AB VILNIAUS DEGTINĖ

Interim Financial Statements and Interim Statement for the six-month period ended on the 30th June 2015
(unaudited)

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 Accountant Raimonda Kutkevičiūtė of AB Vilniaus degtinė, confirm that as we know, the unaudited Interim Financial Statements of AB Vilniaus degtinė for the six-month period ended on the 30th June, 2015, 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 Interim Statement of AB Vilniaus degtinė for the six-month period ended on the 30th June, 2015, 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.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
31 August, 2015

Statement on Financial Position

In EUR	Notes	30.06.2015	31.12.2014
ASSETS			
Non-current assets			
Tangible assets	14	8 990 723	7 987 987
Intangible assets	13	2 639 340	2 741 757
Financial assets	15	1 675 869	1 947 318
Total non-current assets		**13 305 932**	**12 677 062**
Current assets			
Inventories	16	1 888 485	2 094 915
Prepayments and future expenses	17	211 941	191 383
Trade receivables	18	8 070 515	10 142 192
Other receivables	12,19	288 597	365 727
Cash and cash equivalents	20	4 640	2 079
Total current assets		**10 464 178**	**12 796 296**
TOTAL ASSETS		**23 770 110**	**25 473 358**

Notes on pages 11-36 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
31 August, 2015

Statement on Financial Position (cont'd)

In EUR	Notes	30.06.2015	31.12.2014
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	7 078 445	7 069 170
Legal reserve	21	706 917	706 917
Retained earnings (loss)		4 376 536	3 857 883
Total equity		**12 161 898**	**11 633 970**
Non-current liabilities			
Interest bearing loans and borrowings	23	47 555	61 991
Governmental grants	24	2 217 159	2 333 107
Trade payables			12 678
Deferred tax liability	11	309 412	326 872
Total non-current liabilities		**2 574 126**	**2 734 648**
Current liabilities			
Interest bearing loans and borrowings	23	3 465 398	4 448 862
Trade payables		2 342 355	2 010 597
Income tax payables	25	52 101	39 326
Other payables	25	3 174 232	4 605 955
Total current liabilities		**9 034 086**	**11 104 740**
Total liabilities		**11 608 212**	**13 839 388**
TOTAL EQUITY AND LIABILITIES		**23 770 110**	**25 473 358**

Notes on pages 11-36 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
31 August, 2015

Comprehensive Income Statement

In EUR	Notes	Jan-Jun 2015	Jan-Jun 2014
Sales revenue	4	**26 969 701**	**25 969 837**
Cost of sales		(23 948 438)	(23 182 014)
Gross profit	4	**3 021 263**	**2 787 823**
Other income	5	168 652	79 740
Sales and distribution expenses	6	(979 397)	(1 021 004)
Administrative expenses	7	(1 662 281)	(1 528 664)
Other expenses	5	(3 971)	(30 756)
Result from operating activities		**544 266**	**287 139**
Financial income	9	74 084	39 292
Financial expenses	9	(65 055)	(85 715)
Profit (loss) before tax		**553 295**	**240 716**
Corporate income tax	10	(34 642)	(42 357)
Profit (loss) for the period		**518 653**	**198 359**
Basic and diluted earnings (loss) per share	22	0.02	0,01
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		**518 653**	**198 359**

Notes on pages 11-36 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
31 August, 2015

Comprehensive Income Statement

In EUR	Notes	Apr-Jun 2015	Apr-Jun 2014
Sales revenue	4	**13 368 577**	**13 035 388**
Cost of sales		(11 831 260)	(11 605 530)
Gross profit	4	**1 537 317**	**1 429 858**
Other income	5	117 320	40 782
Sales and distribution expenses	6	(492 659)	(492 298)
Administrative expenses	7	(786 785)	(813 878)
Other expenses	5	(2 090)	(2 022)
Result from operating activities		**373 103**	**162 442**
Financial income	9	29 386	20 118
Financial expenses	9	(25 450)	(45 372)
Profit (loss) before tax		**377 039**	**137 188**
Corporate income tax	10	(14 883)	(23 147)
Profit (loss) for the period		**362 156**	**114 041**
Basic and diluted earnings (loss) per share	22	0,01	0,00
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		**362 156**	**114 041**

Notes on pages 11-36 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
31 August, 2015

Statement of Changes in Equity

In EUR	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as on 1 January 2014		**7 069 170**	**706 917**	**0**	**2 757 259**	**10 533 346**
Profit (loss) for the period		0	0	0	198 359	198 359
Capital and reserves as on 30 June 2014		**7 069 170**	**706 917**	**0**	**2 955 618**	**10 731 705**
Capital and reserves as on 1 January 2015		**7 069 170**	**706 917**	**0**	**3 857 883**	**11 633 970**
The difference arising from the conversion of share capital into euros		9 275	0	0	0	9 275
Profit (loss) for the period		0	0	0	518 653	518 653
Capital and reserves as on 30 June 2015	21	**7 078 445**	**706 917**	**0**	**4 376 536**	**12 161 898**

Notes on pages 11-36 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
31 August, 2015

Cash Flows Statement

In EUR	Jan-Jun 2015	Jan-Jun 2014
Profit (loss) for the period	518 653	198 359
Depreciation and amortisation	489 389	494 089
Impairment of trade receivables and other receivables	(24 126)	(12 754)
Net financial expenses	(27 614)	40 803
Gain (loss) on disposal of non-current assets	(3 645)	1 412
Corporate income tax expenses	69 562	42 357
Other	9 274	0
Net cash flows from ordinary activities before changes in working capital	1 031 493	764 266
Change in inventories	206 430	(283 995)
Change in prepayments	(20 557)	10 639
Change in trade receivables and other receivables	2 216 698	1 115 733
Change in trade payables and other payables	(1 112 641)	(1 201 996)
Net cash flows from operating activities	1 289 930	(359 619)
Income tax paid	(80 419)	0
Net cash flows from operating activities	**2 241 004**	**404 647**
Interest	114 651	146 269
Proceeds from disposal of non-current assets	5 399	36
Acquisition of property, plant and equipment	(1 458 748)	(72 983)
Acquisition of intangible non-current assets	(48 665)	(10 902)
Acquisition of investments	0	0
Loans received	185 507	0
Net cash flows from investing activities	**(1 201 856)**	**62 420**
Repayment of loans	(365 991)	(365 991)
Loans received	0	0
Increase (decrease) of other financial debt	(611 189)	18 947
Financial lease payments	(20 720)	(37 050)
Interest paid	(38 687)	(80 620)
Net cash flows from financing activities	**(1 036 587)**	**(464 714)**
Net cash flows from operating, investing and financing activities	**2 561**	**2 353**
Cash and cash equivalents at the beginning of the period	**2 079**	**278**
Cash and cash equivalents at the end of the period	**4 640**	**2 631**

Notes on pages 11-36 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
31 August, 2015

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 2013, are owned by the Company.

