	(99 106)
Other expenses	(612 141)	(440 749)
Total sales and distribution expenses	**(7 618 542)**	**(6 011 300)**

Notes

	In LTL	Jan-Dec 2014	Jan-Dec 2013
8	**Administrative expenses**		
	Personnel expenses	(3 260 763)	(3 073 830)
	Operating taxes	(1 808 864)	(1 542 276)
	Repairs and maintenance	(543 817)	(336 174)
	Amortisation and depreciation	(1 764 432)	(1 787 934)
	Consulting and training expenses	(971 360)	(492 018)
	Including: auditing services	*(49 581)*	*(49 581)*
	Maintenance of cargo vehicles	(509 871)	(559 142)
	Security expenses	(252 391)	(201 174)
	Communications and IT maintenance expenses	(144 196)	(153 520)
	Utilities	(307 138)	(458 526)
	Impairment allowance of debts	990 582	(1 384 979)
	Other expenses	(2 186 749)	(1 450 457)
	Total administrative expenses	**(10 758 999)**	**(11 440 030)**

	In LTL	Jan-Dec 2014	Jan-Dec 2013
9	**Personnel expenses**		
	Wages and salaries	(4 146 736)	(3 595 871)
	Vacation reserve	(428 798)	(400 064)
	Guarantee fund contributions	(9 164)	(7 816)
	Social security contributions	(1 438 629)	(1 245 429)
	Total personnel expenses	**(6 023 327)**	**(5 249 180)**

Redundancy pays for January-December 2014, inclusive of social security contributions and guarantee fund contributions, amounted to LTL 24 967 (in January-December 2013 - LTL 16 781).

Personnel expenses for the management (directors) in January-December 2014 amounted to LTL 505 547 (in January-December 2013 - LTL 542 080), of which were amounted to LTL 19 490 for redundancy pays. No loans and (or) indemnities were granted to the management (directors) and no other financial liabilities or non-financial obligations were undertaken. Other significant transactions for details to Note 28.

Average number of employees for January-December 2014 was 151 (139 for January-December 2013).

Average number of managers (directors) for January-December 2014 was 3 (3 for January-December 2013).

Notes

In LTL	Jan-Dec 2014		Jan-Dec 2013	
10 Financial income and expenses				
Interest income	276 119		268 947	
Other income	84 313	0	0	0
Foreign exchange gain	29 494		0	
Total financial income	389 926		268 947	
Interest expenses	(486 780)		(564 457)	
Foreign exchange loss	(58 783)		(10 577)	
Other expenses	0		(150 061)	
Total financial expenses	(545 563)		(725 095)	
Financial income and expenses, net	**(155 637)**		**(456 148)**	

In LTL	Jan-Dec 2014	Jan-Dec 2013
11 Corporate income tax expenses		
Current income tax for the period	(135 786)	0
Change in deferred income tax	(324 851)	(79 226)
Total corporate income tax expenses	**(460 637)**	**(79 226)**

Review of valid profit tax rate

In LTL	Jan-Dec 2014		Jan-Dec 2013	
Profit before tax		4 260 870		126 025
Profit tax, applying valid tax rate	(15,0%)	(639 131)	(15,0%)	(18 904)
Non-taxable income	1,9%	80 787	0,0%	23
Other expenses, which do not reduce taxable income	(0,9%)	(38 691)	(58,9%)	(74 252)
Other expenses, which do reduce taxable income	0%	278	0,2%	272
Charities and Support	0%	334	10,8%	13 635
Exemption of the investment project	3,2%	135 786	0,0%	0
	(10,8)	**(460 637)**	**(62,9%)**	**(79 226)**

Notes

12 Deferred tax

In LTL	31.12.2014 Temporary differences	31.12.2014 Temporary differences	31.12.2013 Temporary differences	31.12.2013 Deferred tax (15%)
Impairment of trade receivables	1 022 233	153 335	1 536 056	22 387
Impairment of construction in progress	1 050 620	157 593	955 109	128 940
Impairment of building and land	2 371 448	355 717	2 371 448	355 717
Accrued soc. security exp. for vacation reserve	119 670	17 951	109 146	12 768
Tax losses	0	0	1 404 698	361 073
Total deferred tax asset		**684 596**		**880 885**
Difference in depreciation of property, plant and equipment	2 806 362	420 954	2 800 185	420 028
Difference in amortisation of intangible assets	9 141 609	1 371 242	8 729 387	1 309 408
Carrying value of non-current assets that are subject to investment relief	140 160	21 024	205 366	30 805
Total deferred tax liability		**1 813 220**		**1 760 241**
Deferred tax		**(1 128 624)**		**(803 773)**

In LTL	Jan-Dec 2014	Jan-Dec 2013
Change in the deferred tax		
Deferred tax liability at the beginning of the period	(803 773)	(724 547)
Deferred tax expenses	(324 851)	(79 226)
Deferred tax liability at the end of the period	**(1 128 624)**	**(803 773)**

13 Corporate income tax

In LTL	Jan-Dec 2014	Jan-Dec 2013
Overpaid corpor. income tax (liability) at the beginning of the period	0	0
Current income tax for the period	(135 786)	0
Overpaid corpor. income tax (liability) at the end of the period	**(135 786)**	**0**

Notes

14 Intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2013	45 820	557 240	18 913 672	19 516 732
Additions	0	120 378	0	120 378
Write-off	0	(680)	0	(680)
Cost as of 31 December 2013	45 820	676 938	18 913 672	19 636 430
Accumulated amortisation as of 1 January 2013	43 695	535 882	7 880 697	8 460 274
Amortisation	1 500	15 108	945 683	962 291
Write-off	0	(679)	0	(679)
Accumulated amortisation as of 31 December 2013	45 195	550 311	8 826 380	9 421 886
Net book value as of 31 December 2013	**625**	**126 627**	**10 087 292**	**10 214 544**
Cost as of 1 January 2014	45 820	676 938	18 913 672	19 636 430
Additions	0	177 392	37 644	215 036
Write-off	0	(10 080)	0	(10 080)
Reclassification	0	37 644	(37 644)	0
Cost as of 31 December 2014	45 820	881 894	18 913 672	19 841 386
Accumulated amortisation as of 1 January 2014	45 195	550 311	8 826 380	9 421 886
Amortisation	625	16 535	945 683	962 843
Write-off	0	(10 080)	0	(10 080)
Accumulated amortisat. as of 31 December 2014	45 820	556 766	9 772 063	10 374 649
Net book value as of 31 December 2014	**0**	**325 128**	**9 141 609**	**9 466 737**

All amortisation expenses are included under administrative expenses.

