



AB VILNIAUS DEGTINĖ

Interim Financial Statements for the nine-month
period ended on the
30th September 2015
(unaudited)

Contents

Company Information	3
Confirmation of the Responsible Persons	4
Statement on Financial Position	5
Comprehensive Income Statement	7
Statement of Changes in Equity	9
Cash Flows Statement	10
Notes	11

Company Information

AB Vilniaus degtinė

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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

„KPMG Baltics“, UAB

Banks

AB DNB bankas

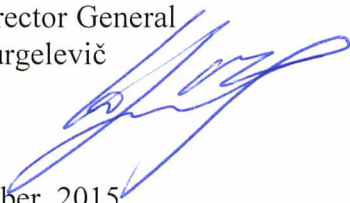
AB Swedbank

Confirmation of the Responsible Persons

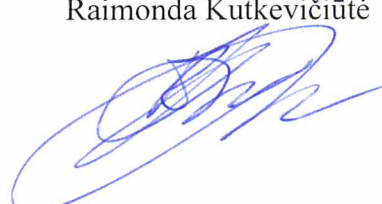
In accordance with the provisions Article 22 of Law on the Securities Market of the Republic of Lithuania and regulations for provision and preparation of periodical and additional information, confirmed by the Bank of Lithuania, we, the Director General Juozas Daunys and Chief Accountant Raimonda Kutkevičiūtė of AB Vilniaus degtinė, confirm that as we know, the unaudited Interim Financial Statements of AB Vilniaus degtinė for the nine-month period ended on the 30th September, 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.

Acting Director General
Genadij Jurgelevič

Vilnius,
30 November, 2015



Chief Accountant
Raimonda Kutkevičiūtė



Statement on Financial Position

In EUR	Notes	<u>30.09.2015</u>	<u>31.12.2014</u>
ASSETS			
Non-current assets			
Tangible assets	14	9 550 293	7 987 987
Intangible assets	13	2 568 657	2 741 757
Financial assets	15	1 704 018	1 947 318
Total non-current assets		<u>13 822 968</u>	<u>12 677 062</u>
Current assets			
Inventories	16	2 653 168	2 094 915
Prepayments and future expenses	17	169 921	191 383
Trade receivables	18	8 675 208	10 142 192
Other receivables	12,19	264 711	365 727
Cash and cash equivalents	20	4 023	2 079
Total current assets		<u>11 767 031</u>	<u>12 796 296</u>
TOTAL ASSETS		<u>25 589 999</u>	<u>25 473 358</u>

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

Acting Director General
Genadij Jurgelevič

Vilnius,
30 November, 2015

Chief Accountant
Raimonda Kutkevičiūtė

Statement on Financial Position (cont'd)

In EUR	Notes	<u>30.09.2015</u>	<u>31.12.2014</u>
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)		4 637 535	3 857 883
Total equity		<u>12 422 897</u>	<u>11 633 970</u>
Non-current liabilities			
Interest bearing loans and borrowings			
	23	856 886	61 991
Governmental grants	24	2 159 185	2 333 107
Trade payables			12 678
Deferred tax liability	11	299 736	326 872
Total non-current liabilities		<u>3 315 807</u>	<u>2 734 648</u>
Current liabilities			
Interest bearing loans and borrowings			
	23	3 623 787	4 448 862
Trade payables			2 010 597
Income tax payables	25	2 362 070	39 326
Other payables	25	78 178	4 605 955
Total current liabilities		<u>9 851 295</u>	<u>11 104 740</u>
Total liabilities		<u>11 167 102</u>	<u>13 839 388</u>
TOTAL EQUITY AND LIABILITIES		<u>23 589 999</u>	<u>25 473 358</u>