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

As on the 30th of June 2015, its shares are held by the following shareholders

Shareholder	Number of shares	Nominal value in EUR	Total value in EUR
Sobieski Dystribucja Sp.zo.o.	16 668 632	0,29	4 833 903
Dora Solutions OU	3 602 498	0,29	1 044 724
SEB SA OMNIBUS (funds/inst clients)	2 233 476	0,29	647 708
Daiva Žaromskienė	1 220 422	0,29	353 922
Other shareholders	683 403	0,29	198 188
Total capital	**24 408 431**	**0,29**	**7 078 445**

The number of shareholders total 248

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.

The Company employed 152 staff members as on the 30th of June 2015 (157 staff members as on the 30th of June 2014).

2 Summary of significant accounting principles

Statement of compliance

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

Basis of preparation

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation (cont'd)

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

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

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

Foreign currency

Translation of amounts in foreign currencies into the national currency

Transactions in foreign currencies are translated into euros at foreign exchange rate which is set by European Central Bank and by the Bank of Lithuania ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into euros 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 30th of June 2015.

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.

From 2015, sales amounts are recognised by including excise duties and deducting value added tax and applied discounts that are directly related with sales, comparative information of 2014 is also represented accordingly.

Services rendered, assets disposed

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

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

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Expenses

Operating lease payments

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

Financial lease payments

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

Net financing costs

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

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

Corporate income tax

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

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

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Segment reporting

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

Basic and diluted earnings (loss) per share

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

3 Critical accounting estimates and judgements

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

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. 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

3 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 and cost of sales recogninision

Sales revenue and cost of sales are recognised by including excise duties:

In EUR	Jan-Jun 2015	Jan-Jun 2015
Sales revenues including excise duty	26 969 701	25 969 837
Excise duty	17 555 988	17 523 498
Cost of sales including excise duty	23 948 438	23 182 014
Excise duty	17 555 988	17 523 498

In EUR	Apr-Jun 2015	Apr-Jun 2015
Sales revenues including excise duty	13 368 577	13 035 388
Excise duty	8 639 243	8 735 786
Cost of sales including excise duty	23 948 438	23 182 014
Excise duty	17 555 988	17 523 498

Notes

4 Segment reporting

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

Sales revenue and gross profit for January-June 2015

In EUR	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Sales revenue	24 003 311	1 541 142	423 294	1 001 954	26 969 701
Gross profit	2 648 838	199 651	77 541	95 233	3 021 263

Sales revenue and gross profit for January-June 2014

In EUR	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Sales revenue	24 521 772	698 136	162 811	587 118	25 969 837
Gross profit	2 727 133	(3 294)	22 541	41 443	2 787 823

Sales revenue and gross profit for April-June 2015

In EUR	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Sales revenue	11 733 115	923 833	59 624	652 005	13 368 577
Gross profit	1 338 841	112 097	13 428	72 951	1 537 317

Sales revenue and gross profit for April-June 2014

In EUR	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Sales revenue	12 205 624	525 123	2 960	301 681	13 035 388
Gross profit	1 422 277	(16 254)	1 277	22 558	1 429 858

The Company's primary activities are carried out in the Lithuanian market, in the EU countries and other foreign markets. In January-June 2015, sales to the EU and other foreign markets amounted to EUR 2 426 878 (in January-June 2014 – EUR 1 541 762), in April-June 2015, sales to the EU and other foreign markets amounted to EUR 1 368 691 (in April-June 2014 – EUR 950 234). Revenue of finished alcoholic beverages in January-June 2015, in these markets increased by 12 percent, revenue of ethyl alcohol and its products increased 2,3 times. Considering the share of product sales in foreign markets in total revenue, no geographical segments are singled out.

Notes

In EUR	Jan-Jun 2015	Jan-Jun 2014
5 Income and expenses of other activities		
Lease of premises and utilities	18 540	18 961
Income from sales of intangible asstes	5 399	35
Income from sales of materials and spare parts	80 704	28 245
Electricity sales profit	53 226	0
Transportation	5 088	8 825
Indemnification	11	0
Other income	5 684	0
Total other income	168 652	79 740
Other expenses	(3 971)	(3 911)
Loss from sales of intangible asstes	0	0
Loss from sales of electricity	0	(26 845)
Loss from sales of materials and spare parts	0	0
Total other expenses	(3 971)	(30 756)
Net income and expenses of other activities	**164 681**	**48 984**

In EUR	Apr-Jun 2015	Apr-Jun 2014
5 Income and expenses of other activities (cont'd)		
Lease of premises and utilities	8 346	8 561
Income from sales of intangible asstes	1 899	36
Income from sales of materials and spare parts	56 528	18 078
Electricity sales profit	46 050	4 205
Transportation	2 088	4 928
Indemnification	11	0
Other income	2 398	4 974
Total other income	117 320	40 782
Other expenses	(2 090)	(2 022)
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	(2 090)	(2 022)
Net income and expenses of other activities	**115 230**	**38 760**

Notes

In EUR	Jan-Jun 2015	Jan-Jun 2014
6 Sales and distribution expenses		
Advertising expenses	(602 889)	(609 346)
Personnel expenses	(155 633)	(189 491)
Transportation expenses	(135 760)	(83 275)
Market research expenses	(9 660)	(10 822)
Packaging expenses	(16 437)	(26 486)
Other expenses	(59 018)	(101 584)
Total sales and distribution expenses	**(979 397)**	**(1 021 004)**

In EUR	Apr-Jun 2015	Apr-Jun 2014
Sales and distribution expenses		
Advertising expenses	(311 567)	(262 776)
Personnel expenses	(75 126)	(99 055)
Transportation expenses	(63 664)	(47 733)
Market research expenses	(4 830)	(6 222)
Packaging expenses	(10 214)	(12 278)
Other expenses	(27 258)	(64 234)
Total sales and distribution expenses	**(492 659)**	**(492 298)**