Notes

15 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other	Total
Cost as of 1 January 2013	36 096 406	24 225 356	1 200 462	2 142 060	1 910 219	0	65 574 503
Additions	0	445 769	199 504	41 636	5 000	24 000	715 909
Write-off and sale of	0	(257 886)	(10 924)	(32 527)	0	0	(301 337)
Reclassifications	0	0	0	0	0	0	0
Cost as of the 31 December 2013	36 096 406	24 413 239	1 389 042	2 151 169	1 915 219	24 000	65 989 075
Accumulated impairment of 1 January 2013	2 371 448	0	0	0	477 555	0	2 849 003
Loss of impairment							
Accumulated impairment of 31 December 2013	2 371 448	0	0	0	477 555	0	2 849 003
Accumulated depreciation as of 1 January 2013	10 108 503	16 089 856	1 074 081	2 061 163	382 044	0	29 715 647
Write-off and sale of	0	(257 875)	(10 922)	(32 510)	0	0	(301 307)
Depreciation	1 097 622	1 269 826	109 366	45 012	95 511	0	2 617 337
Depreciation (grants)	337 377	463 315	0	0	0	0	800 692
Accumulated depreciation as of 31 December 2013	11 543 502	17 565 122	1 172 525	2 073 665	477 555	0	32 832 369
Net book value as of 31 December 2013	**22 181 456**	**6 848 117**	**216 517**	**77 504**	**960 109**	**24 000**	**30 307 703**
Cost as of 1 January 2014	36 096 406	24 413 239	1 389 042	2 151 169	1 915 219	24 000	65 989 075
Additions	0	203 909	88 859	110 141	65 000	15 260	483 169
Write-off and sale of	0	(178 351)	0	(57 272)	(5 000)	0	(240 623)
Reclassificationns	0	24 000	0	0	0	(24 000)	0
Cost as of 31 December 2014	36 096 406	24 462 797	1 477 901	2 204 038	1 975 219	15 260	66 231 621
Accumulated impairment of 1 January 2014	2 371 448	0	0	0	477 555	0	2 849 003
Accumulated impairment of 31 December 2014	2 371 448	0	0	0	477 555	0	2 849 003
Accumulated depreciation as of 1 January 2014	11 543 502	17 565 122	1 172 525	2 073 665	477 555	0	32 832 369
Write-off and sale of	0	(178 336)	0	(57 253)	0	0	(235 589)
Depreciation	1 097 623	1 069 666	90 599	50 825	95 511	0	2 404 224
Depreciation (grants)	337 377	463 317	0	0	0	0	800 694
Accumulated depreciation as of 31 December 2014	12 978 502	18 919 769	1 263 124	2 067 237	573 066	0	35 801 698
Net book value as of 31 December 2014	**20 746 456**	**5 543 028**	**214 777**	**136 801**	**924 598**	**15 260**	**27 580 920**

Notes

	In LTL	Jan-Dec 2014	Jan-Dec 2013
15	**Property, plant and equipment (cont'd)**		
	Distribution of depreciation costs		
	Cost of sales and write-off	1 542 261	1 677 922
	Inventories	36 447	87 537
	Administrative and other expenses	825 516	851 878
	Total distribution of depreciation cost	**2 404 224**	**2 617 337**

	In LTL	31.12.2014	31.12.2013
16	**Financial assets**		
	Long-term loans granted	3 670 440	3 164 077
	Interest receivable	735 097	774 346
	Investments in associated companies	5 000	5 000
	Trade receivables from comp. from the group	2 788 076	3 342 046
	Amortisation amount for Group trade accounts receivable	(474 912)	0
	Total financial assets	**6 723 701**	**7 285 469**

The loan was issued in Euros. Term of repayment of the loan and interest – March 2020.

	In LTL	31.12.2014	31.12.2013
17	**Inventories**		
	Raw materials	3 915 856	3 725 902
	Finished goods	2 047 668	2 222 888
	Goods for resale	1 184 410	813 489
	Work in progress	85 387	61 033
	Total inventories	**7 233 321**	**6 823 312**

As of 31th of December 2014, the remainder of grain stored at the third parties warehouses is worth of LTL 594 869, and the remainder of the third parties grain stored at Company warehouses is LTL 225 704.

	In LTL	31.12.2014	31.12.2013
18	**Prepayments and deferred expenses**		
	Prepayments to suppliers	373 659	169 287
	Deferred advertising expenses	31 291	37 840
	Other expenses	255 860	183 154
	Total prepayments and deferred expenses	**660 810**	**390 281**

Notes

In LTL	31.12.2014	31.12.2013
19 Trade receivables		
Trade receivables from comp. not from the group	30 322 079	27 546 119
Impairment allowance from comp. not from the group	(547 321)	(712 049)
Trade receivables from comp. from the group	5 244 201	3 574 707
Impairment allowance from comp. from the group	0	(824 007)
Total trade receivables, net	**35 018 959**	**29 584 770**

In LTL	31.12.2014	31.12.2013
Change in impairment of receivables for bad debts		
Impairment allow. for bad debts at the beginning of the period	(1 536 056)	(149 249)
Impairment allowance	(755 897)	(1 409 144)
Reverse of impairment allowance	1 744 632	22 337
Impairment allowance for bad debts at the end of the period	**(547 321)**	**(1 536 056)**

Analysis of trade receivables based on the terms of payment on the 31st December, 2014

		Receivables of term not yet ended				Delayed receivables		
In LTL	Total	91 day or more	from 61 to 90 days	from 31 to 60 days	up to 30 days	up to 90 days	from 91 to 180 days	181 day or more
Receiv. from comp. not from the group	30 322 079	0	0	13 494 538	15 388 576	842 053	39 002	557 910
Receiv. from comp. from the group	5 244 201	555 312	160 632	703 608	3 305 077	226 585	0	292 987
Impairm. from comp. not from the group	(547 321)	0	0	0	(207)	(106)	0	(547 008)
Impairm. from comp. from the group	0	0	0	0	0	0	0	0
Total trade receivables, net	**35 018 959**	**555 312**	**160 632**	**14 198 146**	**18 693 446**	**1 068 532**	**39 002**	**303 889**

Notes

In LTL	31.12.2014	31.12.2013
20 Other receivables		
Interest receivable	314 595	505 036
Short-term loans granted	899 477	0
Tax paid in advance	42 409	0
Other receivables	5 700	2 875
Doubtful receivables	486 264	487 510
Total other receivables before write-down allowance	**1 748 445**	**995 421**
Impairment allowance	(485 662)	(487 510)
Total other receivables, net	**1 262 783**	**507 911**

In LTL	31.12.2014	31.12.2013
Change in impairment allowance of receivables		
Impairment allow.for receivables at the beginning of the period	**(489 338)**	**(489 338)**
Reverse of impairment allowance	1 828	1 828
Impairment allowance for receivables at the end of the period	**(487 510)**	**(487 510)**

In LTL	31.12.2014	31.12.2013
21 Cash and cash equivalents		
Cash at bank and in hand	7 178	961
Total cash and cash equivalents	**7 178**	**961**