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

Acting Director General
 Genadij Jurgelevič

Vilnius,
 30 November, 2015

Chief Accountant
 Raimonda Kutkevičiūtė

Comprehensive Income Statement

In EUR	Notes	Jan-Sep 2015	Jan-Sep 2014
Sales revenue	4	41 259 607	39 609 870
Cost of sales		(36 667 113)	(35 341 412)
Gross profit	4	4 592 494	4 268 458
Other income	5	249 726	412 977
Sales and distribution expenses	6	(1 576 554)	(1 519 683)
Administrative expenses	7	(2 423 143)	(2 296 337)
Other expenses	5	(5 787)	(9 279)
Result from operating activities		836 736	856 136
Financial income	9	106 574	88 990
Financial expenses	9	(112 615)	(123 206)
Profit (loss) before tax		830 695	821 921
Corporate income tax	10	(51 043)	(96 514)
Profit (loss) for the period		779 652	725 407
Basic and diluted earnings (loss) per share	22	0,03	0,03
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		779 652	725 407

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

Acting Director General
Genadij Jurgelevič

Vilnius,
30 November, 2015

Chief Accountant
Raimonda Kutkevičiūtė

Comprehensive Income Statement

In EUR	Notes	Jul-Sep 2015	Jul-Sep 2014
Sales revenue	4	14 289 906	13 640 033
Cost of sales		(12 718 675)	(12 159 398)
Gross profit	4	1 571 231	1 480 635
Other income	5	81 074	356 977
Sales and distribution expenses	6	(597 157)	(498 679)
Administrative expenses	7	(760 862)	(767 673)
Other expenses	5	(1 816)	(2 263)
Result from operating activities		292 470	568 997
Financial income	9	32 490	49 698
Financial expenses	9	(47 560)	(37 491)
Profit (loss) before tax		277 400	581 204
Corporate income tax	10	(16 401)	(54 157)
Profit (loss) for the period		260 999	527 047
Basic and diluted earnings (loss) per share	22	0,01	0,02
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		260 999	527 048

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

Acting Director General
Genadij Jurgelevič

Vilnius,
30 November, 2015

Chief Accountant
Raimonda Kutkevičiūtė

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	725 407	725 407
Capital and reserves as on 30 September 2014		7 069 170	706 917	0	3 482 666	11 258 753
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	779 652	779 652
Capital and reserves as on 30 September 2015	21	7 078 445	706 917	0	4 637 535	12 422 897

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

Acting Director General
 Genadij Jurgelevič

Chief Accountant
 Raimonda Kutkevičiūtė

Vilnius,
 30 November, 2015

Cash Flows Statement

In EUR	Jan-Sep 2015	Jan-Sep 2014
Profit (loss) for the period	779 652	725 407
Depreciation and amortisation	569 985	565 143
Impairment of trade receivables and other receivables	(24 548)	(2 387)
Net financial expenses	(15 027)	54 151
Gain (loss) on disposal of non-current assets	(5 345)	1 412
Corporate income tax expenses	77 015	96 514
Other	9 274	0
Net cash flows from ordinary activities before changes in working capital	1 391 006	1 440 240
Change in inventories	(558 253)	(957 185)
Change in prepayments	21 463	(35 427)
Change in trade receivables and other receivables	1 621 594	1 361 223
Change in trade payables and other payables	(468 497)	89 316
Net cash flows from operating activities	616 307	457 927
Income tax paid	(71 471)	0
Net cash flows from operating activities	1 935 842	1 898 167
Interest	126 325	146 269
Proceeds from disposal of non-current assets	7 099	36
Acquisition of property, plant and equipment	(2 238 140)	(80 681)
Acquisition of intangible non-current assets	(55 768)	(16 959)
Acquisition of investments	0	0
Loans granted	0	(165 083)
Loans received	185 507	0
Net cash flows from investing activities	(1 974 977)	(116 418)
Repayment of loans	(548 987)	(548 985)
Loans received	1 379 000	0
Loans received	(847 706)	(1 244 155)
Increase (decrease) of other financial debt	(31 188)	(48 237)
Financial lease payments	173 922	173 922
Interest paid	(83 962)	(114 318)
Net cash flows from financing activities	41 079	(1 781 773)
Net cash flows from operating, investing and financing activities	1 944	(24)
Cash and cash equivalents at the beginning of the period	2 079	278
Cash and cash equivalents at the end of the period	4 023	254