In EUR	Jan-Jun 2015	Jan-Jun 2014
7 Administrative expenses		
Personnel expenses	(506 915)	(468 307)
Operating taxes	(234 807)	(246 115)
Repairs and maintenance	(54 912)	(65 296)
Amortisation and depreciation	(246 881)	(265 285)
Consulting and training expenses	(212 364)	(93 065)
Maintenance of cargo vehicles	(79 503)	(66 611)
Security expenses	(36 343)	(36 579)
Communications and IT maintenance expenses	(24 062)	(22 154)
Utilities	(39 949)	(55 267)
Impairment allowance of debts	24 126	12 754
Other expenses	(250 671)	(222 739)
Total administrative expenses	**(1 662 281)**	**(1 528 664)**

Notes

In EUR	Apr-Jun 2014	Apr-Jun 2013
7 Administrative expenses (cont'd)		
Personnel expenses	(235 425)	(235 243)
Operating taxes	(119 020)	(123 365)
Repairs and maintenance	4 486	(37 161)
Amortisation and depreciation	(125 838)	(129 732)
Consulting and training expenses	(110 514)	(38 667)
Maintenance of cargo vehicles	(47 847)	(32 118)
Security expenses	(17 840)	(18 007)
Communications and IT maintenance expenses	(12 717)	(10 814)
Utilities	(9 797)	(10 681)
Impairment allowance of debts	269	(68 381)
Other expenses	(112 542)	(109 719)
Total administrative expenses	**(786 785)**	**(813 878)**

In EUR	Jan-Jun 2015	Jan-Jun 2014
8 Personnel expenses		
Wages and salaries	(647 893)	(590 051)
Vacation reserve	(59 129)	(61 634)
Guarantee fund contributions	(1 396)	(1 277)
Social security contributions	(219 485)	(202 603)
Total personnel expenses	**(927 903)**	**(855 565)**

In EUR	Jan-Jun 2015	Jan-Jun 2014
Personnel expenses		
Wages and salaries	(311 332)	(297 160)
Vacation reserve	(23 874)	(34 195)
Guarantee fund contributions	(675)	(653)
Social security contributions	(104 007)	(103 220)
Total personnel expenses	**(439 888)**	**(435 228)**

Redundancy pays in January-June 2015, inclusive of social security contributions and guarantee fund contributions, amounted to EUR 18 180 (in January-June 2014 - EUR 1 182), in April-June 2015, inclusive of social security contributions and guarantee fund contributions, amounted to EUR 4 561(in April-June 2014 - not amounted) .

Personnel expenses for the management (directors) in January-June 2015 amounted to EUR 92 628 (in January-June 2014 - EUR 74 293), of which were amounted to EUR 0 for redundancy pays. Amounted to 4 233 EUR contributions to the pension fund. No loans and (or) indemnities were granted to the management (directors) and no other financial liabilities or non-financial obligations were undertaken. Other significant transactions for details to Note 27.

Notes

8 Personnel expenses (cont'd)

Average number of staff members on payroll for January-June 2015 was 152 (147 for January-June 2014).

Average number of managers (directors) for January-June 2015 was 4 (3 for January-June 2014).

	In EUR	Jan-Jun 2015	Jan-Jun 2014
9	**Financial income and expenses**		
	Interest income	66 234	38 626
	Foreign exchange gain	7 850	666
	Total financial income	74 084	39 292
	Interest expenses	(47 963)	(79 428)
	Other expenses	(7 777)	(6 287)
	Foreign exchange loss	(9 315)	(0)
	Total financial expenses	(65 055)	(85 715)
	Financial income and expenses, net	**(9 029)**	**(46 423)**

In EUR	Apr-Jun 2015	Apr-Jun 2014
Financial income and expenses		
Interest income	32 224	19 419
Foreign exchange gain	(2 838)	699
Total financial income	29 386	20 118
Interest expenses	(24 097)	(41 587)
Other expenses	(1 328)	(3 785)
Foreign exchange loss	(25)	(0)
Total financial expenses	(25 450)	(45 372)
Financial income and expenses, net	**3 936**	**(25 254)**

	In EUR		Jan-Jun 2015	Jan-Jun 2014
10	**Corporate income tax expenses**			
	Current income tax for the period	12	(52 102)	(6 202)
	Change in deferred income tax	11	17 460	(36 155)
	Total corporate income tax expenses		**(34 642)**	**(42 357)**

Notes

In EUR		Apr-Jun 2015	Apr-Jun 2014
10 Corporate income tax expenses (cont'd)			
Current income tax for the period	12	(24 968)	(6 202)
Change in deferred income tax	11	10 085	(16 945)
Total corporate income tax expenses		**(14 883)**	**(23 147)**

11 Deferred tax

	30.06.2015		31.12.2014	
In EUR	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
Deferred tax asset	1 293 955	194 093	1 321 817	198 273
Deferred tax liability	(3 356 698)	(503 505)	(3 500 965)	(525 145)
Net deferred tax liability		**(309 412)**		**(326 872)**

In EUR	Jan-Jun 2015	Jan-Jun 2014
Change in the deferred tax		
Deferred tax liability at the beginning of the period	(326 872)	(232 788)
Deferred tax expenses	17 460	(36 155)
Deferred tax liability at the end of the period	**(309 412)**	**(268 943)**

In EUR	Apr-Jun 2015	Apr-Jun 2014
Change in the deferred tax		
Deferred tax liability at the beginning of the period	(319 497)	(251 999)
Deferred tax expenses	10 085	(16 944)
Deferred tax liability at the end of the period	**(309 412)**	**(268 943)**

12 Corporate income tax

In EUR	Jan-Jun 2015	Jan-Jun 2014
Overpaid corpor. income tax (liability) at the beginning of the period	0	0
Current income tax for the period	(52 101)	(5 203)
Overpaid corpor. income tax (liability) at the end of the period	**(52 101)**	**(6 203)**

Notes

12 Corporate income tax (cont'd)

In EUR	Apr-Jun 2015	Apr-Jun 2014
Overpaid corpor. income tax (liability) at the beginning of the period	(66 459)	0
Current income tax for the period	14 358	(6 203)
Overpaid corpor. income tax (liability) at the end of the period	**(52 101)**	**(6 203)**