22 Capital and reserves

Share capital

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

Legal reserve

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

Notes

23 Basic and diluted earnings (loss) per share

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

	Jan-Dec 2014	Jan-Dec 2013
Number of shares	24 408 431	24 408 431
Profit (loss) for the period attributable to the equity holders, in LTL	3 800 233	46 799
Basic and diluted earnings (loss) per share, in LTL	**0,16**	**0,00**

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

24 Interest bearing loans and borrowings

In LTL	31.12.2014	31.12.2013
Non-current liabilities		
Bank loans	0	2 527 295
Financial lease (leasing) liabilities	214 044	282 532
Total non-current liabilities	**214 044**	**2 809 827**
Current liabilities		
Bank overdraft, factoring	12 689 740	16 282 799
Bank loans	2 527 295	2 527 383
Financial lease (leasing)	143 996	177 379
Total current liabilities	**15 361 031**	**18 987 561**
Total	**15 575 075**	**21 797 388**

In LTL	Total	Up to 1 year	1-5 years	Over 5 years
Schedule of repayment (interest)				
Bank overdraft (EURIBOR 3 mėn.,VILBOR 3 mėn.+margin)	3 817 238	3 817 238	0	0
Factoring (VILBOR 3 men +margin)	8 872 502	8 872 502	0	0
Bank loans (EURIBOR 3 mėn., LIBOR EUR 3 mėn.+margin)	2 527 295	2 527 295	0	0
Financial lease (EURIBOR 6 men., EURIBOR 3 mėn.+margin)	358 040	143 996	214 044	0
Total financial liabilities	**15 575 075**	**15 361 032**	**214 044**	**0**

The due date of repayment of long-term bank credits is December 2015. Line of credit agreement of the bank was prolonged until September 2016 provided the right of the bank to terminate the agreement in 2015. Factoring limit agreement of the bank was also prolonged until October 2016 provided the right of the bank to terminate the agreement in 2015. In order to secure the bank loans, the Company has pledged its assets. For further comments refer to Note 29.

Under financial lease agreements, the Company's assets consist of vehicles. Financial lease terms are up to 5 years.

Notes

In LTL	31.12.2014	31.12.2013
25 Governmental grants		
Balance value at the beginning of the period	8 856 446	9 657 138
Grants received	0	0
Amortization	(800 691)	(800 692)
Balance value at the end of the period	**8 055 753**	**8 856 446**

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

In LTL	31.12.2014	31.12.2013
26 Other payables		
Payable excise tax	10 530 673	4 340 275
Payable VAT	4 283 967	3 073 511
Payable profit tax	135 786	0
Wages, vacation reserve and social security	680 407	616 226
Other taxes payable	78 063	63 704
Accrued expenses	130 537	85 715
Other payables	199 793	45 394
Total other payables	**16 039 226**	**8 224 825**

26 Financial risk management

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

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

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

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

27 Financial risk management (cont'd)

Credit risk

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

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

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

Liquidity risk

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

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

Market risk

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

Interest rate risk

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

Foreign exchange risk

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

Notes

27 Financial risk management (cont'd)

Capital management

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

The Board also strives for maintaining the balance between higher return, which could be achieved through a higher level of borrowed funds, and safety, which is provided by a higher level of owner's equity. Equity makes at least 50 percent of authorised capital with share premium. The Company's capital management policy did not change.

28 Related party transactions

Related parties of the Company are:

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

Parent and ultimate parent companies are as follows:

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

Other main related parties are:

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

Notes

28 Related party transactions (cont'd)

Purchases from and sales to related parties

	Type of transaction	Jan-Dec 2014	Jan-Dec 2013
Purchases from:			
Ultimate parent company	Inventories	30 612	36 500
Parent company	Inventories	0	35 426
Belvedere group companies	Inventories	293 978	554 469
Belvedere group companies	Services	737 881	328 910
Other	Services	291 935	164 132
Other	Interest	0	0
Total purchases		**1 354 406**	**1 119 437**
Sales to:			
Ultimate parent company	Interest	268 947	268 936
Belvedere group companies	Inventories incl.excise tax	51 895 411	45 051 693
Belvedere group companies	Services	214 146	122 105
Other	Services	5 129	0
Other	Interest	570 000	0
Total sales		**52 953 633**	**51 876 149**
Excise tax		(-36 335 903)	(29 812 928)
Total sales net of excise tax		**16 617 730**	**23 669 306**

Balances outstanding with related parties

	31.12.2014	31.12.2013
Trade receivables from:		
Ultimate parent company	4 207 369	4 517 134
Belvedere group companies	9 070 160	6 843 078
Other	374 357	
Total trade receivables	**13 651 886**	**11 360 212**
Impairment allowance from comp. from the group	(822 398)	(824 007)
Trade receivables, net	**12 829 488**	**10 536 205**
Trade payables to:		
Ultimate parent company	593 581	186 030
Parent company	35 426	35 426
Belvedere group companies	107 128	146 036
Other	38 344	0
Total trade payables	**774 479**	**367 492**

Information on the loans granted to the associated company and amounts of interest payeable (in this note provided as amounts receivable) is provided in Note 16 and in Note 20. Raw materials for alcoholic beverages production as well as alcoholic beverages are purchased from Belvedere group companies. Alcoholic beverages and ethyl alcohol are sold to Belvedere group companies. Interest rates and all outstanding related party transactions are priced at market prices. Personnel expenses to the Company's management (directors) is enclosed in the Note 9.

Notes

29 Off-balance liabilities

As a security for the liabilities to financial institutions, the following assets have been pledged or transferred

In LTL	31.12.2014	31.12.2013
Pledged buildings and structures	20 114 641	21 544 529
Pledged equipments	4 418 996	5 383 136
Pledged trademark	9 141 609	10 087 292
Pledged inventories	7 233 321	6 823 312
Cash and cash equivalents in accounts of bank (transferred)	6 956	704
Amounts receivable from buyers (transferred the rights of claims)	35 018 959	29 584 770
Rights of land lease	-	-

Value of pledged assets in this table is equal to the value of financial statements. The Company controls and executes the financial liabilities, indices set by the bank and additional requirements.

30 Fair value of financial instruments

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

Fair value of assets and liabilities provided in the balance sheet as on the 31th of December 2014 does not significantly differ from their carrying amount, except for non-current real estate, the depreciated cost-price of whuch significantly differs from its fair value.

Financial assets and financial liabilities as on the 31th of December 2014

In LTL	Carrying amount	Fair value
Granted long-term loans and other receivables, investments	6 723 701	6 723 701
Advance payments and deferred expenditure	660 810	660 810
Trade receivables	35 018 959	35 018 959
Other receivables	1 262 783	1 262 783
Cash and cash equivalents	7 178	7 178
Total financial assets	**43 673 431**	**43 673 431**
Loan and other interest-bearing amounts	15 575 075	15 575 075
Trade payables	6 985 961	6 985 961
Other payables	16 136 938	16 136 938
Total financial liabilities	**38 697 974**	**38 697 974**

31 Events after the reporting period

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

APPROVED
by the General Shareholder's Meeting on

Annual Statement

1 Company Information

Annual Statement prepared a for the year ended on the 31th December 2014, audited.

