AB VILNIAUS DEGTINĖ

Annual Financial Statements and
Annual Statement for the year ended
31 December 2015

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

Dovilė Tamoševičienė, Chief Financial Officer

Board

Darius Žaromskis

Juozas Daunys

Dalius Rutkauskas

Genadij Jurgelevič

Dovilė Tamoševičienė

Auditor

„KPMG Baltics“, UAB

Banks

AB DNB bankas

AB Swedbank

APPROVED
by the General Shareholder's Meeting on

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 audited Annual Financial Statements of AB Vilniaus degtinė for the year ended on the 31th December, 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 Annual Statement of AB Vilniaus degtinė for the year ended on the 31th December, 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.

AB Vilniaus degtinė
Director General
Juozas Daunys

Vilnius,
4 April 2016

AB Vilniaus degtinė
Chief Accountant
Raimonda Kutkevičiūtė

Board Confirmation of the Annual Financial Statements

The Board has approved the Annual Financial Statements, the Annual Statement of AB Vilniaus degtinė for the year ended on the 31th December, 2015.

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

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

AB Vilniaus degtinė
Chairman of the Board
Darius Žaromskis

AB Vilniaus degtinė
Board Member
Juozas Daunys

AB Vilniaus degtinė
Board Member
Dalius Rutkauskas

AB Vilniaus degtinė
Board Member
Genadij Jurgelevič

AB Vilniaus degtinė
Board Member
Dovilė Tamoševičienė

Vilnius,
4 April 2016

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Independent auditor's report

To the Shareholder of AB Vilniaus degtinė

Report on the Financial Statements

We have audited the accompanying financial statements of UAB Vilniaus degtinė (hereinafter "the Company"), which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 8–43.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Company code: 111494971
VAT code: LT114949716

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AB Vilniaus degtinė as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Other Matter

The financial statements of the Company for the year ended 31 December 2014 were audited by another auditor who expressed an unqualified opinion on those financial statements on 27 March 2015.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the annual report for the year ended 31 December 2015, set out on pages 44–57 of the financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements as at 31 December 2015.

On behalf of KPMG Baltics, UAB

Ieva Voverienė
Certified auditor

Vilnius, the Republic of Lithuania
4 April 2016

APPROVED
by the General Shareholder's Meeting on

Statement of Financial Position

As of 31 December

In EUR	Notes	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	15	10,375,864	7,987,987
Intangible assets	14	2,519,391	2,741,757
Financial assets	16	1,657,168	1,947,318
Total non-current assets		**14,552,423**	**12,677,062**
Current assets			
Inventories	17	2,177,567	2,094,915
Prepayment	18	156,213	191,383
Trade receivables	19	8,509,587	10,142,192
Other receivables	13,20	372,652	365,727
Cash and cash equivalents	21	1,311,242	2,079
Total current assets		**12,527,262**	**12,796,296**
TOTAL ASSETS		**27,079,685**	**25,473,358**

Notes on pages 14–43 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
4 April 2016

APPROVED
by the General Shareholder's Meeting on

Statement of Financial Position (cont'd)

As of 31 December

In EUR	Notes	2015	2014
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	7,078,445	7,069,170
Legal reserve	22	706,917	706,917
Other reserves		(13,363)	0
Retained earnings		5,184,921	3,857,883
Total equity		**12,956,920**	**11,633,970**
Non-current liabilities			
Interest bearing loans and borrowings	24	1,600,694	61,991
Governmental grants	25	2,101,211	2,333,107
Trade payables		0	12,678
Deferred tax liability	12	289,147	326,872
Total non-current liabilities		**3,991,052**	**2,734,648**
Current liabilities			
Interest bearing loans and borrowings	24	2,024,013	4,448,862
Trade payables		3,644,668	2,010,597
Income tax payables	26	110,237	39,326
Other payables	26	4,352,794	4,605,955
Total current liabilities		**10,131,712**	**11,104,740**
Total liabilities		**14,122,765**	**13,839,388**
TOTAL EQUITY AND LIABILITIES		**27,079,685**	**25,473,358**

Notes on pages 14–43 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
4 April 2016

APPROVED
by the General Shareholder's Meeting on

Comprehensive Income Statement

For the year ended 31 December

In EUR	Notes	Jan-Dec 2015	Jan-Dec 2014
Sales revenue	5	**58,945,406**	**56,793,239**
Excise duty		(37,927,708)	(37,626,807)
Sales revenue excluding excise duty		**21,017,698**	**19,166,432**
Cost of sales		(14,460,764)	(13,101,924)
Gross profit	5	**6,556,934**	**6,064,508**
Other income	6	325,391	545,192
Sales and distribution expenses	7	(2,272,699)	(2,206,482)
Administrative expenses	8	(3,187,379)	(3,116,021)
Other expenses	6	(7,595)	(8,087)
Result from operating activities		**1,414,653**	**1,279,109**
Financial income	10	151,462	112,931
Financial expenses	10	(138,927)	(158,006)
Profit (loss) before tax		**1,427,188**	**1,234,034**
Income tax	11	(90,875)	(133,410)
Profit (loss) for the period		**1,336,313**	**1,100,624**
Basic and diluted earnings per share	23	0.05	0.04

Notes on pages 14–43 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
4 April 2016

Comprehensive Income Statement (cont'd)

For the year ended 31 December

In EUR	Notes	Jan-Dec 2015	Jan-Dec 2014
Profit (loss) for the period		**1,336,313**	**1,100,624**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges Fair value losses arising during the year		(15,721)	0
Income tax relating to items that may be reclassified subsequently to profit or loss		2,358	0
Other comprehensive income, net of income tax		(13,363)	0
TOTAL COMPREHENSIVE INCOME (EXPENSES)		**1,322,950**	**1,100,624**

Notes on pages 14–43 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
4 April 2016

Statement of Changes in Equity

For the year ended 31 December

In EUR	Notes	Share capital	Legal reserve	Cash flow hedging reserve	Retained earnings	Total shareholders' equity
Capital and reserves as on 1 January 2014		**7,069,170**	**706,917**	-	**2,757,259**	**10,533,346**
Profit (loss) for January-December of 2014					1,100,624	1,100,624
Capital and reserves as on 31 December 2014		**7,069,170**	**706,917**	-	**3,857,883**	**11,633,970**
Capital and reserves as on 1 January 2015		**7,069,170**	**706,917**	-	**3,857,883**	**11,633,970**
Profit (loss) for January-December of 2015		-	-	-	1,336,313	1,336,313
Other comprehensive income, net of income tax		-	-	(13,363)	-	(13,363)
Total comprehensive income of 2015		-	-	(13,363)	1,336,313	1,322,950
Conversion of the share capital into euros		9,275	-	-	(9,275)	-
Capital and reserves as on 31 December 2015	22	**7,078,445**	**706,917**	**(13,363)**	**5,184,921**	**12,956,920**

Notes on pages 14–43 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
4 April 2016