13 Intangible assets

In EUR	Patents, licences	Software	Other	Total
Cost as of 1 January 2014	13 270	196 055	5 477 778	5 687 103
Additions	0	0	10 902	10 902
Cost as of 30 June 2014	13 270	196 055	5 488 680	5 698 005
Accumulated amortisation as of 1 January 2014	13 089	159 381	2 556 296	2 728 766
Amortisation	181	2 083	136 944	139 208
Accumulated amortisation as of 30 June 2014	13 270	161 464	2 693 240	2 867 974
Net book value as of 30 June 2014	**0**	**34 591**	**2 795 440**	**2 830 031**
Cost as of 1 January 2015	13 270	255 414	5 477 778	5 746 462
Additions	0	48 664	0	48 664
Write-off	0	0	0	0
Cost as of 30 June 2015	13 270	304 078	5 477 778	5 795 126
Accumulated amortisation as of 1 January 2015	13 270	161 250	2 830 185	3 004 705
Amortisation	0	14 136	136 944	151 080
Write-off	0	0	0	0
Accumulated amortisat. as of 30 June 2015	13 270	175 386	2 967 129	3 155 785
Net book value as of 30 June 2015	**0**	**128 692**	**2 510 649**	**2 639 340**

All amortisation expenses are included under administrative expenses.

Notes

14 Property, plant and equipment

In EUR	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other	Total
Cost as of 1 January 2014	10 454 242	7 070 563	402 294	623 022	554 686	6 951	19 111 758
Additions	0	24 476	25 735	21 905	17 957	6 157	96 230
Write-off and sale of	0	0	0	(161)	(1 448)	0	(1 609)
Reclassificationns	0	0	0	0	0	0	0
Cost as of the 30 June 2014	10 454 242	7 095 039	428 029	644 766	571 195	13 108	19 206 379
Accumulated impairment of 1 January 2014	686 819	0	0	0	138 309	0	825 128
Accumulated impairment of 30 June 2014	686 819	0	0	0	138 309	0	825 128
Accumulated depreciation as of 1 January 2014	3 343 229	5 087 211	339 587	600 575	138 309	0	9 508 911
Write-off and sale of	0	0	0	(161)	0	0	(161)
Depreciation	158 947	160 526	15 201	6 376	13 831	0	354 881
Depreciation (grants)	48 855	67 093	0	0	0	0	115 948
Accumulated depreciation as of 30 June 2014	3 551 031	5 314 830	354 788	606 790	152 140	0	9 979 579
Net book value as of 30 June 2014	**6 216 392**	**1 780 209**	**73 241**	**37 976**	**280 746**	**13 108**	**8 401 672**
Cost as of 1 January 2015	10 454 241	7 084 911	428 030	638 334	572 063	4 420	19 181 999
Additions	5 985	89 992	0	10 612	167 244	1 184 913	1 458 746
Write-off and sale of	0	(170 887)	(12 391)	(4 591)	0	0	(187 869)
Reclassificationns	0	0	0	0	0	0	0
Cost as of 30 June 2015	10 460 226	7 004 016	415 639	644 355	739 307	1 189 333	20 452 876
Accumulated impairment of 1 January 2015	686 818	0	0	0	138 309	0	825 127
Accumulated impairment of 30 June 2015	686 818	0	0	0	138 309	0	825 127
Accumulated depreciation as of 1 January 2015	3 758 834	5 479 539	365 826	598 714	165 971	0	10 368 884
Write-off and sale of	0	(169 134)	(12 391)	(4 590)	0	0	(186 115)
Depreciation	154 721	154 216	6 960	8 581	13 831	0	338 309
Depreciation (grants)	48 855	67 093	0	0	0	0	115 948
Accumulated depreciation as of 30 June 2015	3 962 410	5 531 714	360 395	602 705	179 802	0	10 637 026
Net book value as of 30 June 2015	**5 810 998**	**1 472 302**	**55 244**	**41 650**	**421 196**	**1 189 333**	**8 990 723**

Notes

In EUR	Jan-Jun 2015	Jan-Jun 2014
14 Property, plant and equipment (cont'd)		
Distribution of depreciation costs		
Cost of sales and write-off	(227 871)	(195 718)
Inventories	(11 021)	(29 307)
Administrative and other expenses	(99 417)	(129 856)
Total distribution of depreciation cost	**(338 309)**	**(354 881)**

In EUR	30.06.2015	31.12.2014
15 Financial assets		
Long-term loans granted	895 426	1 063 033
Interest receivable	249 646	212 899
Investments in associated companies	1 448	1 448
Trade receivables from comp. from the group	646 653	807 482
Amortisation amount for Group trade accounts receivable	(117 304)	(137 544)
Total financial assets	**1 675 869**	**1 947 318**

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

In EUR	30.06.2015	31.12.2014
16 Inventories		
Raw materials	906 622	1 134 110
Finished goods	590 413	593 046
Goods for resale	372 517	343 029
Work in progress	18 933	24 730
Total inventories	**1 888 485**	**2 094 915**

As of 30th of June 2015, the remainder of inventories stored at the third parties warehouses is worth of EUR 10 633.

In EUR	30.06.2015	31.12.2014
17 Prepayments and deferred expenses		
Prepayments to suppliers	119 455	108 219
Deferred advertising expenses	18 577	9 062
Other expenses	73 909	74 203
Total prepayments and deferred expenses	**211 941**	**191 383**

Notes

In EUR	30.06.2015	31.12.2014
18 Trade receivables		
Trade receivables from comp. not from the group	7 504 290	8 781 881
Impairment allowance from comp. not from the group	(134 597)	(158 515)
Trade receivables from comp. from the group	700 823	1 518 826
Impairment allowance from comp. from the group	0	0
Net trade receivables	**8 070 515**	**10 142 192**

In EUR	30.06.2015	31.12.2014
Change in impairment of receivables for bad debts		
Impairment allow. for bad debts at the beginning of the period	(158 515)	(444 873)
Impairment allowance	(464)	(218 922)
Reverse of impairment allowance	24 381	505 280
Impairment allowance for bad debts at the end of the period	**(134 598)**	**(158 515)**

In EUR	30.06.2015	31.12.2014
19 Other receivables		
Interest receivable	6 017	91 113
Short-term loans granted	242 607	260 507
Tax paid in advance	11 956	12 282
Other receivables	28 017	1 652
Doubtful receivables	140 449	140 832
Total other receivables before write-down allowance	**429 046**	**506 386**
Impairment allowance	(140 449)	(140 658)
Total other receivables, net	**288 597**	**365 727**