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

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

„Spiritus Vilnensis" is the slogan of the Company, which has been cherishing over one century's production traditions and actively implementing innovations. It expresses the Company's strategy to develop beverages with every single drop filled with unique and multicultural spirit and secret of Vilnius.

The Company produces and sells vodkas, liqueurs, and other alcoholic beverages, alimentary rectified and methylated ethyl alcohol, alimentary distilled ethyl alcohol, imports and sells alcoholic products made by producers of other countries. Obeliai spirit distillery, a Branch of Company, makes alimentary distilled grain ethyl alcohol. Here produced and electric and thermal energy. Part of electric energy is sold.

2 Authorised Capital and Securities

The structure of the authorised capital

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

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

Total number of shareholders as on the 31th December, 2014 was 253.

Annual Statement

2 Authorised Capital and Securities (cont'd)

Shareholders who held or managed more than 5 percent of the authorised capital of the issuer as of the 31th December 2014

Shareholder's name, surname or company name, registered office address, company code	Number of the shares the shareholder holds under the ownership right, pcs.	Portion of the authorised capital held, %	Portion of votes held, %
SOBIESKI DYSTRIBUCJA SP. Z 0. 0. ul. Bellottiego 1, 01-022, Warszawa, Poland, 230030460	16 668 632	68.29	68.29
DORA SOLUTIONS OU	3 602 498	14.76	14.76
SEB SA OMNIBUS (FUNDS/INST CLIENTS), LUXEMBOURG, LUESSE22	2 233 476	9.15	9.15
DAIVA ŽAROMSKIENĖ, LITHUANIA	1 220 422	5.00	5.00

Dora Solutions OU a controlling person of Darius Žaromskis, who is the chairman of the board of Vilniaus degtinė, AB indirectly controls 3 602 498 shares and has 14.76 percent of vote.

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

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

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

Securities trading history

Indices	2010 January - December	2011 January - December	2012 January - December	2013 January – December
Opening price, LTL	1,519	1,015	0,863	0,794
Maximum price, LTL	1,519	1,015	0,998	0,998
Minimum price, LTL	0,694	0,176	0,691	0,501
Last session, LTL	0,863	0,777	0,794	0,929
Turnover, pcs.	80 571	254 231	108 579	66 195
Turnover, LTL million	0,09	0,16	0,09	0,06
Capitalisation at the end of the period, LTL million	21,07	18,96	19,38	22,67

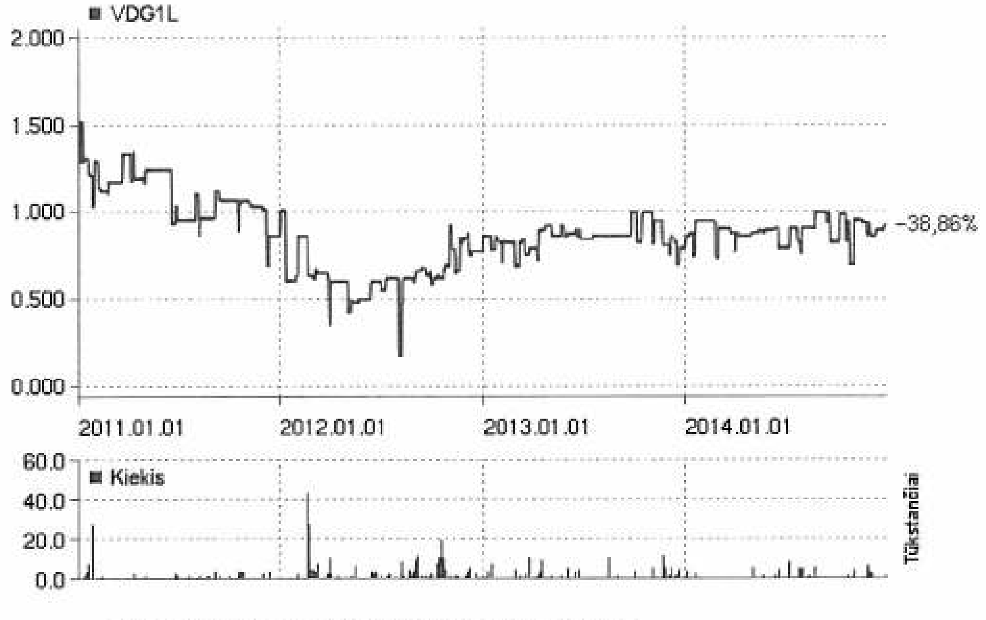
Source: www.nasdaqomxbaltic.com/market

The following transactions were registered in 2014: no one over-the-counter (OTC) transaction three OTC non-monetary transations (4 560 units of shares) (source: http://www.csdl.lt/lt/aktualijos/statistika/uzbsanda.php). Detailed information on trade of the shares can be found on the securities exchange NASDAQ OMX Vilnius.

Annual Statement

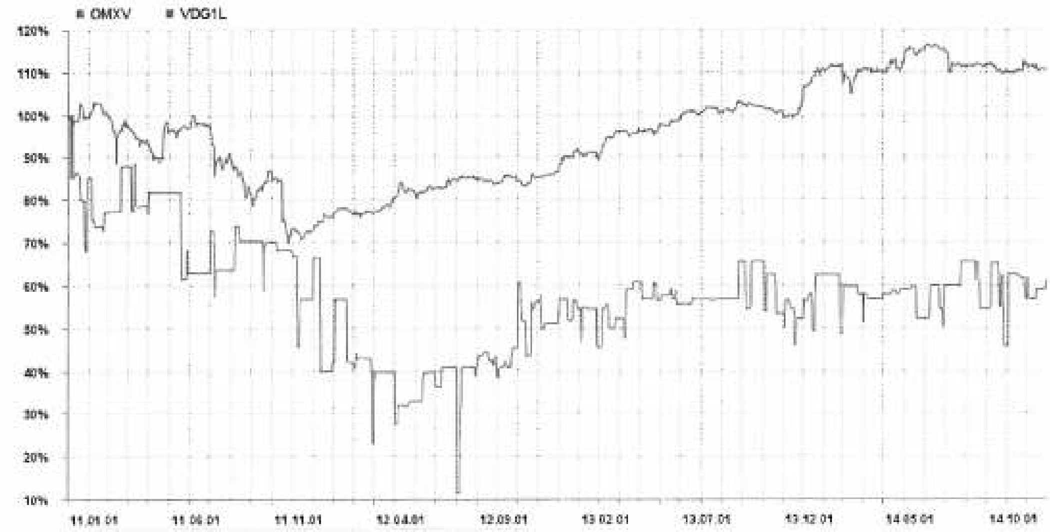
2 Authorised Capital and Securities (cont'd)

Trade in the shares of AB Vilniaus degtinė on, NASDAQ OMX Vilnius in year 2011-2014



Source: www.nasdaqomxbaltic.com/market

Comparison of the price of the shares of AB Vilniaus degtinė (VDG1L) with OMX Vilnius (OMXV) index in year 2011-2014



Index/Shares	01.01.2011	31.12.2014	+/-%
OMX Vilnius	409,65	452,42	10,44
VDG1L	0,440 EUR	0,269 EUR	-38,86

Source: www.nasdaqomxbaltic.com/market

Annual Statement

3 Company Management

The Company has the general shareholders' meeting, collegial supervisory body – the supervisory council, collegial management body – the board and one-person management body – the head of the Company (Director General). The functions of audit committee are performed by the Company's supervisory board. The Company does not have other Committee.