APPROVED
by the General Shareholder's Meeting on

Cash Flows Statement

For the year ended 31 December

In EUR	Notes	Jan-Dec 2015	Jan-Dec 2014
Profit (loss) for the period		1,336,313	1,100,624
Depreciation and amortization	14, 15	989,387	975,170
Impairment of trade receivables and other receivables	19, 20	(57,422)	(286,892)
Net financial expenses	10	(12,535)	45,075
Gain (loss) on disposal of non-current assets		(6,717)	1,342
Income tax expenses		90,875	133,410
Net cash flows from ordinary activities before changes in working capital		2,339,901	1,968,729
Change in inventories		(82,652)	(118,747)
Change in prepayments		35,170	(78,351)
Change in trade receivables and other receivables		1,782,899	(1,002,247)
Change in trade payables and other payables		1,368,233	1,626,465
Net cash flows from operating activities		3,103,650	427,120
Income tax paid	13	(55,331)	0
Net cash flows from operating activities		**5,388,220**	**2,395,849**
Interest received		136,453	146,804
Proceeds from disposal of non-current assets	6	8,499	116
Acquisition of property, plant and equipment	15	(3,274,889)	(116,688)
Acquisition of intangible non-current assets	14	(84,577)	(62,279)
Acquisition of investments		0	0
Issued loans		0	(465,083)
Loans received		185,507	57,924
Net cash flows from investing activities		**(3,029,007)**	**(439,206)**
Repayment of loans		(731,956)	(731,981)
Loans received	24	2,299,400	0
Change of overdraft	24	(2,455,578)	(1,040,622)
Financial lease payments		(42,844)	(58,807)
Interest paid	10	(125,855)	(139,368)
Net other financing activities	10	6,783	15,936
Net cash flows from financing activities		**(1,050,050)**	**(1,954,842)**
Net cash flows from operating, investing and financing activities		**1,309,163**	**1,801**
Cash and cash equivalents at the beginning of the period		**2,079**	**278**
Cash and cash equivalents at the end of the period		**1,311,242**	**2,079**

Notes on pages 14–43 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Accountant
Raimonda Kutkevičiūtė

Vilnius,
4 April 2016

Notes

1 Reporting entity

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

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

As on the 31th of December 2015, its shares are held by the following shareholders

Shareholder	Number of shares	Nominal value in EUR	Total value in EUR
Marie Brizard Wine & Spirits Polska	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 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.

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

The Company employed 172 staff members as on the 31th of December 2015 (159 staff members as on the 31th of December 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.

Basis of preparation

On 1 January 2015 the Republic of Lithuania joined the euro zone and the Lithuanian national currency litas was replaced by the euro. As a result, AB Vilniaus degtinė converted its financial accounting into euro as from 1 January 2015. Comparative information of previous financial period was translated into euro using the official exchange rate of LTL 3.4528 to EUR 1.

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.

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation (cont'd)

The preparation of the financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources are made. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

Judgments made by 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 recognized 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 recognized at fair value plus (except for the instruments recognized 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 recognizes 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 recognized when it has been covered, revoked or expired.

Notes

2 Summary of significant accounting principles (cont'd)

Non-derivative financial instruments (cont'd)

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 recognized at fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method, less impairment, if any. Current receivables are not discounted.

Loans, borrowings and other financial liabilities are stated at amortized 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 recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured 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.

Hedge accounting

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction. The Company uses cash flow hedge.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other comprehensive income and the ineffective portion is recognized in the statement of comprehensive income (profit or loss). The gains or losses on effective cash flow hedges recognized initially in equity are either transferred to the statement of comprehensive income (profit or loss) in the period in which the hedged transaction impacts the statement of comprehensive income or included in the initial measurement of the cost of the related asset or liability.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of comprehensive income (profit or loss) for the period.

Notes

2 Summary of significant accounting principles (cont'd)

Hedge accounting (con't)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity remains in equity until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the statement of comprehensive income (profit or loss).

In 2015 the Company has entered into interest swap agreement with a purpose to hedge itself against a possible fluctuation/increase of EURIBOR on the loan taken from a bank, i. e. effectively switching the interest into a fixed rate.

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 recognizes 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 recognized 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 licenses and trademarks acquired by the Company are stated at cost less accumulated amortization and impairment.

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

- Software and licenses 3 years
- Sobieski trademark 20 years

Subsequent expenses of intangible assets are capitalized 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 realizable value. Net realizable 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized.

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 amortization, if no impairment loss had been recognized.

Notes

2 Summary of significant accounting principles (cont'd)

Dividends

Dividends are recognized 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 recognized 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 recognized 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 recognized net of VAT, excise tax and price discounts directly related to the sales.

Services rendered, assets disposed

Revenue from the services rendered is recognized 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 recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognized 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 recognized 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.

Notes

2 Summary of significant accounting principles (cont'd)

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 recognized in the comprehensive income statement as accrued, using the effective interest method. The interest expense component of financial lease payments is recognized 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 recognized in the income statement except to the extent it relates to the items recognized directly in equity, in which case it is recognized 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 recognized 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 off all dilutive potential ordinary shares. During reporting periods there were no any dilutive potential ordinary shares issued by the Company.

Notes

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

Amendments of the standards during the year

Except for the changes below, the Company has consistently applied the accounting policies set out in Note 2 to all periods presented in these financial statements.

The Company has adopted the new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

The following new standards and amendments with effective date of 1 January 2015 did not have any impact on these financial statements:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
- IFRIC 21 guidance on a levy imposed by government
- Annual Improvements to IFRSs

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 11: Accounting for Acquisitions of Interests in Joint Operations *(effective for annual periods beginning on or after 1 January 2016)*

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The Company is not a party to any joint arrangements.

IAS 1 – Presentation of Financial Statements *(effective for annual periods beginning on or after 1 January 2016)*

The Amendments to include the five, narrow-focus improvements to the disclosure requirements contained in the standard.

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Company.

Notes

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

***IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets** (effective for annual periods beginning on or after 1 January 2016)*

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. In addition, the amendments introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

It is expected that the Amendments, when initially applied, will not have material impact on the Company's financial statements, as the Company does not apply revenue-based methods of amortization/depreciation.

***IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture** (effective for annual periods beginning on or after 1 January 2016)*

These amendments result in bearer plants being in the scope of IAS 16 *Property, Plant and Equipment*, instead of IAS 41 *Agriculture*, to reflect the fact that their operation is similar to that of manufacturing.

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no bearer plants.

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

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered.

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

***IAS 27 – Separate Financial Statements** (effective for annual periods beginning on or after 1 January 2016)*

The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Company does not expect that the amendments, when initially applied, will have a material impact on the financial statements as the Company intends to continue to carry its investments in subsidiaries, associates or joint ventures at cost.

Notes

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

Annual Improvements to IFRSs

The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, with earlier adoption permitted.

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

4 Critical accounting estimates and judgements

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

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. Impairment losses on receivables are recognized to pay a delay of 1 year. In determining whether impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, or national or local economic conditions that correlate with the group of receivables.

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

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 recognized. In March 2016 property valuations have been carried out and showed no additional impairment losses compared to carrying amount as at 31 December 2015.

Impairment losses on trademark

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

Sales revenue recogninision

Sales are recognized net of excise tax.

Notes

5 Segment reporting

Taking into account the share of sales of the products being sold, the segments are identified as – 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.