In EUR	30.06.2015	31.12.2014
Change in impairment allowance of receivables		
Impairment allow.for receivables at the beginning of the period	**(140 658)**	**(141 193)**
Reverse of impairment allowance	209	535
Impairment allowance for receivables at the end of the period	**(140 449)**	**(140 658)**

Notes

In EUR	30.06.2015	31.12.2014
20 Cash and cash equivalents		
Cash at bank and in hand	4 640	2 079
Total cash and cash equivalents	**4 640**	**2 079**

21 Capital and reserves

Share capital

The share capital is made of 24 408 431 ordinary shares with the nominal value of EUR 0,29 each, and the total share capital is EUR 7 078 445, fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to dividends as they are declared and to capital repayment in case of reduction of capital. One ordinary share gives a right to one vote at the shareholders' meeting.

Legal reserve

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

22 Basic and diluted earnings (loss) per share

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

In EUR

	Jan-Jun 2015	Jan-Jun 2014
Number of shares	24 408 431	24 408 431
Profit (loss) for the period attributable to the equity holders, in EUR	518 653	198 359
Basic and diluted earnings (loss) per share, in EUR	**0,02**	**0,01**

In EUR

	Apr-Jun 2015	Apr-Jun 2014
Number of shares	24 408 431	24 408 431
Profit (loss) for the period attributable to the equity holders, in EUR	362 156	114 041
Basic and diluted earnings (loss) per share, in EUR	**0,01**	**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.

Notes

In EUR	30.06.2015	31.12.2014
23 Interest bearing loans and borrowings		
Non-current liabilities		
Bank loans	0	0
Financial lease (leasing) liabilities	47 555	61 991
Total non-current liabilities	**47 555**	**61 991**
Current liabilities		
Overdraft, factoring	3 064 013	3 675 204
Bank loans	365 965	731 955
Financial lease (leasing)	35 420	41 703
Total current liabilities	**3 465 398**	**4 448 862**
Total	**3 512 953**	**4 510 853**

In EUR	Total	Up to 1 year	1-5 years	Over 5 ears
Schedule of repayment				
Bank overdraft	476 480	476 480	0	0
Factoring	2 587 533	2 587 533	0	0
Bank loans	365 965	365 965	0	0
Financial lease	82 975	35 420	47 555	0
Total financial liabilities	**3 512 953**	**3 465 398**	**47 555**	**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 28.

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

In EUR	30.06.2015	31.12.2014
24 Governmental grants		
Balance value at the beginning of the period	2 333 107	2 565 004
Grants received	0	0
Amortization	(115 948)	(231 897)
Balance value at the end of the period	**2 217 159**	**2 333 107**

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

Notes

In EUR		30.06.2015	31.12.2014
25	**Other payables**		
	Payable excise tax	1 954 245	3 049 894
	Payable VAT	731 421	1 240 723
	Payable profit tax	52 101	39 326
	Wages, vacation reserve and social security	286 200	197 059
	Other taxes payable	8 292	22 609
	Accrued expenses	163 528	37 806
	Other payables	30 546	57 864
	Total other payables	**3 226 333**	**4 645 281**

26 Financial risk management

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

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

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

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

Credit risk

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

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

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

Notes

26 Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that, upon maturity, the Company will be unable to fulfil its financial liabilities. The Company's liquidity management objective is to maximally secure sufficient liquidity of the Company, which enables the Company to fulfil its obligations under both, normal and complicated circumstances, without suffering unacceptable losses and being exposed to the risk of 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 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 and LIBOR EUR. As of 30th June 2015, 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

From 1 January 2015 the functional currency of the Company is Euro (EUR). The Company does not face foreign currency risk on purchases and borrowings that are denominated in currencies other Euro. The Company did not have any material exposure in other foreign currencies. The previous year comparison information recalculated using the official litas to euro conversion ratio: 1 euro = 3.4528 litas.

Capital management

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

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

The Company's capital management policy did not change.

Notes

27 Related party transactions

Related parties of the Company are:

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

Parent and ultimate parent companies are as follows:

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

Other main related parties are:

Company, person	Relationship
UAB Belvedere prekyba	Belvedere group company
Belvedere Scandinavia A/S	Belvedere group company
Sobieski Destylarnia S.A.	Belvedere group company
Vinimpex PLC	Belvedere group company
UAB Belvedere Baltic	Belvedere group company
Fabryka Wodek Polmos Lancut	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
SIA Belvedere Distribution	Belvedere group company
UAB Business decisions group	Shareholders related
Natural persons	Shareholders, Members of board, Managers (directors)

Notes

27 Related party transactions (cont'd)

Sales to and purchases from related parties

In EUR	Type of transaction	Jan-Jun 2015	Jan-Jun 2014
Purchases	Inventories	344 204	24 240
Purchases	Services	89 407	85 885
Total purchases		**433 611**	**110 125**
Sales	Inventories incl.excise tax	7 580 881	6 263 230
Sales	Services	51 484	13 843
Sales	Interest	9 019	38 626
Total sales incl.excise tax		**7 641 384**	**6 315 699**
Excise tax		(5 062 226)	(2 285 829)
Total sales net of excise tax		**2 579 158**	**4 029 870**

Balances outstanding with related parties	30.06.2015	31.12.2014
Trade receivables	**2 649 483**	**3 953 859**
Impairment allowance from comp. from the group	0	0
Net trade receivables	**2 649 483**	**3 953 859**
Trade payables	**234 339**	**224 305**

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 15 and in Note 19. Raw materials for alcoholic beverages production as well as alcoholic beverages are purchased from Belvedere group companies. Alcoholic beverages and rectified ethyl alcohol are sold to Belvedere group companies. Interest rates and all outstanding related party transactions are priced at market prices. Personnel expenses to the Company's management (directors) is enclosed in the Note 8.

28 Off-balance liabilities

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

In EUR	30.06.2015	31.12.2014
Carrying amount of pledged buildings and structures	5 596 982	5 825 603
Carrying amount of pledged equipments	1 141 467	1 279 830
Carrying amount of pledged trademarks	2 510 648	2 647 593
Carrying amount of pledged inventories	1 888 485	2 094 915
Cash and cash equivalents in accounts of bank	4 602	2 015
Amounts receivable from buyers (the right of claim)	8 070 515	10 142 192
Rights of land lease	0	0

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.