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

Acting Director General
 Genadij Jurgelevič

Vilnius, 30 November, 2015

Chief Accountant
 Raimonda Kutkevičiūtė

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 September 2015, its shares are held by the following shareholders

Shareholder	Number of shares	Nominal value in EUR	Total value in EUR
Sobieski Dystrubucja 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 155 staff members as on the 30th of September 2015 (156 staff members as on the 30th of September 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 uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to the profit (loss) for the period if they do not qualify for hedge accounting.

The fair value of interest rate swap contracts is determined by the reference to market values for similar instruments.

As of 30 September 2015 the fair value of interest rate swap contracts were not recognised as it was not significant.

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.

Notes

2 Summary of significant accounting principles (cont'd)

Depreciation

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

The estimated useful lives are as follows:

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

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

Non-current intangible assets

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

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

- Software and licences 3 years
- Sobieski trademark 20 years

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

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.

Notes

2 Summary of significant accounting principles (cont'd)

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

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

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

Governmental grants

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

Grants are related to assets

Grants that are related to assets encompass grants received in the form of non-current assets or allotted for acquisition of non-current assets. Grants are accounted at the fair value of the assets received. 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.

Notes

2 Summary of significant accounting principles (cont'd)

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.

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 shares. 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.

Notes

2 Summary of significant accounting principles (cont'd)

Services rendered, assets disposed

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

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

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

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

Expenses

Operating lease payments

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

Financial lease payments

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

Net financing costs

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

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

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.

Notes

2 Summary of significant accounting principles (cont'd)

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

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

Segment reporting

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

Notes

3 Critical accounting estimates and judgements (cont'd)

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

Impairment losses 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 losses 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 recognisation

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

In EUR	Jan-Sep 2015	Jan-Sep 2014
Sales revenues including excise duty	41 259 607	39 609 870
Excise duty	26 677 640	26 473 118
Cost of sales including excise duty	36 667 113	35 341 412
Excise duty	26 677 640	26 473 118

In EUR	Jul-Sep 2015	Jul-Sep 2014
Sales revenues including excise duty	14 289 906	13 640 033
Excise duty	9 121 652	8 949 620
Cost of sales including excise duty	12 718 675	12 159 398
Excise duty	9 121 652	8 949 620

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-September 2015

In EUR	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Sales revenue	36 559 114	2 220 417	792 799	1 687 277	41 259 607
Gross profit	3 986 027	278 706	130 954	196 808	4 592 495

Sales revenue and gross profit for January-September 2014

In EUR	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Sales revenue	36 906 756	1 520 217	253 657	929 240	39 609 870
Gross profit	4 131 399	37 295	28 787	70 977	4 268 458

Sales revenue and gross profit for July-September 2015

In EUR	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Sales revenue	12 555 803	679 275	369 505	685 323	14 289 906
Gross profit	1 337 189	79 055	53 413	101 575	1 571 232

Sales revenue and gross profit for July-September 2014

In EUR	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Sales revenue	12 384 984	822 081	90 846	342 122	13 640 033
Gross profit	1 404 266	40 589	6 246	29 534	1 480 635

The Company's primary activities are carried out in the Lithuanian market, in the EU countries and other foreign markets. In January-September 2015, sales to the EU and other foreign markets amounted to EUR 3 775 264 (in January-September 2014 – EUR 2 427 689), in July-September 2015, sales to the EU and other foreign markets amounted to EUR 1 348 386 (in July-September 2014 – EUR 885 926). Revenue of finished alcoholic beverages in January-September 2015, in these markets increased by 27,5 percent, revenue of ethyl alcohol and its products increased 1,8 times. Considering the share of product sales in foreign markets in total revenue, no geographical segments are singled out.