Revenue and gross profit for January-December 2015

In EUR	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	51,996,159	2,682,006	1,689,095	2,578,146	58,945,406
Excise duty	*(36,813,356)*	*(244,272)*	-	*(870,080)*	*(37,927,708)*
Revenue excluding excise duty	15,182,803	2,437,734	1,689,095	1,708,066	21,017,698
Gross profit	5,614,592	362,109	261,047	319,186	6,556,934

Revenue and gross profit for January-December 2014

In EUR	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	52,083,148	2,521,253	531,652	1,657,186	56,793,239
Excise duty	*36,788,765*	*168,648*	-	*669,394*	*37,626,807*
Revenue excluding excise duty	15,294,383	2,352,606	531,652	987,791	19,166,432
Gross profit	5,776,355	165,872	12,534	109,747	6,064,508

Products are being sold in both the Lithuanian and EU markets, with exports being made to third countries. The sales of alcoholic beverages manufactured by the Company grew by 34.7 percent in the markets of the EU and third countries, while those of ethanol (for use in foodstuffs) and its products grew by 8.4 percent. The geographical segments have been classified into the following regions: Lithuania, EU Countries, Third Countries.

Revenue and gross profit by the geographical segments

	Jan-Dec 2015		Jan-Dec 2014	
In EUR	Revenue excluding excise duty	Gross profit	Revenue excluding excise duty	Gross profit
Lithuania	15,881,038	5,429,080	15,290,195	5,313,654
Other EU Countries	4,266,699	802,212	3,293,024	536,224
Third Countries	869,961	325,642	583,213	214,630
Total	21,017,698	6,556,934	19,166,432	6,064,508

Notes

	In EUR	Jan-Dec 2015	Jan-Dec 2014
6	**Income and expenses of other activities**		
	Lease of premises and utilities	36,724	37,187
	Gain from sales of intangible assets	8,499	116
	Gain from sales of materials and spare parts	113,236	53,978
	Electricity sales profit	119,203	32,414
	Transportation	22,381	30,501
	Indemnification	3,191	319,639
	Other income	22,157	71,359
	Total other income	325,391	545,192
	Other expenses	(7,595)	(8,087)
	Loss from sales of intangible assets	0	0
	Loss from sales of electricity	0	0
	Loss from sales of materials and spare parts	0	0
	Total other expenses	(7,595)	(8,087)
	Net income and expenses of other activities	**317,796**	**537,105**

In 2014, following the judicial decision, the company was awarded the indemnification for overdue construction of combined heat and power plant carried out by Manfula, UAB. Damages as a result of overdue works took place in 2012; therefore, the amount recorded in 2014 was recognized in the items of other income.

	In EUR	Jan-Dec 2015	Jan-Dec 2014
7	**Sales and distribution expenses**		
	Advertising expenses	(1,445,476)	(1,365,538)
	Personnel expenses	(337,379)	(364,096)
	Transportation expenses	(289,793)	(236,353)
	Market research expenses	(14,490)	(16,001)
	Packaging expenses	(39,748)	(47,206)
	Other expenses	(145,813)	(177,288)
	Total sales and distribution expenses	**(2,272,699)**	**(2,206,482)**

Notes

	In EUR	Jan-Dec 2015	Jan-Dec 2014
8	**Administrative expenses**		
	Personnel expenses	(990,436)	(944,382)
	Operating taxes	(498,687)	(523,883)
	Repairs and maintenance	(97,771)	(157,500)
	Amortization and depreciation	(502,194)	(511,015)
	Consulting and training expenses	(362,758)	(281,325)
	Including: auditing services	*(17,100)*	*(14,360)*
	Maintenance of cargo vehicles	(152,783)	(147,669)
	Security expenses	(72,023)	(73,098)
	Communications and IT maintenance expenses	(50,371)	(41,762)
	Utilities	(66,296)	(88,953)
	Impairment allowance of debts	57,422	286,892
	Other expenses	(451,482)	(633,326)
	Total administrative expenses	**(3,187,379)**	**(3,116,021)**

	In EUR	Jan-Dec 2015	Jan-Dec 2014
9	**Personnel expenses**		
	Wages and salaries	(1,297,921)	(1,200,978)
	Vacation reserve	(132,020)	(124,188)
	Guarantee fund contributions	(2,825)	(2,654)
	Social security contributions	(447,803)	(416,656)
	Total personnel expenses	**(1,880,569)**	**(1,744,476)**

Total personnel expenses in January-December 2015 amounted to EUR 1,880,569, of which: (a) administrative EUR 990,436; (b) sales and distribution EUR 337,379; (c) direct labor EUR 552,754 (in 2014 – EUR 1,744,476, of which: (a) administrative EUR 944,382; (b) sales and distribution EUR 364,096; (c) direct labor EUR 435,998).

Redundancy pays for January-December 2015, inclusive of social security contributions and guarantee fund contributions, amounted to EUR 18,180 (in January-December 2014 – EUR 7,231).

Personnel expenses for the key management personnel (directors) in January-December 2015 amounted to EUR 196,969, of which: (a) short-term employee benefits EUR 196,969; (b) post-employment benefits EUR 0; (c) other long-term benefits EUR 0; (d) termination benefits EUR 0; and (e) share-based payment EUR 0 (in January-December 2014 – EUR 146,417, of which: (a) short-term employee benefits EUR 146,417; (b) post-employment benefits EUR 0; (c) other long-term benefits EUR 0; (d) termination benefits EUR 0; and (e) share-based payment EUR 0). No loans and (or) guarantees were granted to the management (directors) and no other financial liabilities or non-financial obligations were undertaken. Other significant transactions for details to Note 28.

Average number of employees for January-December 2015 was 154 (151 for January-December 2014).

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

Notes

In EUR	Jan-Dec 2015	Jan-Dec 2014
10 Financial income and expenses		
Interest income	131,607	79,970
Other income	9,227	24,419
Foreign exchange gain	10,628	8,542
Total financial income	151,462	112,931
Interest expenses	(125,855)	(140,981)
Foreign exchange loss	(12,413)	(17,025)
Other expenses	(659)	0
Total financial expenses	(138,927)	(158,006)
Financial income and expenses, net	**12,535**	**(45,075)**

In EUR	Jan-Dec 2015	Jan-Dec 2014
11 Corporate income tax expenses		
Current income tax for the period	(127,303)	(39,326)
Income tax correction for previous periods	1,061	0
Change in deferred income tax	35,367	(94,084)
Total corporate income tax expenses	**(90,875)**	**(133,410)**

Reconcilation of effective profit tax rate

In EUR	Jan-Dec 2015		Jan-Dec 2014	
Profit before tax		1,427,188		1,234,034
Profit tax, applying valid tax rate	(15.0%)	(214,078)	(15.0%)	(185,105)
Non-taxable income	0.1%	1,862	1.9%	23,398
Non-deductible expenses	(0.3%)	(7,023)	(0.9%)	(11,126)
Charities and Support	0%	0	0%	97
Exemption for the investment project	8.9%	127,303	3.2%	39,326
	(6.3%)	**(91,936)**	**(10.8%)**	**(133,410)**

Notes

12 Deferred tax

In EUR	31/12/2015 Temporary differences	31/12/2015 Deferred tax (15%)	31/12/2014 Temporary differences	31/12/2014 Deferred tax (15%)
Impairment of trade receivables	198,462	29,769	296,059	44,409
Impairment of construction in progress	331,943	49,791	304,281	45,642
Impairment of building and land	686,819	103,023	686,819	103,023
Write off of inventories	2,437	366	0	0
Accrued soc. security exp. for vacation reserve	39,719	5,958	34,659	5,199
Accrued expenses	10,514	1,577	0	0
Cash flow hedge reserve	15,721	2,358	0	0
Total deferred tax asset		**192,842**		**198,273**
Difference in depreciation of property, plant and equipment	814,447	122,167	812,779	121,917
Difference in amortization of intangible assets	2,373,704	356,056	2,647,593	397,139
Carrying value of non-current assets that are subject to investment relief	25,107	3,766	40,593	6,089
Total deferred tax liability		**481,989**		**525,145**
Deferred tax		**(289,147)**		**(326,872)**