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

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

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

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

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

Control over any possible conflicts of interest that the management bodies of the Company may face is maintained by constantly collecting and exchanging information on the involvement of the Supervisory Council, the Board or the head of the Company with other legal entities (participating in the capital or operations of such third parties), evaluating and taking into account the risks posed by such participation.

Over the reporting period, there were no harmful transactions concluded on behalf of the Company or conflicts of interests incurred.

The Shareholders' General Meetings of the Company are convened in accordance with the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. The decision to convene a Shareholders' General Meeting is made by the Board of the Company.

5 Board meetings, 4 meetings of the Supervisory Council and 1 regular Shareholders' General Meeting took place in 2014. On these occasions, an auditing firm was selected and the Consolidated Financial Statements for 2013 were approved. During the course of the meetings of the Board and those of the Supervisory Council, a decision was made to establish a subsidiary company in Lithuania, and the issues of long-term asset acquisition, the extension of existing bank credit and the pledging of assets were discussed.

Annual Statement

3 Company Management (cont'd)

The head of the Company, its Chief Financial Officer, Chairman of the Board and Chairman of the Supervisory council all attended the regular Shareholders' General Meeting.

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

Members of the collegial supervision, management bodies as on the 31th of December 2013

Name, surname	Position	Participation in the authorised capital of the issuer, percent	Term
Dariusz Jamiola	Chairman of supervisory council	-	04-2012 – 04-2016
Tomasz Kowalski	Member of supervisory council	-	04-2012 – 04-2016
Darius Šiaudinis	Member of superv. council, Head of Marketing	-	04-2012 – 04-2016
Darius Žaromskis	Chairman of the Board	14.76	12-2011 – 12-2015
Juozas Daunys	Board member, Director General	-	12-2011 – 12-2015
Dalius Rutkauskas	Board member, Buying and Selling Director	-	12-2011 – 12-2015
Genadij Jurgelevič	Board member, Production Director	-	10-2012 – 12-2015
Juozas Daunys	Director General	-	from 07-07-2011
Renata Baliūnaitė	Chief Financial Officer	-	2011-03 – 2015-01
Česlava Ivickienė	Chief Financial Officer	-	from 2015-01-19

The members of collegial supervisory and management bodies were not remunerated for their work in supervisory council and board. The Company has not granted any loans or guarantees, and did not pay out any dividends to these persons. In 2014, a total of LTL 234 thous. (excluding VAT) were paid for legal services received.

In Januar-December 2014 the job-related payoffs amounting to LTL 192 thous. including taxes were calcualted for admnistration members. Average a LTL 96 thous. for each member. Payoffs non-cash charge amounted to LTL 5 thous. To those individuals the Company had not transfered any property, provide loans or guarantees, and pay dividends.

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

The Company, in pursuance of its duties in accordance with the legal acts governing the securities market, published the information on the essential events in the issuer's activities:

- 28.02.2014 – Publication of interim operating result for 12 months of 2013;
- 25.03.2014 – Convening of the annual general meeting of shareholders;
- 03.04.2014 – Publication of draft decisions of the annual general meeting of shareholders;

Annual Statement

3 Company Management (cont'd)

- 24.04.2014 – Publication of decisions of the annual general meeting of shareholders;
- 30.05.2014 – Publication of interim operating result for 3 months of 2014;
- 29.08.2014 – Publication of interim operating result for I half year of 2014;
- 28.11.2014 – Publication of interim operating result for 9 months of 2014;
- 12.12.2014 – Notice of acquisition and disposal of voting rights;
- 12.12.2014 – Notice on transaction concluded by manager of the company.

Detailed information in major events can be found on the Company's website www.degtine.ltor the website of, NASDAQ OMX Baltic www.nasdaqomxbaltic.com.
The Company is a member of the Lithuanian Food Exporters Association (LitMEA).

4 Production Activities

The primary business activity of the Company is the manufacture of vodka, scented vodka, bitters, liquers and other alcoholic beverages. The manufacturing process uses purified water and natural ingredients: nuts, berries, fruit juice, honey and herbs. The Company continues to espouse long-standing Lithuanian production traditions, and its products have won multiple awards for their quality and outstanding recipes. In 2014 the Company's technologists and marketing specialists created fifty seven new products in vodka, bitter, liquer and brandy categories, whereof 40 were custom-made ("private labels").

Alcoholic beverages manufactured

Name	Measurement unit	January-December, 2014	January-December, 2013	Change (+,-), percent
Alcoholic beverages	000s litres	11 859,1	9 044,4	+31,1

In 2014 alcoholic beverages production increased by 31.1 percent, because increase sales of alcoholic beverages in the domestic market and expansion into foreign markets.

Upon the improvement of performance processes of the bottling plant, production efficiency increased by 2 percent. Manufacturing processes were put to good order and improved, workplaces were standartized and new manufacturing department staff were trained.

The Branch produces distilled food grade ethyl alcohol from rye and triticale. 4 107.8 thousand liters of absolute alcohol was produced in 2014.

Cogeneration plant is powered with biogas to generate electricity and heat using the internal combustion engines. Steam is used in generation process. Excess electric power is sold to AB. This project reduced the costs of energy resources of the Branch as well as environmental pollution. Installed power is 1.5 MW. 5 964.0 MWh of electric power was generated in 2014.

The Company's Management successfully supervises the ISO 9001:2000 management and the LEAN manufacturing control systems. The continued efficiency of supervision, harmonious development of the Company and its competetive advantages are assured. The Company continues to improve the quality and recipes of its manufactured products, make production processes more efficient, decrease production costs and ensure safe working conditions for its staff.

Annual Statement

5 Commercial activities

Sales in 2014 reached LTL 66 178 thous. (EUR 19 166 thous.), in 2013 – LTL 55 283 thous. (EUR 16 011 thous.). Although , sales revenue increased by 19.7 percent, compared to the same time period last year, sales revenue of alcoholic beverages throughout the 2014 year increased by 21.3 percent or LTL 9 269 thous. (EUR 2 684 thous.) ,compared to the same time period last year. Sales of alcoholic and non-alcoholic beverages throughout the year increased by 20.2 percent or LTL 9 444 thous. (EUR 2 735 thous.)