Notes

In EUR	Jan-Sep 2015	Jan-Sep 2014
5 Income and expenses of other activities		
Lease of premises and utilities	26 414	27 417
Income from sales of intangible asstes	7 099	35
Income from sales of materials and spare parts	93 521	43 662
Electricity sales profit	107 015	0
Transportation	5 663	11 090
Indemnification	11	319 639
Other income	10 003	11 134
Total other income	249 726	412 977
Other expenses	(5 787)	(6 174)
Loss from sales of intangible asstes	0	0
Loss from sales of electricity	0	(3 105)
Loss from sales of materials and spare parts	0	0
Total other expenses	(5 787)	(9 279)
Net income and expenses of other activities	243 939	403 698

In EUR	Jul-Sep 2015	Jul-Sep 2014
5 Income and expenses of other activities (cont'd)		
Lease of premises and utilities	7 874	8 456
Income from sales of intangible asstes	1 700	0
Income from sales of materials and spare parts	12 817	15 417
Electricity sales profit	53 789	23 740
Transportation	575	2 265
Indemnification	0	304 050
Other income	4 319	3 048
Total other income	81 074	356 977
Other expenses	(1 816)	(2 263)
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	(1 816)	(2 263)
Net income and expenses of other activities	79 258	354 714

Notes

In EUR	Jan-Sep 2015	Jan-Sep 2014
6 Sales and distribution expenses		
Advertising expenses	(1 001 498)	(921 693)
Personnel expenses	(237 846)	(276 502)
Transportation expenses	(204 878)	(138 333)
Market research expenses	(9 660)	(10 822)
Packaging expenses	(28 330)	(35 238)
Other expenses	(94 342)	(137 095)
Total sales and distribution expenses	(1 576 554)	(1 519 683)
In EUR	Jul-Sep 2015	Jul-Sep 2014
Sales and distribution expenses		
Advertising expenses	(398 609)	(312 347)
Personnel expenses	(82 213)	(87 012)
Transportation expenses	(69 118)	(55 058)
Market research expenses	0	0
Packaging expenses	(11 893)	(8 752)
Other expenses	(35 324)	(35 510)
Total sales and distribution expenses	(597 157)	(498 679)
In EUR	Jan-Sep 2015	Jan-Sep 2014
7 Administrative expenses		
Personnel expenses	(737 712)	(696 949)
Operating taxes	(353 010)	(371 046)
Repairs and maintenance	(79 552)	(100 173)
Amortisation and depreciation	(373 092)	(391 057)
Consulting and training expenses	(309 167)	(142 188)
Maintenance of cargo vehicles	(120 813)	(107 839)
Security expenses	(54 183)	(54 586)
Communications and IT maintenance expenses	(37 744)	(30 512)
Utilities	(48 109)	(63 050)
Impairment allowance of debts	24 548	2 388
Other expenses	(334 309)	(341 325)
Total administrative expenses	(2 423 143)	(2 296 337)

Notes

In EUR	Jul-Sep 2015	Jul-Sep 2014
7 Administrative expenses (cont'd)		
Personnel expenses	(230 797)	(228 642)
Operating taxes	(118 203)	(124 930)
Repairs and maintenance	(24 640)	(34 877)
Amortisation and depreciation	(126 211)	(125 771)
Consulting and training expenses	(96 803)	(49 123)
Maintenance of cargo vehicles	(41 310)	(41 228)
Security expenses	(17 840)	(18 007)
Communications and IT maintenance expenses	(13 682)	(8 358)
Utilities	(8 160)	(7 783)
Impairment allowance of debts	422	(10 367)
Other expenses	(83 638)	(118 587)
Total administrative expenses	(760 862)	(767 673)