In EUR	Jan-Dec 2015	Jan-Dec 2014
Change in the deferred tax		
Deferred tax liability at the beginning of the period	(326,872)	(232,789)
Deferred tax expenses	35,367	(94,083)
Deferred income tax relating to cash flow hedge	2,358	0
Deferred tax liability at the end of the period	**(289,147)**	**(326,872)**

13 Corporate income tax

In EUR	Jan-Dec 2015	Jan-Dec 2014
Overpaid corpor. income tax (liability) at the beginning of the period	(39,326)	0
Income tax paid during the period	55,331	0
Income tax overpayment from previous periods	1,061	
Current income tax for the period	(127,303)	(39,326)
Overpaid corpor. income tax (liability) at the end of the period	**(110,237)**	**(39,326)**

Notes

14 Intangible assets

In EUR	Trademarks	Software	Other	Total
Cost as of 1 January 2014	5,477,778	196,055	13,270	5,687,103
Additions	10,902	51,376	0	62,278
Write-off	0	(2,919)	0	(2,919)
Reclassification	(10,902)	10,902	0	0
Cost as of 31 December 2014	5,477,778	255,414	13,270	5,746,462
Accumulated amortization as of 1 January 2014	2,556,296	159,381	13,089	2,728,766
Amortization	273,889	4,789	181	278,859
Write-off	0	(2,919)	0	(2,919)
Accumulated amortization as of 31 December 2014	2,830,185	161,250	13,270	3,004,705
Net book value as of 31 December 2014	**2,647,593**	**94,164**	**0**	**2,741,757**
Cost as of 1 January 2015	5,477,778	255,414	13,270	5,746,462
Additions	6,622	77,955	0	84,577
Write-off	0	(105,129)	0	(105,129)
Reclassification	0	0	0	0
Cost as of 31 December 2015	5,484,400	228,240	13,270	5,725,910
Accumulated amortization as of 1 January 2015	2,830,185	161,250	13,270	3,004,705
Amortization	273,889	33,054	0	306,943
Write-off	0	(105,129)	0	(105,129)
Accumulated amortizat. as of 31 December 2015	3,104,074	89,175	13,270	3,206,519
Net book value as of 31 December 2015	**2,380,326**	**139,065**	**0**	**2,519,391**

All amortization expenses are included under administrative expenses.

Notes

15 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	11,007,479	7,070,559	402,294	623,022	1,448	6,951	19,111,753
Additions	0	59,056	25,735	31,899	18,825	4,420	139,935
Write-off and sale of	0	(51,654)	0	(16,587)	(1,448)	0	(69,689)
Reclassifications	0	6,951	0	0	0	(6,951)	0
Cost as of the 31 December 2014	11,007,479	7,084,912	428,030	638,334	18,825	4,420	19,181,999
Accumulated impairment of 1 January 2014	825,128	0	0	0	0	0	825,128
Loss of impairment							
Accumulated impairment of 31 December 2014	825,128	0	0	0	0	0	825,128
Accumulated depreciation as of 1 January 2014	3,481,538	5,087,208	339,587	600,575	0	0	9,508,908
Write-off and sale of	0	(51,650)	0	(16,582)	0	0	(68,232)
Depreciation	345,556	309,796	26,239	14,720	0	0	696,311
Depreciation (grants)	97,711	134,185	0	0	0	0	231,896
Accumulated depreciation as of 31 December 2014	3,924,805	5,479,539	365,826	598,714	0	0	10,368,884
Net book value as of 31 December 2014	**6,257,546**	**1,605,372**	**62,204**	**39,620**	**18,825**	**4,420**	**7,987,987**
Cost as of 1 January 2015	11,007,479	7,084,912	428,030	638,334	18,825	4,420	19,181,999
Additions	6,883	204,449	67,494	18,139	2,058,499	948,537	3,304,001
Write-off and sale of	0	(467,885)	(35,299)	(135,756)	0	0	(638,940)
Reclassifications	0	0	0	0	2,103	(2,103)	0
Cost as of 31 December 2015	11,014,362	6,821,475	460,225	520,717	2,079,427	950,854	21,847,060
Accumulated impairment of 1 January 2015	825,128	0	0	0	0	0	825,128
Accumulated impairment of 31 December 2015	825,128	0	0	0	0	0	825,128
Accumulated depreciation as of 1 January 2015	3,924,805	5,479,539	365,826	598,714	0	0	10,368,884
Write-off and sale of	0	(466,123)	(35,298)	(135,736)	0	0	(637,157)
Depreciation	335,435	312,113	17,031	17,865	0	0	682,444
Depreciation (grants)	97,711	134,186	0	0	0	0	231,897
Accumulated depreciation as of 31 December 2015	4,357,951	5,459,715	347,559	480,843	0	0	10,646,068
Net book value as of 31 December 2015	**5,831,283**	**1,361,760**	**112,666**	**39,874**	**2,079,427**	**950,854**	**10,375,864**

Notes

15 Property, plant and equipment (cont'd)

Construction in progress additions amounted EUR 2,058,499 in 2015 and is investment into reconstruction of Bio-fuel boiler and installation of distillation-rectifying line for ethyl alcohol.

In EUR	Jan-Dec 2015	Jan-Dec 2014
Split of depreciation costs		
Cost of sales	470,996	446,669
Inventories	8,964	10,556
Administrative and other expenses	202,484	239,086
Total depreciation cost	**682,444**	**696,311**

16 Financial assets

In EUR	31/12/2015	31/12/2014
Long-term loans granted to related party	820,426	1,063,033
Interest receivable	285,555	212,899
Investments in associated companies	1,448	1,448
Trade receivables from related parties	646,653	807,483
Discounted amount for related parties trade accounts receivable	(96,914)	(137,544)
Total financial assets	**1,657,168**	**1,947,318**

Loans were issued to related party (Note 28) in euros. Term of repayment of loans and interest – 31 December 2018 and 19 March 2020. Issued loans are not secured. They are repaid in equal annual installments.

17 Inventories

In EUR	31/12/2015	31/12/2014
Raw materials	1,286,979	1,134,110
Finished goods	588,006	593,046
Goods for resale	265,054	343,029
Work in progress	37,528	24,730
Total inventories	**2,177,567**	**2,094,915**

As of 31 December 2015, the amount of grain stored at the third parties warehouses is worth of EUR 148,070.

The cost of inventories recognised as an expense during the year 2015 in respect of continuing operation was EUR 107.7 thousand (31 December 2014 EUR 147.1 thousand).