Sales in the Lithuanian market made up the largest portion of the Company's sales (79.8 percent). Domestic market sales increased by 17.4 percent; in the EU market sales increased by 20.8 percent, sales to third countries increased 2.2 times. Sales to Poland, Latvia, Estonia and Denmark made up the largest portion of the income from the EU market. Sales to Ukraine, Israel, Iraq and Angola made up the largest portion of the income from third countries.

Alcoholic beverages sold

Name	Measurement unit	January-December, 2013	January-December, 2013	Change (+,-), percent
Alcoholic beverages	000s litres	12 367,8	9 254.9	+33.6

33.6 percent more alcoholic beverages were sold in 2014 than in the same time frame last year. Vodka made up the largest weighted portion of the sales, that is, 61.6 percent of litres of all alcoholic beverages sold. Sales of alcoholic beverages grew in 2014: sales of rum grew 55.9 times, sales of wine - by 3.3 times, brandy – 8.7 percent, herbal liqueurs fell - 1.4 percent, vodka grew – 15.1 percent, and bitters – 46.5 percent. The volume of sales of non-alcoholic beverages was not large.

On domestic market the company focused on the promotion of its key trademarks. In January such limited edition products, as "Bajorų senovinis butelaitis" and "Gedimino plieninė" vodka, were introduced to the market. "Bajorų" trademark was also expanded into the category of bitters and a new "Renaissance Fleur" beverage joined "Renaissance" brandy family. In May the packaging of products carrying "Sobieski" trademark was renewed with the support of promotional campaign. In order to expand the vodka market, in June the company presented a new type of vodka – "Gedimino salyklinė". This vodka distinguishes by that it is targeted for not only vodka, but also whiskey experts.

In Lithuania, the advertisement of alcohol is restricted by the Law on Advertising of the Republic of Lithuania and Law on Alcohol Control of the Republic of Lithuania.

Resources and raw materials needed for production are bought at market prices from reliable suppliers in Lithuania and abroad. The suppliers by country are: 47 percent from Lithuania, 18 percent from Poland , 13 percent from Belarus, and 22 percent from other countries.

Annual Statement

6 Economic-Financial Ratios

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

Economic-financial indices

Indices	January – December, 2013 / 31.12.2013	January – December, 2013 / 31.12.2013	Change (+,-), percent
Sales revenue (loss), excl. excise tax, LTL	66 177 855	55 283 461	+19,7
EBIT, LTL	4 416 507	582 173	+7,6 k.
EBITDA, LTL	7 783 574	4 161 801	+87,0
Profit (loss) before taxes, LTL	4 260 870	126 025	+33,8 k.
Profit (loss) of the period, LTL	3 800 233	46 799	+81 k.
Depreciation, amortisation and impairment, LTL	3 367 067	3 579 628	-5,9
Non-current assets, LTL	43 771 358	47 807 716	-8,4
Current assets, LTL	44 183 051	37 307 235	+18,4
Total assets, LTL	87 954 409	85 114 951	+3,3
Share capital, LTL	24 408 431	24 408 431	-
Owner's equity , LTL	40 169 770	36 369 537	+10,4
Non-current liabilities, LTL	9 442 194	12 559 677	+24,8
Current liabilities, LTL	38 324 445	36 185 737	+5,9
Net cash flows from operating activities, LTL	8 326 334	(1 336 536)	+7,2 k.
Net cash flows form investing activities, LTL	(1 516 491)	(229 565)	-6,6 k.
Net cash flows from financing activities, LTL	(6 803 626)	1 556 922	-5,4 k.
Gross profit margin ratio, %	31,64	31.05	+0,6
Operating (net) profit margin ratio, %	5,74	0,08	+5,7
EBIT profit margin ratio, %	6,67	1.05	+5,6
EBITDA profit margin ratio, %	11,76	7.53	+0,1
ROE (return on equity), LTL	0,099	0,001	+98 k.
ROA (return on assets), LTL	0,050	0,007	+7,1 k.
Quick ratio	0,947	0,832	+13,8
Net working capital turnover ratio	18,962	23,184	-18,2
EPS (earnings per share), LTL	0,16	0,00	0
Debt to equity ratio	1,192	1,340	-11,0

No profits were distributed in the form of dividends in 2013 and 2012.

In 2014, sales revenue increased. The Company earned LTL 3 800 233 in profits (LTL 46 799 in 2013).

The lower cost of resources and raw materials used in production influenced the 0.6 percent increase in the gross profitability indicator for alcoholic beverages sold by the Company.

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6 Economic-Financial Ratios (cont'd)

Investment in 2014 totaled LTL 706 945, where of LTL 109 758 is assets acquired through financial lease.

The value of the Company's assets over the year has increased (by 3.3 percent). Tangible capital assets and intangible assets have decreased by 9 percent and 7.3 percent respectively due to depreciation and amortization. Current assets have increased (by 18.4 percent) following the increase of trade receivables (by 18.4 percent) and other receivables (2.4 times).

Net working capital turnover ratio has decreased (by (18,2 percent) and demonstrates a sufficient number of net working capital turnovers (18,962 ratio) over the year as well as sufficient need for working capital.

Long-term liabilities have decreased (by 24.8 percent) as a result of credits repaid to the bank and amortization of the state subsidy intended for the implementation of the combined heat and power plant construction project (the state subsidy has decreased by 9 percent).

Short-term liabilities have increased (by 5 percent) as well as the increase excise duty and value added tax (increased by 39 percent).

7 Risk Factors

Economic Risk Factors

The main risk factors are: large concentration of alcohol in the domestic market, competition, the extent of the shadow economy, the possibility of an increase in excise tax, increasing restrictions on the advertisement and sale of alcohol, uncertainty in the political situation of certain export markets (Ukraine, Russia), overproduction of ethyl alcohol in the region. As competition increases, attention is focused on and funds are assigned to producing new products and creating brand images, reinforcing positions within the domestic market and developing sales in foreign markets.

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

Financial Risk Factors

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

Environmental Risk Factors

The manufacturing process did not have to be restricted or halted due to any harm to the environment. There were no other environmental risk factors or accidents. Environmental pollution decreased by building the new water-heating boiler. Waste water at the Branch is collected and treated at our own biological treatment installations. Secondary raw materials are sorted and handed over for utilization or recycling. Each year, the Company enters into an agreement with a waste management service for the management of the taxed product packaging waste. The Company incurred LTL 1 331 thous. in costs for product packaging waste management in 2014.

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7 Risk Factors (cont'd)

Technical –Technological Risk Factors

Since a portion of the Company's technological installations are worn-out, attention will be focused on renewing equipment, developing technological processes and improving production quality in order to eliminate any technical risk factors. After applying the LEAN system maintenance method for installations to the equipment of the bottling department (75 percent of all equipment), said equipment is now being serviced more efficiently.