In EUR	Jan-Sep 2015	Jan-Sep 2014
8 Personnel expenses		
Wages and salaries	(951 557)	(885 308)
Vacation reserve	(90 424)	(90 205)
Guarantee fund contributions	(2 087)	(1 963)
Social security contributions	(323 408)	(303 505)
Total personnel expenses	(1 367 476)	(1 280 981)

In EUR	Jul-Sep 2015	Jul-Sep 2014
Personnel expenses		
Wages and salaries	(303 664)	(295 257)
Vacation reserve	(31 295)	(28 571)
Guarantee fund contributions	(691)	(687)
Social security contributions	(103 923)	(100 901)
Total personnel expenses	(439 573)	(425 416)

Redundancy pays in January-September 2015, inclusive of social security contributions and guarantee fund contributions, amounted to EUR 18 180 (in January-September 2014 - EUR 5 635), in July-September 2015, inclusive of social security contributions and guarantee fund contributions, not amounted (in July-September 2014 - amounted to EUR – 4 453) .

Personnel expenses for the management (directors) in January-September 2015 amounted to EUR 143 278 (in January-September 2014 - EUR 107 241), of which were amounted to EUR 0 for redundancy pays. Amounted to 6 350 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-September 2015 was 151 (150 for January-September 2014).

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

In EUR	Jan-Sep 2015	Jan-Sep 2014
9 Financial income and expenses		
Interest income	98 921	58 850
Other income	0	24 419
Foreign exchange gain	7 653	5 721
Total financial income	106 574	88 990
Interest expenses	(93 236)	(113 126)
Other expenses	(10 058)	(10 080)
Foreign exchange loss	(9 321)	(0)
Total financial expenses	(112 615)	(123 206)
Financial income and expenses, net	(6 041)	(34 216)

In EUR	Jul-Sep 2015	Jul-Sep 2014
Financial income and expenses		
Interest income	32 687	20 224
Other income	0	24 419
Foreign exchange gain	(197)	5 055
Total financial income	32 490	49 698
Interest expenses	(45 273)	(33 698)
Other expenses	(2 281)	(3 793)
Foreign exchange loss	(6)	(0)
Total financial expenses	(47 560)	(37 491)
Financial income and expenses, net	(15 070)	12 207

In EUR	Jan-Sep 2015	Jan-Sep 2014
10 Corporate income tax expenses		
Current income tax for the period	12 (78 179)	(21 800)
Change in deferred income tax	11 27 136	(74 714)
Total corporate income tax expenses	(51 043)	(96 514)

Notes

In EUR		<u>Jul-Sep 2015</u>	<u>Jul-Sep 2014</u>
10 Corporate income tax expenses (cont'd)			
Current income tax for the period	12	(26 077)	(15 598)
Change in deferred income tax	11	9 676	(38 559)
Total corporate income tax expenses		<u>(16 401)</u>	<u>(54 157)</u>
11 Deferred tax			
	30.09.2015	31.12.2014	
In EUR	Temporary differences	Deferred tax (15%)	Temporary differences
			Deferred tax (15%)
Deferred tax asset	<u>1 286 850</u>	<u>193 027</u>	<u>1 321 817</u>
Deferred tax liability	<u>(3 285 088)</u>	<u>(492 763)</u>	<u>(3 500 965)</u>
Net deferred tax liability		<u>(299 736)</u>	<u>(326 872)</u>
In EUR		<u>Jan-Sep 2015</u>	<u>Jan-Sep 2014</u>
Change in the deferred tax			
Deferred tax liability at the beginning of the period		(326 872)	(232 788)
Deferred tax expenses		27 136	(74 714)
Deferred tax liability at the end of the period		<u>(299 736)</u>	<u>(307 502)</u>
In EUR		<u>Jul-Sep 2015</u>	<u>Jul-Sep 2014</u>
Change in the deferred tax			
Deferred tax liability at the beginning of the period		(309 412)	(0)
Deferred tax expenses		9 676	(38 559)
Deferred tax liability at the end of the period		<u>(299 736)</u>	<u>(38 559)</u>
12 Corporate income tax			
In EUR		<u>Jan-Sep 2015</u>	<u>Jan-Sep 2014</u>
Overpaid corpor. income tax (liability) at the beginning of the period		0	0
Current income tax for the period		(78 179)	(21 800)
Overpaid corpor. income tax (liability) at the end of the period		<u>(78 179)</u>	<u>(21 800)</u>