Notes

29 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 30th of June 2015 does not significantly differ from their carrying amount, except for non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets and financial liabilities as on the 30th of June 2015

In EUR	Carrying amount	Fair value
Granted long-term loans and other receivables, investments	1 675 869	1 675 869
Advance payments and deferred expenditure	211 941	211 941
Trade receivables	8 070 515	8 070 515
Other receivables	288 597	288 597
Cash and cash equivalents	4 640	4 640
Total financial assets	**10 251 562**	**10 251 562**
Loan and other interest-bearing amounts	3 512 953	3 512 953
Trade payables	2 342 355	2 342 355
Other payables	3 226 333	3 226 333
Total financial liabilities	**9 081 641**	**9 081 641**

30 Events after the reporting period

At the 18th of August, 2015 the Company has signed a new long-term credit agreement with AB DNB bank for a total amount of 2 758 000 EUR. The due date of repayment of long-term bank credit is July 2019. The purpose of this credit is – Biofuel boiler reconstruction and spirits distillation-rectifying line installation. In order to secure the bank loan, the Company has pledged its assets. The credit agreement was signed with a floating interest rate. The Company also entered into an agreement for financial derivative instruments to manage interest risks.

Interim Statement

1 Company Information

Interim Statement prepared a for the six-month period ended on the 30th June 2015, unaudited.

	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 EUR	Total nominal value in EUR	Portion in the authorised capital, %
Ordinary registered shares	24,408,431	0,29	7,078,445	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 30th June, 2015 was 243.

Interim 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 30th June 2015

Shareholder's name, surname or company name, registered office address, company code	Number of the shares the shareholder holds under the ownership right, pcs.	Portion of the authorised capital held, %	Portion of votes held, %
Sobieski Dystribucja sp. z o.o. ul. Bellottiego 1, 01-022, Warszawa, Poland, 230030460	16 668 632	68.29	68.29
Dora Solutions OU, Roosikrantsi 2-K055, Tallinn, 12679617	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	2012 January - December	2013 January - December	2014 January – December	2015 January – June
Opening price, EUR	0,294	0,250	0,230	0,269
Maximum price, EUR	0,294	0,289	0,289	0,450
Minimum price, EUR	0,051	0,200	0,145	0,200
Last session, EUR	0,225	0,230	0,269	0,325
Turnover, pcs.	254 231	108 579	66 195	75 680
Turnover, EUR million	0,05	0,03	0,02	0,02
Capitalisation at the end of the period, EUR million	5,49	5,61	6,57	7,93

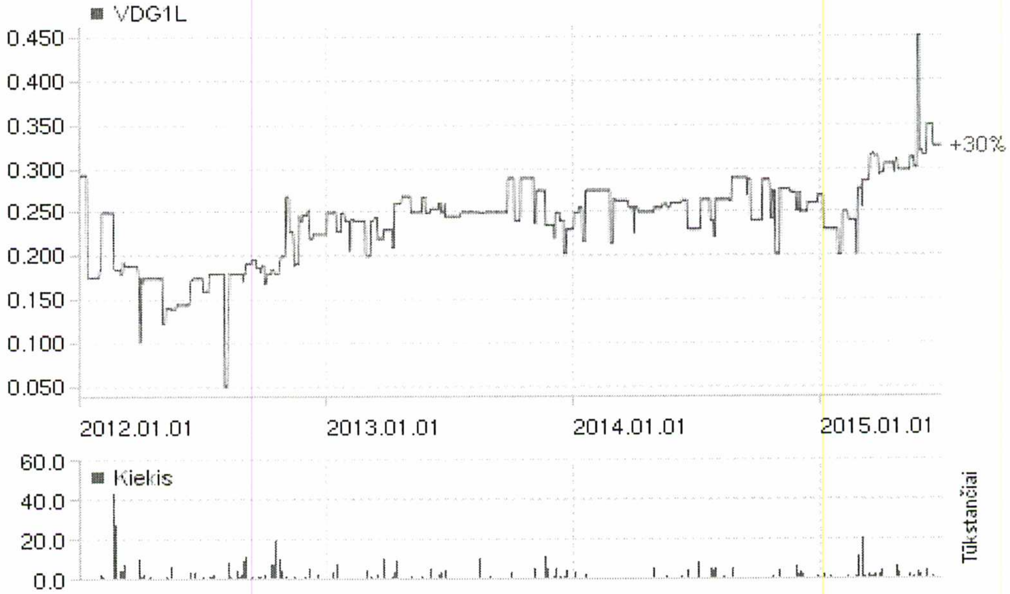
Source: www.nasdaqomxbaltic.com/market

The following transactions were registered in January-June 2015: two over-the-counter (OTC) transaction in the amount to EUR 956,6 thous. (3 602 498 units of shares), one OTC non-monetary transation (9 175 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.

Interim Statement

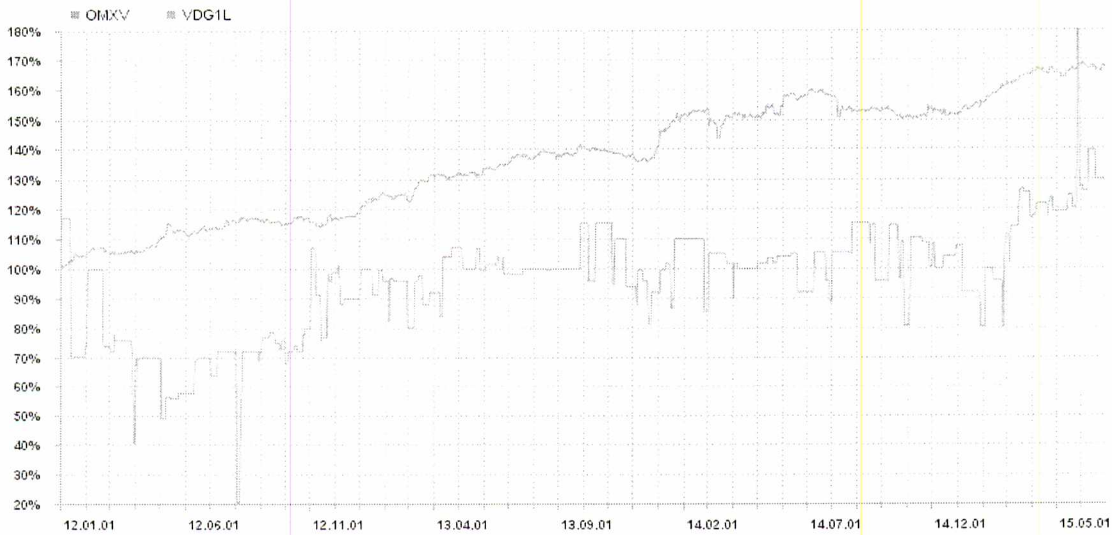
2 Authorised Capital and Securities (cont'd)