Social Risk Factors

The availability of qualified workers and competent specialists, capable of satisfying the needs of the Company, remains low in the labour market. There are currently no vacancies within the Company. Wages are being paid on time. All employees have been provided with safe and adequate working conditions.

Information on other risk factors is presented in Note 27 to the annual financial statements.

8 Employees

Average number of employees

Indices	January-December, 2014	January-December, 2013
Number of employees	151	139

Average number of employees increased by 7.9 percent as a result of increased scope of production and sales.

Average monthly salary of employees

Employees	January-December, 2014		January-December, 2013	
	Number as on 31.12.2014	Average monthly salary (in LTL)	Number as on 31.12.2013	Average monthly salary (in LTL)
Managers (directors)	4	15 510	3	14 892
Specialists and white-collar workers	63	3 385	58	3 380
Blue-collar workers	92	1 866	90	1 774
Total	159	2 726	151	2 569

In implementing its action strategy and set goals, the Company ensures that its employees receive the best conditions and are paid a competitive wage on time. Wages depend on position, responsibility and the supply and demand of labour within the market. There is a system in place for financially incentivising individual staff members that contribute to the Company's performance. The collective agreement outlines the social guarantees of employees. There are no special rights or duties for Company employees (or a discrete portion thereof) envisioned in either the employment contracts or the collective agreement.

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8 Employees (cont'd)

Employee distribution by education

Employees	Number as on 31.12.2014	Number as on 31.12.2013
With higher education	57	63
With post-secondary education	17	31
With higher secondary or vocational secondary education	85	57
Total	159	151

Staff According to Age

Employees	Number as on 31.12.2014	Number as on 31.12.2013
< 25 years old	9	8
25-34 years old	39	34
35-44 years old	46	46
45-54 years old	43	42
55-60 years old	14	13
> 60 years old	8	8
Total	159	151

Staff According to Gender

Employees	Number as on 31.12.2014	Number as on 31.12.2013
Women	75	70
Men	84	81
Total	159	151

All employees have the opportunity to develop personally and professionally, and to progress with their career regardless of their gender, age or nationality. Employees are constantly raising their qualifications, improving their knowledge of finances, marketing, export and production.They are encouraged to seek any requisite education.

The successful operation of the Company rests on its creative employees, unfazed by responsibility and constantly seeking new forms of productive work together with efficient solutions to problems. They are always sharing their experiences and providing suggestions and ideas to improve performance and working conditions.

In order to create greater value to the customer and to increase its competitive advantage, the Company adopted the LEAN production control system. Staff are certified during training and during further development. Employees are rewarded for implementing ideas that are of economic value to the Company.

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9 Research and Development Activities

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

10 Environmental Protection

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

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

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

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

The Company declares all natural water resources used, taxed product packaging, waste and emissions from both mobile and stationary sources of pollution. In 2014, LTL 24 thous. were paid for the use of national natural resources (water) and LTL 20 thous. - for the environmental pollution caused by mobile and stationary sources of pollution. The Company no longer has a duty to declare waste and emissions from stationary sources of pollution, combustion installations, with a thermal efficiency lower than 20,0 MW.

11 Internal control and quality system

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

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11 Internal control and quality system (cont'd)

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

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

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

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

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

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

In 2014, the following LEAN methods and tools were applied in certain parts when managing effective processes: 5S, Kaizen, PDCA, SMED, SD, TPM, Kanban, Asaichi :

- 5S Visual checks and auditing implemented in 6 workplaces ;
- Kaizen 298 ideas implemented;
- PDCA 8 problems solved;
- SMED 3 projects to readjust installations were implemented;
- SD 18 workplaces were standardized;
- TPM 5 installations are looked after using TPM methodoly;
- Kanban Kanban (min-max projects for reserves) is in force in 102 workplaces,
- Asaichi 10 VDGS meetings conducted between different departments during the day.

12 Business Plans and Forecasts

Sales in 2014 reached LTL 66 178 thous. (EUR 19 166 thous.), in 2013 – LTL 55 283 thous. (EUR 16 011 thous.), the sales of alcoholic beverages manufactured by the Company rose by 21.3 percent, or LTL 9 269 thous. (EUR 2 684 thous.), in 2014.

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12 Business Plans and Forecasts (cont'd)

Sales of manufactured alcoholic beverages to EU countries increased by 35.2 percent in 2014, while sales to to third countries increased 2.2. Currently, the Company exports its products to more than 20 countries in the world.

The most exported product was „Shotka Vodka Kanabi", a cannabis vodka - currently, this vodka is being realized in thirteen export markets.

One of the Company's priorities is investing in its brands. In 2014 limited edition products, as "Bajorų senovinis butelaitis" and "Gedimino plieninė" vodka, were introduced to the market. . In order to expand the vodka market, the company presented a new type of vodka – "Gedimino salyklinė". In 2014, the packaging of „Sobieski", products was revamped.

The Company plans to increase sales revenue by 25 percent and reach 2.8 million EUR EBITDA.

The Company's operational priorities for 2015 are:

- Export. Expansion of export portfolio and investment in the main export-oriented brands:
    - „Shotka Vodka Kanabi" - Anticipated product introduction campaigns in Spain and USA markets.
    - „Barska Vodka" - product introduction campaigns in Bulgaria market. „Renaissance Brandy"-product introduction campaigns in CIS countries markets;

  „COCO IN VODKA"- product introduction campaigns in India and Ukraine markets.
  Strengthening of brands on domestic market investing in the primary brands: „Sobieski", „Bajorų", „Gedimino", „Čepkelių", „Starka", „Renaissance";
- expanding the assortment
  it is planned to invest in the categories of rum, whiskey and wine alcoholic beverages;
- modernizing production capacities
  in order to make the manufacturing process more effective, there are plans to invest in modernizing the existing manufacturing equipment;
- renewing IT equipment and software
  the aim is to make the internal processes and operational management more effective.

The forecasts for 2014 predict an unstable, commercilly uncertain market for ethyl alcohol. The main causes and risks are: uncertain prospects for dealing in bioethanol, a drop in demand from the largest neighbouring (Polish) market due to increased excise taxes, growing competition from alcohol imports from third countries.

13 Events after the Reporting Period

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

Director General
Juozas Daunys
Vilnius, 12 March, 2014

Annex to Annual Statement

Report of AB Vilniaus Degtinė on the compliance with the Corporate Governance Code for the Companies Listed in stock exchange „NASDAQ OMX Vilnius" in 2013.

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

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

Principle II: The corporate governance framework

The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.

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

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

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholder meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if the supervisory board is a collegial body elected by the general shareholder meeting) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholder meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.	No	The Company does not follow this recommendation of the Governance Code because the members of the supervisory board are employees of the controlling shareholder, of Company's or associated companies.