Notes

In EUR	31/12/2015	31/12/2014
18 Prepayments and deferred expenses		
Prepayments to suppliers	41,219	108,219
Deferred advertising expenses	60,696	9,062
Other prepaid expenses	54,298	74,102
Total prepayments and deferred expenses	**156,213**	**191,383**

In EUR	31/12/2015	31/12/2014
19 Trade receivables		
Trade receivables	7,332,859	8,781,881
Impairment allowance	(101,547)	(158,515)
Trade receivables from related parties	1,278,275	1,518,826
Impairment allowance from related parties	0	0
Total trade receivables, net	**8,509,587**	**10,142,192**

In EUR	31/12/2015	31/12/2014
Change in impairment of receivables for bad debts		
Impairment allowance at the beginning of the period	(158,515)	(444,873)
Charge for the year	(0)	(218,923)
Reverse of impairment allowance	56,968	505,281
Impairment allowance for bad debts at the end of the period	**(101,547)**	**(158,515)**

Analysis of trade receivables based on the terms of payment at 31 December 2015

		Receivables not due				Delayed receivables		
In EUR	Total	91 day or more	from 61 to 90 days	from 31 to 60 days	up to 30 days	up to 90 days	from 91 to 180 days	181 day or more
Trade receivables	7,332,859	55,234	20,283	1,887,029	5,018,025	225,292	15,759	111,237
Receiv. from related parties	1,278,275	160,829	42,890	145,633	519,887	207,210	186,196	15,630
Impairment allowance	(101,547)	0	0	0	0	0	0	(101,547)
Total trade receivables, net	**8,509,587**	**216,063**	**63,173**	**2,032,662**	**5,537,912**	**432,502**	**201,955**	**25,320**

Notes

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

		Receivables not due				Delayed receivables		
In EUR	Total	91 day or more	from 61 to 90 days	from 31 to 60 days	up to 30 days	up to 90 days	from 91 to 180 days	181 day or more
Trade receivables	8,781,881	0	0	3,908,288	4,456,840	243,875	11,296	161,582
Receiv. from related parties	1,518,826	160,829	46,522	203,779	957,216	65,624	0	84,855
Impairment allowance	(158,515)	0	0	0	(60)	(31)	0	(158,424)
Total trade receivables, net	**10,142,192**	**160,829**	**46,522**	**4,112,067**	**5,413,996**	**309,468**	**11,296**	**88,013**

In EUR	31/12/2015	31/12/2014
20 Other receivables		
Interest receivable	13,611	91,113
Short-term loans granted to related party	317,606	260,506
Tax paid in advance	31,776	12,282
Other receivables	9,659	1,651
Doubtful receivables	140,203	140,832
Total other receivables before write-down allowance	**512,823**	**506,384**
Impairment allowance	(140,203)	(140,657)
Total other receivables, net	**372,652**	**365,727**

Loans were issued to related party (Note 28) in euros. Term of repayment of loans and interest – 31 December 2018 and 19 March 2020. Issued loans are not secured. They are repaid in equal annual installments.

In EUR	31/12/2015	31/12/2014
Change in impairment allowance of receivables		
Impairment allow.for receivables at the beginning of the period	**(140,657)**	**(141,193)**
Reverse of impairment allowance	454	536
Impairment allowance for receivables at the end of the period	**(140,203)**	**(140,657)**

Notes

In EUR		31/12/2015	31/12/2014
21	**Cash and cash equivalents**		
	Cash at bank	1,311,242	2,079
	Total cash and cash equivalents	**1,311,242**	**961**

22 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 (EUR 7,069,170 in 2014), 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.

23 Basic and diluted earnings (loss) per share

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

	Jan-Dec 2015	Jan-Dec 2014
Number of shares	24,408,431	24,408,431
Profit (loss) for the period attributable to the equity holders, in EUR	1,336,313	1,100,624
Basic and diluted earnings (loss) per share, in EUR	**0.05**	**0.04**

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	31/12/2015	31/12/2014
24 Interest bearing loans and borrowings		
Non-current liabilities		
Bank loans	1,529,725	0
Derivative, interest rate SWAP	15,721	0
Financial lease (leasing) liabilities	55,248	61,991
Total non-current liabilities	**1,600,694**	**61,991**
Current liabilities		
Bank overdraft, factoring	1,219,622	3,675,203
Bank loans	769,674	731,955
Financial lease (leasing)	34,717	41,704
Total current liabilities	**2,024,013**	**4,448,862**
Total	**3,624,707**	**4,510,853**

In EUR	Total	Up to 1 year	1-5 years	Over 5 years
Schedule of repayment (interest)				
Bank overdraft (EURIBOR 3 mon.+margin)	0	0	0	0
Factoring (EURIBOR 3 mon.+margin)	1,219,622	1,219,622	0	0
Bank loans (EURIBOR 3 mon.+margin)	2,299,399	769,674	1,529,725	0
Derivative, interest rate SWAP (EURIBOR 3 mon.)	15,721	0	15,721	0
Financial lease (EURIBOR 6 mon., EURIBOR 3 mon.+margin)	89,965	34,717	55,248	0
Total financial liabilities	**3,624,707**	**2,024,013**	**1,600,694**	**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. Factoring limit agreement of the bank was also prolonged until October 2016. In order to secure the bank loans, the Company has pledged its assets. For further comments refer to Note 29.

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

In EUR	31/12/2015	31/12/2014
25 Governmental grants		
Balance value at the beginning of the period	2,333,107	2,565,004
Grants received	0	0
Amortization	(231,896)	(231,897)
Balance value at the end of the period	**2,101,211**	**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		31/12/2015	31/12/2014
26	**Other payables**		
	Payable excise tax	2,771,156	3,049,894
	Payable VAT	1,236,863	1,240,723
	Payable income tax	110,237	39,326
	Wages, vacation reserve and social security	223,877	197,059
	Other taxes payable	24,639	22,609
	Accrued expenses	42,635	37,806
	Other payables	53,624	57,864
	Total other payables	**4,463,031**	**4,645,281**

27 Financial risk management

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

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

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

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

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 is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Each client is evaluated individually or as a group, if it is applicable. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external information in accordance with limits set by the Director General. The utilisation of credit limits is regularly monitored. If the limit is exceeded, it is approved by the Director General of the Company.

In addition, for local clients, based on the need the guarantee letter from the shareholders of the company might be required in order to secure the accounts receivable. The Company uses factoring without regress for the biggest clients, where the credit risk still remaining in the balance sheet vary from 10-15 percent. For export clients, the credit risk is managed by credit insurance, advance payment for sales or credit limits set and monitored, which are approved by the Director General of the Company. All Credit risk management is documented in the credit management procedure.

Notes

27 Financial risk management (cont'd)

Credit risk (cont'd)

Management of the company believes that credit risk is managed properly and does not expect any losses from non-performance by significant counterparties.

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.

The Company has issued the guarantee to its related parties, which are as follows: (1) repayments of financial liabilities (overdraft) for the related party "Prekyba alkoholiniais gėrimais" UAB, which was equal to EUR 61 thousand as of 31 December 2015; (2) for excise tax payment in the Republic of Latvia of MBWS Distribution SIA. As of 31 December 2015 and the date of these financial statement, there were no implication about significant events arising from the issues described above.

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.

Cash flow forecasting is performed in the Company on the monthly and weekly basis. The rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, detailed information about coverage of the liabilities and other ratios, if needed.

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 contract for bank overdraft, which undrawn amount was equal to EUR 2,257 thousand as of 31 December 2015.

The analysis of the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date is presented in below. The amounts disclosed are gross and undiscounted, and include contractual interest payments.