Trade in the shares of AB Vilniaus degtinė on, NASDAQ OMX Vilnius in year 2012- January-June, 2015



Source: www.nasdaqomxbaltic.com/market

Comparison of the price of the shares of AB Vilniaus degtinė (VDG1L) with OMX Vilnius (OMXV) index in year 2012 - January-June, 2015



Index/shares	2012.01.01	2015.06.30	+/-%
OMX Vilnius	298,78	497,46	66,50
VDG1L	0,250 EUR	0,325 EUR	30,00

Source: www.nasdaqomxbaltic.com/market

Interim 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 EUR 58 thous.;
- 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 January-June 2015. On these occasions, an auditing firm was selected and the Financial Statements for 2014 were approved.

Interim Statement

3 Company Management (cont'd)

All Board and Supervisory Council members participated in all meetings. The head of the Company, its Chief Accountant, 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 3th of August 2015.

Members of the collegial supervision, management bodies as on the 30th of June 2015

Name, surname	Position	Participation in the authorised capital of the issuer, percent	Term
Dariusz Jamiola	Chairman of supervisory council	-	04-2012 – 04-2016
Stephane Laugery	Member of supervisory council	-	04-2015 – 04-2016
Aymeric Donon	Member of supervisory council	-	04-2015 – 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
Raimonda Kutkevičiūtė	Chief Accountant	-	from 10-08-2015

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 January-June 2015, a total of EUR 42 thous. (excluding VAT) were paid for legal services received.

In January-June 2015 the job-related payoffs amounting to EUR 36 thous. including taxes were calcualted for admnistration members (director general and chief accountant). Average a EUR 18 thous. for each member. Payoffs non-cash charge amounted to EUR 1 thous., EUR 4 thous. – contributions to the pension fund. 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:

- 27.02.2015 – Publication of interim operating result for 12 months of 2014;
- 06.03.2015 – Notice of forecasts for 2018 year;
- 19.03.2015 – Convening of the annual general meeting of shareholders;

Interim Statement

3 Company Management (cont'd)

- 30.03.2015 – Publication of draft decisions of the annual general meeting of shareholders;
- 20.04.2015 – Publication of decisions of the annual general meeting of shareholders;
- 20.04.2015 – Publication of annual financial statements of 2014 year;
- 28.04.2015 – Notice on investments in Lithuania's only distillery;
- 29.05.2015 – Publication of interim operating result for 3 months of 2015.

Detailed information in major events can be found on the Company's website www.degtine.lt or 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 January-June 2015 the Company's technologists and marketing specialists created fifty new products within vodka, bitter, liqueur, rum, and fortified wine category, whereof 31 were custom made as "private labels".

Alcoholic beverages manufactured

Name	Measurement unit	January-June, 2015	January-June, 2014	Change (+,-), percent
Alcoholic beverages	000s litres	5 740,1	5 795,9	-1,0

In January-June 2015 alcoholic beverages production decreased by 1,0 percent, comparing with the same period of time of previous year.

Upon the improvement of performance processes of the bottling plant, production efficiency increased by 1 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. 3 056,7 thousand liters of absolute alcohol was produced in January-June 2015.

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 Lesto. This project reduced the costs of energy resources of the Branch as well as environmental pollution. Installed power is 1.5 MW. 3 417,6 MWh of electric power was generated in January-June 2015.

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.

Interim Statement

5 Commercial activities

Sales revenue January-June 2015 reached EUR 9 414 thous. (sales revenue including excise – EUR 26 970 thous.), in January-June 2014 – EUR 8 446 thous.(sales revenue including excise – EUR 25 970 thous.). Sales revenue increased by 11,4 percent, compared to the same time period last year. Sales revenue of alcoholic beverages throughout the first half-year increased by 4,5 percent (or EUR 3 246 thous.).

Sales revenue in the Lithuanian market made up the largest portion of the Company's sales (74,0 percent). Domestic market sales increased by 1,2 percent; in the EU market sales increased by 82,1 percent, sales to third countries decreased by 26,5 percent. Sales to Latvia, Poland, Estonia and Denmark made up the largest portion of the income from the EU market. Sales to Turkey, Ukraine, China, the USA made up the largest portion of the income from third countries.

Alcoholic beverages sold

Name	Measurement unit	January-June, 2015	January-June, 2014	Change (+,-), percent
Alcoholic beverages	000s litres	5 985,5	5 784,6	+3,47

3,47 percent more alcoholic beverages were sold in January-June 2015 than in the same time frame last year. Vodka made up the largest weighted portion of the sales, that is, 59,3 percent of litres of all alcoholic beverages sold. Sales of alcoholic beverages grew in January-June 2015: sales of wine - by 9,8 percent, sales of bitters by 12,1 percent, vodka – 0,2 percent, brandy fell – 11,4 percent. The volume of sales of non-alcoholic beverages was not large.

The Company continues to strengthen its position in key spirits categories: vodka, brandy, bitter. This Spring, the packaging of products carrying “Bajorų Premium” trademark was renewed and the promotional campaign “Bajorų Premium from Lithuania’s only distillery” was started. In May, the bitter “Vilniaus Starka 5” has received the international recognition from the International Taste Quality Institute. Cannabis flavored vodka "Shotka” has became one of the priority products of the group of Companies named Marie Brizard Wine and Spirits (MBWS). In Summer the Company released to market a new mark of brandy – “Kaligula XO”. Since the beginning of the year 2015, the Company represents its own products as well MBWS group products in Lithuania, Latvia, Estonia and CIS countries. This impetus and group reorganization allowed the Company to focus on the new neighboring markets. In other world markets, the company's products are sold through the MBWS group.