Notes

12 Corporate income tax (cont'd)

In EUR	Jul-Sep 2015	Jul-Sep 2014
Overpaid corpor. income tax (liability) at the beginning of the period	(52 101)	0
Current income tax for the period	(26 078)	(15 597)
Overpaid corpor. income tax (liability) at the end of the period	(78 179)	(15 597)

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	6 056	10 902	16 958
Cost as of 30 September 2014	13 270	202 111	5 488 680	5 704 061
Accumulated amortisation as of 1 January 2014	13 089	159 381	2 556 296	2 728 766
Amortisation	181	3 184	205 417	208 782
Accumulated amortisation as of 30 September 2014	13 270	162 565	2 761 713	2 937 548
Net book value as of 30 September 2014	0	39 546	2 726 967	2 766 513
Cost as of 1 January 2015	13 270	255 414	5 477 778	5 746 462
Additions	0	55 767	0	55 767
Write-off	0	0	0	0
Cost as of 30 September 2015	13 270	311 181	5 477 778	5 802 229
Accumulated amortisation as of 1 January 2015	13 270	161 250	2 830 185	3 004 705
Amortisation	0	23 450	205 417	228 867
Write-off	0	0	0	0
Accumulated amortisation as of 30 September 2015	13 270	184 700	3 035 602	3 233 572
Net book value as of 30 September 2015	0	126 481	2 442 176	2 568 657

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	Constructi on 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	29 110	25 735	26 707	17 957	4 419	103 928
Write-off and sale of	0	0	0	(161)	(1 448)	0	(1 609)
Reclassificationns	0	6 951	0	0	0	(6 951)	0
Cost as of the 30 Septem 2014	10 454 242	7 106 624	428 029	649 568	571 195	4 419	19 214 076
Accumulated impairment of 1 January 2014	686 819	0	0	0	138 309	0	825 128
Accumulated impairment of 30 September 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	238 420	237 982	22 759	10 376	20 746	0	530 284
Depreciation (grants)	73 283	100 639	0	0	0	0	173 922
Accumulated depreciation as of 30 September 2014	3 654 932	5 425 832	362 346	610 790	159 055	0	10 212 956
Net book value as of 30 September 2014	6 112 490	1 680 792	65 683	38 778	273 830	4 419	8 175 991
Cost as of 1 January 2015	10 454 241	7 084 911	428 030	638 334	572 063	4 420	19 181 999
Additions	6 696	169 282	25 128	10 612	1 137 157	904 147	2 253 022
Write-off and sale of	0	(174 262)	(24 782)	(4 591)	0	0	(203 635)
Reclassificationns	0	0	0	0	0	0	0
Cost as of 30 September 2015	10 460 937	7 079 931	428 376	644 355	1 709 220	908 567	21 231 386
Accumulated impairment of 1 January 2015	686 818	0	0	0	138 309	0	825 127
Accumulated impairment of 30 September 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	(172 509)	(24 781)	(4 590)	0	0	(201 880)
Depreciation	231 416	238 954	10 705	13 218	20 747	0	515 040
Depreciation (grants)	73 282	100 640	0	0	0	0	173 922
Accumulated depreciation as of 30 September 2015	4 063 532	5 646 624	351 750	607 342	186 718	0	10 855 966
Net book value as of 30 September 2015	5 710 587	1 433 307	76 626	37 013	1 384 193	908 567	9 550 293