	Less than 1 year	**1-5 years**	**>5 years**	**Total**	**Carrying amount**
Year ended 31 December 2015					
Interest bearing loans and borrowings	2,075,905	1,657,391	-	**3,733,296**	**3,624,707**
Trade and other payables	7,997,462	-	-	**7,997,462**	**7,997,462**
Total current and non-current	**10,073,367**	**1,657,391**	-	**11,730,758**	**11,622,169**
Year ended 31 December 2014					
Interest bearing loans and borrowings	4,485,572	63,836	-	**4,549,408**	**4,510,853**
Trade and other payables	6,629,230	-	-	**6,629,230**	**6,629,230**
Total current and non-current	**11,114,802**	**63,836**	-	**11,178,638**	**11,140,083**

Notes

27 Financial risk management (cont'd)

Market risk

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

Interest rate risk

As at 31 December 2015 the Company had borrowings which were subject to variable rates related to EURIBOR and created interest rate risk. On 21 August 2015 Interest Rate Swap transaction has been signed with effective date starting from 18 February 2016, maturity date – 31 July 2019. Under this contract the Company agrees to exchange, at specified intervals, the difference between fixed and variable (3M EURIBOR) rate interest amounts calculated by reference to an agreed-upon notional principal amount. Outstanding loan principal amount and SWAP notional amount is EUR 2,694 thousand.

Foreign exchange risk

From 1 January 2015 the functional currency of the Company is the euro (EUR). The Company does not face significant foreign currency risk on purchases and borrowings that are denominated in currencies other than the 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. The Company complies with the requirement of the Law on Companies of the Republic of Lithuania stating that equity of a company should not be lower than 1/2 of its authorized capital. The Company's capital management policy did not change.

28 Related party transactions

Related parties of the Company are:

- parties that control or are under common control with the Company;
- parties that can have significant influence 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 significant influence of the aforesaid persons.

Notes

28 Related party transactions (cont'd)

Parent and ultimate parent companies are as follows:

Company	Relationship
Marie Brizard Wine & Spirits Polska	Parent company
Marie Brizard Wine & Spirits SA	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 Wieslav 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
Chais Beaucairois SAS	Marie Brizard Wine & Spirits group company
Domain Menada Sp. Z o.o.	Marie Brizard Wine & Spirits group company
MBWS Distribution SIA	Marie Brizard Wine & Spirits group company
UAB „Business decisions group"	Company related to shareholders
Natural persons	Shareholders, Board members, Management members (directors)

Purchases from and sales to related parties

In EUR	Type of transaction	Jan-Dec 2015	Jan-Dec 2014
Purchases from:			
Ultimate parent company	Inventories	0	8,866
Parent company	Inventories	0	0
Marie Brizard Wine & Spirits group companies	Inventories	702,158	85,142
Marie Brizard Wine & Spirits group companies	Services	107,432	213,705
Other	Services	47,858	84,550
Other	Interest	0	0
Total purchases		**857,448**	**392,263**
Sales to:			
Ultimate parent company	Interest	72,656	77,892
Marie Brizard Wine & Spirits group companies	Inventories incl.excise tax	13,632,853	15,029,950
Marie Brizard Wine & Spirits group companies	Services	143,581	62,021
Marie Brizard Wine & Spirits group companies	Interest	18,000	0
Other	Interest	321	1,485
Other	Loans	0	165,083
Total sales		**13,867,411**	**15,336,431**
Excise tax		(9,155,024)	(10,523,605)
Total sales net of excise tax		**4,712,387**	**4,812,826**

Notes

28 Related party transactions (cont'd)

Balances outstanding with related parties	31/12/2015	31/12/2014
Trade receivables from:		
Ultimate parent company	1,157,400	1,218,538
Marie Brizard Wine & Spirits group companies	2,110,950	2,626,900
Other	0	108,421
Total trade receivables	**3,268,350**	**3,953,859**
Impairment allowance from comp. from the group	0	0
Trade receivables, net	**3,268,350**	**3,953,859**
Trade payables to:		
Ultimate parent company	354,754	171,913
Parent company	10,260	10,260
Marie Brizard Wine & Spirits group companies	173,496	31,026
Other	0	11,105
Total trade payables	**538,510**	**224,304**

Information on the loans granted to the associated company and amounts of interest receivable (in this note provided as amounts receivable) is provided in Note 16 and in Note 20. Raw materials for alcoholic beverages production as well as alcoholic beverages are purchased from Marie Brizard Wine & Spirits group companies. Alcoholic beverages and 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 key management personnel (directors) is enclosed in the Note 9.

29 Off-balance liabilities

No full tax investigation of the Company for the period from 1 January 2010 until 31 December 2015 has been performed by the tax authorities. According to effective tax legislation, the tax authorities may at any time perform investigation of the Company accounting registers and records for the period of five years preceding the accounting tax period, as well as calculate additional taxes and penalties. Management of the Company is not aware of any circumstances which would cause calculation of additional tax liabilities.

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

In EUR	31/12/2015	31/12/2014
Pledged buildings and structures	1,564,257	5,825,603
Pledged equipments	1,401,634	1,279,830
Pledged trademark	2,373,704	2,647,593
Pledged inventories	2,177,567	2,094,915
Cash and cash equivalents in accounts of bank (transferred)	1,311,228	2,015
Amounts receivable from buyers (transferred the rights of claims)	8,509,587	10,142,192
Rights of land lease	-	-

Value of pledged assets in this table is equal to the value of financial statements.

Notes

29 Off-balance liabilities (cont'd)

Based on the terms of the loan and overdraft agreements, the Company has to comply with certain financial and non-financial covenants. As at 31 December 2015 and 2014 the Company complied with all the debt covenants.

As of 31 December 2015 the Company had a legal claim regarding usage of brands with the possible total amount demanded equal to EUR 237 thousand. There was no provision accounted for in these financial statements regarding the claim mentioned above as the probability estimated is less than 50 percent and the possible claim amount could not be reliably measured.

30 Fair value of financial instruments

Key financial instruments of the Company, which are not estimated at a fair value, are trade and other accounts receivable, trade and other accounts payable, long-term and short-term loans.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the fair value is based on the assumption that the transaction of selling an asset or transferring a liability takes place either:

- on the primary asset or liability market, or
- if primary market is not available – on the market, which is the most favorable for an asset or a liability.

Primary or the most favorable market must be made available for the Company.

The fair value of a non-financial asset is measured by taking into account the ability of market participant to generate the economic benefit by using an asset in the most efficient and optimal way or by selling the same to another market participant, who would use such asset in the most efficient and optimal way.

The Company applies such measurement methods, which are relevant under the prevailing circumstances and subject to having sufficient data for being able to measure the fair value, by using more of important observable input and less of unobservable input.

All assets and liabilities, the fair value whereof is measured or disclosed in the financial statement, are categorized according to the following the fair value hierarchy, which is based on the lowest level input that is significant to the measurement of the fair value:

- Level 1 inputs are quoted (non-adjusted) prices in active markets for identical assets or liabilities;
- Level 2 inputs are inputs that are observable for the asset or liability, either directly or indirectly, and that are significant in measuring the fair value;
- Level 3 inputs are unobservable inputs for the asset or liability that are significant in measuring the fair value.

Methods and assumptions applied in measuring fair values are described below:

- The carrying amount of short-term trade and other accounts receivable, short-term trade and other accounts payable, and short-term debts is close to their fair value because of short-term due date of means.