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 company performs continuous search for new suppliers. The suppliers by country are: 49 percent from Lithuania, 28 percent from Poland, 5 percent from Latvia and 18 percent from other countries.

Interim Statement

6 Economic-Financial Ratios

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

Economic-financial indices

Indices	January–June, 2015 / 30.06.2015	January–June, 2014 / 31.12.2014	Change (+,-), percent
Sales revenue (loss), excl. excise tax, EUR	9 413 713	8 446 339	+11,4
EBIT, EUR	544 266	287 139	+89,5
EBITDA, EUR	1 033 655	781 228	+32,3
Profit (loss) before taxes, EUR	553 295	240 716	+2,3 k.
Profit (loss) of the period, EUR	518 653	198 359	+2,6 k.
Depreciation, amortisation and impairment, EUR	489 389	494 089	- 0,9
Non-current assets, EUR	13 305 932	12 677 062	+5,0
Current assets, EUR	10 464 178	12 796 296	-18,2
Total assets, EUR	23 770 110	25 473 358	-6,7
Share capital, EUR	7 078 445	7 069 170	+0,1
Owner's equity , EUR	12 161 898	11 633 970	+4,5
Non-current liabilities, EUR	2 574 126	2 734 648	-5,9
Current liabilities, EUR	9 034 086	11 104 740	-18,6
Net cash flows from operating activities, EUR	2 241 004	404 647	+5,5 k.
Net cash flows form investing activities, EUR	(1 201 856)	62 420	-20,2 k.
Net cash flows from financing activities, EUR	(1 036 587)	(464 714)	-2,2 k.
Gross profit margin ratio, %	32,09	33,01	-0,9
Operating (net) profit margin ratio, %	5,51	2,35	+3,2
EBIT profit margin ratio, %	5,78	3,40	+2,4
EBITDA profit margin ratio, %	10,98	9,25	+1,7
ROE (return on equity), ratio	0,045	0,019	+2,4 k.
ROA (return on assets), ratio	0,024	0,012	+2,0 k.
Quick ratio	0,926	0,838	+10,5
Net working capital turnover ratio	8,225	8,355	-1,6
EPS (earnings per share), EUR	0,021	0,008	+2,6 k.
Debt to equity ratio	0,954	1,163	-18,0

No profits were distributed in the form of dividends in January-June 2015.

In January-June 2015, sales revenue increased. The Company earned EUR 518 653 in profits (EUR 198 359 in January-June 2014).

Increased production costs influenced the 0,9 percent decrease in the gross profitability indicator for alcoholic beverages sold by the Company.

Interim Statement

6 Economic-Financial Ratios (cont'd)

Investment in January-June 2015 totaled EUR 1 507 412, where of EUR 1 184 913 are for ongoing biofuel boiler reconstruction and spirits distillation-rectifying line installation works.

The value of the Company's assets decreased (by 6,7 percent). Tangible capital assets have increased by 12,5 percent, because of the ongoing biofuel boiler reconstruction and spirits distillation-rectifying line installation works, and intangible assets have decreased by 3,7 percent respectively due to depreciation and amortization. Current assets have decreased (by 18,2 percent) following the decrease of trade receivables (by 20,4 percent).

Net working capital turnover ratio has decreased (by 1,6 percent) and demonstrates a sufficient number of net working capital turnovers (8,225 ratio) as well as sufficient need for working capital.

Long-term liabilities have decreased (by 5,9 percent) as a result of credits repaid to the bank and amortization of the governmental grants intended for the implementation of the combined heat and power plant construction project (the governmental grants decreased by 5,0 percent).

Short-term liabilities have decreased (by 18,6 percent) following the decrease of excise duty (by 35,9 percent) and value added tax (by 41,0 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 EUR 169 thous. in costs for product packaging waste management in January-June 2015.

Interim Statement

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-June, 2015	January-June, 2014
Number of employees	152	147

Average listed number of employees increased by 3,3 percent as a result of increased scope of production and sales.

Average monthly salary of employees

Employees	January-June, 2015		January-June, 2014	
	Number as on 30.06.2015	Average monthly salary (in EUR)	Number as on 30.06.2014	Average monthly salary (in EUR)
Managers (directors)	4	3200	3	4 687
Specialists and white-collar workers	61	970	63	1 064
Blue-collar workers	87	551	91	531
Total	152	782	157	786

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.

Interim Statement

8 Employees (cont'd)

Employee distribution by education

Employees	Number as on 30.06.2015
With higher education	60
With post-secondary education	16
With higher secondary or vocational secondary education	76
Total	152

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.

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.

Interim Statement

10 Environmental Protection (cont'd)

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

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

The Company declares all natural water resources used, taxed product packaging, waste and emissions from both mobile and stationary sources of pollution. In January-June 2015, EUR 3 thous. were paid for the use of national natural resources (water) and EUR 2 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.
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.

Interim Statement

12 Business Plans and Forecasts

Sales revenue in January-June 2015 increase by 11,4 percent (in January-June 2015 EUR 9 414 thous., in January-June 2014 EUR 8 446 thous.) comparing with the same period of previous year, sales revenues including excise duty increase by 3,9 percent (in January-June 2015 EUR 26 970 thous., in January-June 2014 EUR 25 970 thous.). Sales revenue of alcoholic beverages manufactured by the Company decrease by 4,5 percent (including excise duty decreased by 2,1 percent), or EUR 325 thous. (including excise duty EUR 518 thous.).

In January-June 2015 profit before taxes reached EUR 553 thous., during respective period in 2014 profit before taxes totaled EUR 241 thous.
In January-June 2015 EBITDA reached EUR 1 034 thous., in January-June 2014 EBITDA totaled EUR 781 thous.

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.

We expect that the growth of the domestic market (in 2015 expected 3-4 percent alcohol market growth), growing Company's export and successfully transformed portfolio of the Company's products and brands, will have stable and growing impact on the results of the Company.

13 Events after the Reporting Period

At the 18th of August, 2015 the Company has signed a new long-term credit agreement with AB DNB bank for a total amount of 2 758 000 EUR. The due date of repayment of long-term bank credit is July 2019. The purpose of this credit is – Biofuel boiler reconstruction and spirits distillation-rectifying line installation. In order to secure the bank loan, the Company has pledged its assets. The credit agreement was signed with a floating interest rate. The Company also entered into an agreement for financial derivative instruments to manage interest risks.

Director General
Juozas Daunys

Vilnius,
31 August, 2015