Notes

In EUR	Jan-Sep 2015	Jan-Sep 2014
14 Property, plant and equipment (cont'd)		
Distribution of depreciation costs		
Cost of sales and write-off	(355 021)	(317 940)
Inventories	(10 369)	(24 861)
Administrative and other expenses	(149 650)	(187 483)
Total distribution of depreciation cost	(515 040)	(530 284)

In EUR	30.09.2015	31.12.2014
15 Financial assets		
Long-term loans granted	895 426	1 063 033
Interest receivable	267 600	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	(107 109)	(137 544)
Total financial assets	1 704 018	1 947 318

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

In EUR	30.09.2015	31.12.2014
16 Inventories		
Raw materials	1 768 297	1 134 110
Finished goods	513 311	593 046
Goods for resale	341 882	343 029
Work in progress	29 678	24 730
Total inventories	2 653 168	2 094 915

As of 30th of September 2015, the remainder of inventories stored at the third parties warehouses is worth of EUR 7 331.

In EUR	30.09.2015	31.12.2014
17 Prepayments and deferred expenses		
Prepayments to suppliers	47 764	108 219
Deferred advertising expenses	42 321	9 062
Other expenses	79 836	74 203
Total prepayments and deferred expenses	169 921	191 383

Notes

In EUR	30.09.2015	31.12.2014
18 Trade receivables		
Trade receivables from comp. not from the group	8 078 627	8 781 881
Impairment allowance from comp. not from the group	(134 299)	(158 515)
Trade receivables from comp. from the group	730 880	1 518 826
Impairment allowance from comp. from the group	0	0
Net trade receivables	8 675 208	10 142 192
In EUR	30.09.2015	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	24 680	505 280
Impairment allowance for bad debts at the end of the period	(134 299)	(158 515)
In EUR	30.09.2015	31.12.2014
19 Other receivables		
Interest receivable	9 074	91 113
Short-term loans granted	242 607	260 507
Tax paid in advance	8 890	12 282
Other receivables	4 140	1 652
Doubtful receivables	140 326	140 832
Total other receivables before write-down allowance	405 037	506 386
Impairment allowance	(140 326)	(140 658)
Total other receivables, net	264 711	365 727
In EUR	30.09.2015	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	332	535
Impairment allowance for receivables at the end of the period	(140 326)	(140 658)

Notes

In EUR	30.09.2015	31.12.2014
20 Cash and cash equivalents		
Cash at bank and in hand	4 023	2 079
Total cash and cash equivalents	4 023	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-Sep 2015	Jan-Sep 2014
Number of shares	24 408 431	24 408 431
Profit (loss) for the period attributable to the equity holders, in EUR	779 652	725 407
Basic and diluted earnings (loss) per share, in EUR	0,03	0,03

In EUR	Jul-Sep 2015	Jul-Sep 2014
Number of shares	24 408 431	24 408 431
Profit (loss) for the period attributable to the equity holders, in EUR	260 999	527 048
Basic and diluted earnings (loss) per share, in EUR	0,01	0,02

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	30.09.2015	31.12.2014
23 Interest bearing loans and borrowings		
Non-current liabilities		
Bank loans	801 744	0
Financial lease (leasing) liabilities	55 142	61 991
Total non-current liabilities	856 886	61 991
Current liabilities		
Overdraft, factoring	2 827 496	3 675 204
Bank loans	760 225	731 955
Financial lease (leasing)	36 066	41 703
Total current liabilities	3 623 787	4 448 862
Total	4 480 673	4 510 853

In EUR	Total	Up to 1 year	1-5 years	Over 5 ears
Schedule of repayment				
Bank overdraft	385 208	385 208	0	0
Factoring	2 442 288	2 442 288	0	0
Bank loans	1 561 969	760 225	801 744	0
Financial lease	91 208	36 066	55 142	0
Total financial liabilities	4 480 673	3 623 787	856 886	0

The due date of repayment of long-term bank credits is July 2019. 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	30.09.2015	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	(173 922)	(231 897)
Balance value at the end of the period	2 159 185	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	30.09.2015	31.12.2014
25 Other payables		
Payable excise tax	2 280 907	3 049 894
Payable VAT	876 813	1 240 723
Payable profit tax	78 178	39 326
Wages, vacation reserve and social security	267 464	197 059
Other taxes payable	11 222	22 609
Accrued expenses	269 774	37 806
Other payables	81 081	57 864
Total other payables	3 865 439	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 losing 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

On 21 August 2015 Interest Rate Swap transaction has been signed with effective date starting from 18 February 2016. As of 30 September 2015 the fair value of interest rate swap contracts were not recognised as it was not significant.