Notes

30 Fair value of financial instruments (cont'd)

- The fair value of long-term debts and long-term accounts receivable is measured with reference to the same or similar market price or interest rate of the loan, which is applied at the time to the debts of the same due date. The fair value of long-term debts and accounts receivable subject to variable interest is close to their carrying amount. The fair value of debts was estimated by discounting the potential future cash receipts as per prevailing interest rates.
- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.

The fair value of financial assets and liabilities of the company (except derivatives) for the year ended 31 December 2015 and 2014 is close to their carrying amount. The fair value of financial derivatives is attributed to Level 2.

31 Events after the reporting period

After the end of the financial year until the date of approval of these financial statements, no events occurred which would have a material effect on the financial statements or require disclosure.

APPROVED
by the General Shareholder's Meeting on

Annual Statement

1 Company Information

The Annual Statement prepared for the year ended on the 31th December 2015 has been audited.

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

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

„Spiritus Vilnensis" is the slogan of the Company with one century's production traditions and actively implemented 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 the Company, makes alimentary distilled grain ethyl alcohol. The Company also produces 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 authorized capital consist of equal rights granted to all owners of the Company's shares. All shares of the Company are fully paid up. The Company has not issued any debt or derivative securities that would be converted into shares. The Company has not acquired and does not hold any shares of its own.

Total number of shareholders as on the 31th December, 2015 was 247.

Annual Statement

2 Authorised Capital and Securities (cont'd)

Shareholders who held or managed more than 5 percent of the authorized capital of the issuer as of the 31th December 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, %
Marie Brizard Wine & Spirits Polska ul. Bellottiego 1, 01-022, Warszawa, Poland, 230030460	16,668,632	68.29	68.29
DORA SOLUTIONS OU	3,602,498	14.76	14.76
SEB SA OMNIBUS (FUNDS/INST CLIENTS), LUXEMBOURG, LUESSE22	2,233,476	9.15	9.15
DAIVA ŽAROMSKIENĖ, LITHUANIA	1,220,422	5.00	5.00

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

None of the Company's shareholders has 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 25 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 Šiaulių bankas (former 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 – December
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	0,335
Turnover, pcs.	254,231	108,579	66,195	125,923
Turnover, EUR million	0.05	0.03	0.02	0.04
Capitalisation at the end of the period, EUR million	5.49	5.61	6.57	8.18

Source: www.nasdaqomxbaltic.com/market

The following transactions were registered in 2015: three over-the-counter (OTC) transactions in the amount to EUR 956.8 thousand (3,603,298 units of shares), four OTC non-monetary transactions (9,926 units of shares) (source: http://www.csdl.lt/lt/aktualijos/statistika/uzbsanda.php). Detailed information on trade of the shares can be found on the securities exchange NASDAQ OMX Vilnius.

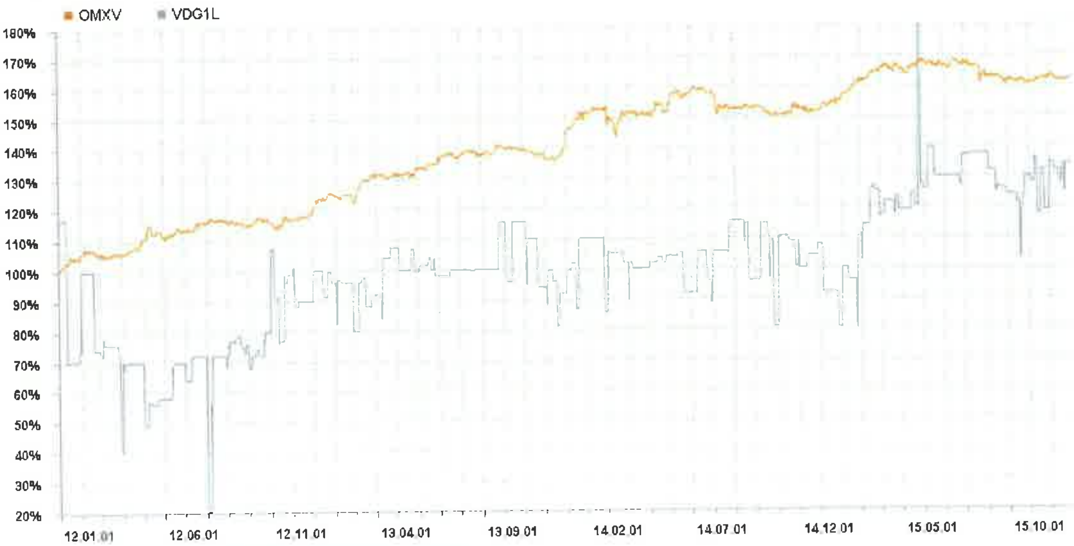
Annual Statement

2 Authorized Capital and Securities (cont'd)

Trade in shares of Vilniaus degtinė AB on NASDAQ OMX Vilnius during the period 2012–2015

Source: www.nasdaqomxbaltic.com/market

Comparison of share prices of Vilniaus degtinė AB (VDG1L) with index OMX Vilnius (OMXV) during the period 2012–2015



Index/Shares	2012.01.01	2015.12.31	+/-%
OMX Vilnius	298,78	485,99	62,66
VDG1L	0,250 EUR	0,335 EUR	34,00

Source: www.nasdaqomxbaltic.com/market

Annual Statement

3 Company Management

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

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

The board of the Company consists of 5 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 corporate 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 passes 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 assets purchase for the price higher than EUR 57,924;
- on reorganization 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 authorized persons who shall represent the Company in its affiliates and subsidiaries;
- approves the list of commercial secrets;
- approves the rules on purchasing goods, 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.

11 Board meetings, 7 meetings of the Supervisory Council, 1 regular Shareholders' General Meeting and 1 irregular Shareholders' General Meeting took place in 2015. On these occasions, an auditing firm was selected and the Financial Statements for 2014 were approved.

Annual Statement

3 Company Management (cont'd)

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

Articles of Association of the Company are amended in accordance with the Company Law of the Republic of Lithuania. The most recent working of the articles of association was registered at the Register of Legal Entities of the Republic of Lithuania on the 03th of August 2015.

Members of the collegial supervision, management bodies as on the 31th of December 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	-	04/2012 – 04/2016
Aymeric Donon	Member of supervisory council	-	04/2012 – 04/2016
Darius Žaromskis	Chairman of the Board	14.76	12/2015 – 12/2019
Juozas Daunys	Board member, Director General	-	12/2015 – 12/2019
Dalius Rutkauskas	Board member, Buying and Selling Director	-	12/2015 – 12/2019
Genadij Jurgelevič	Board member, Production Director	-	12/2015 – 12/2019
Dovilė Tamoševičienė	Board member, Chief Financial Officer	-	12/2015 – 12/2019
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 2015, a total of EUR 62.6 thousand (excluding VAT) were paid for legal services received.

In January-December 2015 the job-related payoffs amounting to EUR 60.5 thousand including taxes were calculated for director general and chief accountant. Average a EUR 30.3 thousand for each member. Payoffs non-cash charge amounted to EUR 8 thousand. To those individuals the Company had not transferred 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 – Notification of forecasts for 2018 year;
- 19.03.2015 – Convening of the annual general meeting of shareholders;

Annual 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 – Notification on investments in Lithuania's only distillery;
- 29.05.2015 – Publication of interim operating result for 3 months of 2015;
- 24.08.2015 – Convening of the irregular general meeting of shareholders;
- 31.08.2015 – Publication of interim operating result for 6 months of 2015;
- 15.09.2015 – Publication of decisions of the irregular general meeting of shareholders;
- 30.11.2015 – Publication of interim operating result for 9 months of 2015;
- 04.12.2015 – Notification on election of the board;
- 30.12.2015 – Notification on announcement of interim financial information.