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

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

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself. The collegial body remains fully responsible for the decisions taken in its field of competence.	Irrelevant	The Company does not follow this recommendation because, considering the size and structure of the Company, no appointment, salary committees are formed in the Company. The functions of audit committee are performed by the Company's supervisory board.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies have a small number of members of the collegial body, they could exceptionally be composed of the collegial body. Independent members of the collegial body should make the majority of members of each committee. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors.	No	The Company does not follow this recommendation because, considering the size and structure of the Company, no appointment, salary committees are formed in the Company. The functions of audit committee are performed by the Company's supervisory board.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	The Company does not follow this recommendation because, considering the size and structure of the Company, no appointment, salary committees are formed in the Company. The functions of audit committee are performed by the Company's supervisory board.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	The Company does not follow this recommendation because, considering the size and structure of the Company, no appointment, salary committees are formed in the Company. The functions of audit committee are performed by the Company's supervisory board.
4.12. Nomination Committee. 4.12.1. Key functions of the Nomination Committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management andshareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholder meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the Nomination committee.	No	The Company does not follow this recommendation because, considering the size and structure of the Company, no appointment, salary committees are formed in the Company. The functions of audit committee are performed by the Company's supervisory board.

4.13. Remuneration Committee. 4.13.1. Key functions of the Remuneration Committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company. 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation. 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies: 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors): 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, thecommittee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and bepresent at the annual general meeting for this purpose.	No	The Company does not follow this recommendation because, considering the size and structure of the Company, no appointment, salary committees are formed in the Company. The functions of audit committee are performed by the Company's supervisory board.

4.14. Audit Committee. 4.14.1. Key functions of the Audit Committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholder meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose enterprises (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committeeshould act as the principal contact person for the internal and external auditors. 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.	Yes	The functions of audit committee are performed by the Company's supervisory board.

4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The Company does not have an established practice of evaluating and informing about the activities of the management bodies.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The Company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	Collegial supervisory and management bodies of the Company are managed by the chairmen of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The procedure of the meetings of the supervisory and management bodies is not strictly defined: when needed, meetings are called on a short notice.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The members of the management bodies are properly notified about the convention of a meeting and supplied with all material necessary for the adoption of the resolutions.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The chairmen of collegial supervisory and management bodies of the Company agree among themselves about the date and agenda of the meetings to be convened and work in close cooperation when adopting resolutions that are of high importance to the Company.

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary registered shares, which form the statutory capital of the Company, grant equal rights to all the shareholders of the Company.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company does not issue new shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholder meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	All transactions that are important to the Company and its shareholders are being approved by the general shareholder meeting (the Articles of Association of the Company establish the criteria for important transactions). All the shareholders are provided with equal opportunities to get acquainted and participate in adopting important decisions.
6.4. Procedures of convening and conducting a general shareholder meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholder meeting and receive answers to them.	Yes	The procedures of convening and conducting the general shareholder meeting provide the shareholders with equal opportunities to take part in a meeting. All the shareholders of the Company are given the possibility to ask the members of supervisory and management bodies questions on the agenda of the general shareholder meeting and receive answers to them.
6.5. It is recommended that documents on the course of the general shareholder meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholder meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Documents prepared for the general shareholder meeting, including draft resolutions thereof, are announced to the public on the Company's website. All information is presented in Lithuanian and English.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholder meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholders of the Company can participate in the shareholders' meeting both in person and through a proxy, provided the person has been duly authorised. The Company provides the shareholders with the possibility to vote by filling in a general voting-paper, as provided for by the Company Law.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholder meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Irrelevant	Up till now, there was no need to implement this recommendation in the Company.

Principle VII: The avoidance of conflicts of interest and their disclosure

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Company follows these recommendations: the members of its supervisory board and the board act upon these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholder meeting or any other corporate body authorized by the meeting.		
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Company follows these recommendations; the members of its supervisory board and the board act upon this recommendation in practice or would act upon it in such situation because they are acquainted with these provisions and would knowingly follow the recommendation.

Principle VIII: Company's remuneration policy

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company does not prepare reports on salary policy because it is a confidential internal document of the Company. The general information about the salaries paid to the admnistration members is disclosed and average salary of the Company's employees is specified by categories in the annual statement.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes	Information about the total amount of the salary paid out to the admnistration members during the year is made public every year through the reports.

8.3. Remuneration statement should leastwise include the following information: 1) Explanation of relative importance of variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.	No	The supervisory and management bodies of the Company conclude and approve contracts with the Company's administration heads; the contracts are confidential and not publicly available.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The supervisory and management bodies of the Company conclude and approve contracts with the Company's administration heads; the contracts are confidential and not publicly available.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or		

member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	No	The Company does not make the salary policy publicly available because it is a confidential internal document of the Company. The Company does not exercise the policy of using shares as a method of remuneration.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.		
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.		
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annualremuneration, which should, in general, not be higher than two years of the non-variable component ofremuneration or the equivalent thereof.		
8.11. Termination payments should not be paid if the termination is due to inadequate performance.		

8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.		
8.13. In case the remuneration is based on awarding shares, the shares should not vest for at least three years after their award.		
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and theright to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.		
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should befixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).		
8.16. Remuneration of non-executive or supervisory directors should not include share options.		
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.		
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors'remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.		
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of schemeshould be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual generalmeeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.		
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award		

compensations listed in this article to individual directors. 8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval. 8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting. 8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the companyintends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept stakeholders includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	Corporate governance system of the Company ensures that all legally protected rights of the stakeholders 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.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	Information on the financial results, economic activities and Company governance is regularly disclosed through press releases, interim and annual reports and financial statements. All documents are publicly posted on the Company's website in Lithuanian and English.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	No	
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	No	
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to allsimultaneously. It is recommended that notices about material events should be announced before or after a trading session on NASDAQ OMX Vilnius, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company presents information through the information system used by Vilnius Stock Exchange in Lithuanian and in English simultaneously to the extent possible. The Company strictly follows the principle not to disclose the information until such information is made public through the Exchange information system.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users, users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company posts all information intended for the shareholders simultaneously and to the same extent in Lithuanian and in English on the website of the Company, thus ensuring unbiased timely access to the information.

10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company follows these recommendations: it posts all the information specified in the recommendation on its website.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The Company follows this recommendation: interim financial statements, annual financial statements and annual statement of the Company are audited by an independent audit company (audit for the year 2013 is carried out by UAB Grant Thornton Rimess).
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholder meeting.	Yes	The Company follows this recommendation: the audit company is proposed to the general shareholder meeting by the supervisory board of the Company (upon the proposal of the board).
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Irrelevant	The payment to the audit company for audit services is disclosed in Note 8 of the Annual Financial Statements. The audit company prepared the documentation on the pricing of deals between associated entities and received payment for this service in 2013.