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
Marie Brizard Wine & Spirits	Ultimate parent company

Other main related parties are:

Company, person	Relationship
UAB Prekyba alkoholiniais gėrimais	Marie Brizard Wine & Spirits group company
MBWS Scandinavia A/S	Marie Brizard Wine & Spirits group company
Sobieski Destylarnia S.A.	Marie Brizard Wine & Spirits group company
Vinimpex PLC	Marie Brizard Wine & Spirits group company
UAB Prekių ženklų valdymas	Marie Brizard Wine & Spirits group company
Fabryka Wodek Polmos Lancut	Marie Brizard Wine & Spirits group company
PHP Wiesław Wawrzyniak	Marie Brizard Wine & Spirits group company
Moncigale S.A.S.	Marie Brizard Wine & Spirits group company
Gognac Gautier	Marie Brizard Wine & Spirits group company
Marie Brizard&Roger Inten.	Marie Brizard Wine & Spirits group company
Marie Brizard Espagne	Marie Brizard Wine & Spirits group company
I000 Galiart	Marie Brizard Wine & Spirits group company
Chais Beaucairois SAS	Marie Brizard Wine & Spirits group company
Domain Menada Sp. Z o.o.	Marie Brizard Wine & Spirits group company
SIA Belvedere Distribution	Marie Brizard Wine & Spirits 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-Sep 2015	Jan-Sep 2014
Purchases	Inventories	536 365	62 714
Purchases	Services	130 473	137 903
Total purchases		666 838	200 617
Sales	Inventories incl.excise tax	10 550 770	10 228 059
Sales	Services	95 269	21 088
Sales	Interest	68 486	58 851
Total sales incl.excise tax		10 714 525	10 307 998
Excise tax		(5 062 226)	(7 354 067)
Total sales net of excise tax		5 652 299	2 953 931
Balances outstanding with related parties		30.09.2015	31.12.2014
Trade receivables		2 700 660	3 953 859
Impairment allowance from comp. from the group		0	0
Net trade receivables		2 700 660	3 953 859
Trade payables		250 111	224 305

Information on the loans granted to the associated company and amounts of interest payable (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 Marie Brizard Wine & Spirits group companies. Alcoholic beverages and rectified ethyl alcohol are sold to Marie Brizard Wine & Spirits 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	30.09.2015	31.12.2014
Carrying amount of pledged buildings and structures	1 607 795	5 825 603
Carrying amount of pledged equipments	1 470 320	1 279 830
Carrying amount of pledged trademarks	2 442 176	2 647 593
Carrying amount of pledged inventories	2 653 168	2 094 915
Cash and cash equivalents in accounts of bank	4 023	2 015
Amounts receivable from buyers (the right of claim)	8 675 208	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 defined 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 September 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 September 2015

In EUR	Carrying amount	Fair value
Granted long-term loans and other receivables, investments	1 704 018	1 704 018
Advance payments and deferred expenditure	169 921	169 921
Trade receivables	8 675 208	8 675 208
Other receivables	264 711	264 711
Cash and cash equivalents	4 023	4 023
Total financial assets	10 817 881	10 817 881
Loan and other interest-bearing amounts	4 480 673	4 480 673
Trade payables	2 362 070	2 362 070
Other payables	3 865 439	3 865 439
Total financial liabilities	10 708 182	10 708 182

30 Events after the reporting period

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