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

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

4 Production Activities

The primary business activity of the Company is the manufacture of vodka, scented vodka, bitters, liquors 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 2015 the Company's technologists and marketing specialists created 78 new products in vodka, bitter, liquor and brandy categories, whereof 47 were custom-made ("private labels"). During 2015 the design of 15 products were renewed and the most significant are those - Bajorų Premium and Barska Premium (for export).

Alcoholic beverages manufactured

Name	Measurement unit	January-December, 2015	January-December, 2014	Change (+,-), percent
Alcoholic beverages	000s litres	12,821.8	11,859.1	+8.1

In 2015 alcoholic beverages production increased by 8.1 percent, because increase sales of alcoholic beverages in the domestic market and expansion into foreign markets.

Upon the improvement of performance processes of the bottling plant, production efficiency increased by 1 percent. Manufacturing processes were put to good order and improved, workplaces were standardized and new manufacturing department staff were trained.

The Branch produces distilled food grade ethyl alcohol from rye and triticale. 6,163.8 thousand liters of absolute alcohol was produced in 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. 7,165.0 MWh of electric power was generated in 2015.

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4 Production Activities (cont'd)

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 competitive 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.

5 Commercial activities

Sales revenue excluding exise duty in 2015 reached EUR 21,018 thousand, in 2014 – EUR 19,166 thousand Sales revenue excluding exise duty increased by 9.7 percent, compared to the same time period last year. Sales revenue of alcoholic beverages throughout the 2015 year decreased by 0.7 percent or EUR 111.6 thousand, compared to the same time period last year.

Sales in the Lithuanian market made up the largest portion of the Company's sales (75.6 percent). Domestic market sales increased by 3.9 percent; in the EU market sales increased by 29.6 percent, sales to third countries increased by 49.2 percent. Sales to Poland, Latvia, Estonia and Denmark made up the largest portion of the income from the EU market. Sales to Ukraine, China, Turkey and Belarus made up the largest portion of the income from third countries.

Alcoholic beverages sold

Name	Measurement unit	January-December, 2015	January-December, 2014	Change (+,-), percent
Alcoholic beverages	000s litres	13,411.1	12,367.8	+8.4

8.4 percent more alcoholic beverages were sold in 2015 than in the same time frame last year. Vodka made up the largest weighted portion of the sales, that is, 59.9 percent of liters of all alcoholic beverages sold. Sales of alcoholic beverages grew in 2015: sales of rum grew by 4.9 percent, sales of wine - by 16.2 percent, brandy – 3.6 percent, herbal liqueurs fell – 6.2 percent, vodka grew – 5.4 percent, and bitters grew – 12.4 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".

The opening of the new markets has given a big push forward to the Company. Since the beginning of the year 2015, the Company represents its own products as well MBWS group products in Lithuania, Latvia, Estonia, Eastern Europe and CIS countries. Starting from autumn 2015 the export expanded its activities to Bulgaria, Romania and Turkey. The Company's and MBWS Group's products are constantly supplied to the Baltic markets, Ukraine, Belarus and Georgia. In September 2015 the Company signed agreements for the supply of goods to Kazakhstan and Azerbaijan, also the delivery to the Russian Federation has started.

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5 Commercial activities (cont'd)

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

Resources and raw materials needed for production are bought at market prices from reliable suppliers in Lithuania and abroad. The suppliers by country are: 47 percent from Lithuania, 25 percent from Poland , 8 percent from Belarus, 5 percent from France and 15 percent from other countries.

6 Economic-Financial Ratios

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

Economic-financial indices

Indices	January – December, 2015 / 31/12/2015	January – December, 2014 / 31/12/2014	Change (+,-), percent
Sales revenue (loss), excl. excise tax, EUR	21,017,698	19,166,432	+9.7
EBIT, EUR	1,414,652	1,279,109	+10.6
EBITDA, EUR	2,349,055	1,967,990	+19.4
Profit (loss) before taxes, EUR	1,427,188	1,234,034	+15.7
Profit (loss) of the period, EUR	1,336,313	1,100,624	+21.6
Depreciation, amortization and impairment, EUR	989,387	975,774	+1.4
Non-current assets, EUR	14,552,423	12,677,062	+14.8
Current assets, EUR	12,527,262	12,796,296	-2.1
Total assets, EUR	27,079,685	25,473,358	+6.3
Share capital, EUR	7,078,445	7,069,170	+0.1
Owner's equity , EUR	12,956,920	11,633,970	+11.4
Non-current liabilities, EUR	3,991,052	2,734,648	+45.9
Current liabilities, EUR	10,131,712	11,104,740	-8.8
Net cash flows from operating activities, EUR	5,168,983	2,179,576	+2.4 times
Net cash flows form investing activities, EUR	(3,034,884)	(439,206)	-6.9 times
Net cash flows from financing activities, EUR	(824,936)	(1,738,569)	+52.6
Gross profit margin ratio, %	31.20	31.64	-0.4
Operating (net) profit margin ratio, %	6.37	5.59	+0.8
EBIT profit margin ratio, %	6.73	6.67	+0.1
EBITDA profit margin ratio, %	11.18	10.27	+0.9
ROE (return on equity), ratio	0,109	0,097	+1.1 times
ROA (return on assets), ratio	0,056	0,050	+12.0
Quick ratio	1,006	0,946	+6.3
Net working capital turnover ratio	10,285	18,962	-45.8
EPS (earnings per share), EUR	0,055	0,044	+1.2 times
Debt to equity ratio	1,090	1,190	-8.4

No profits were distributed in the form of dividends in 2015 and 2014.

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6 Economic-Financial Ratios (cont'd)

In 2015, sales revenue increased. The Company earned EUR 1,336,313 in profits (EUR 1,100,624 in 2014).

Increased production costs influenced the 0.4 percent decrease in the gross profitability indicator for alcoholic beverages sold by the Company.

Investment in 2015 totaled EUR 3,388.6 thousand, where of EUR 3,077.0 thousand are for ongoing biofuel boiler reconstruction and spirits distillation-rectifying line installation works.

The value of the Company's assets over the year has increased (by 6.3 percent). Tangible capital assets have increased by 29.9 percent, because of the ongoing biofuel boiler reconstruction and spirits distillation-rectifying line installation works, and intangible assets have decreased by 8.1 percent respectively due to depreciation and amortization. Current assets have decreased (by 2.1 percent) following the decrease of trade receivables (by 16.1 percent).

Net working capital turnover ratio has decreased (by 45.8 percent) because of used factoring services however the number of net working capital turnovers over the year (10,285 ratio) is sufficient.

Long-term liabilities have increased (by 45.9 percent) due to new contract signed with the bank in order to finance the investment into reconstruction of Bio-fuel boiler and installation of distillation-rectifying line for ethyl alcohol.

Short-term liabilities have decreased (by 8.8 percent) following the decrease of excise duty (by 10.1 percent).

7 Risk Factors

Economic Risk Factors

The main risk factors are: large concentration of produced 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.

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7 Risk Factors (cont'd)

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 372.7 thousand in costs for product packaging waste management in 2015.

Technical –Technological Risk Factors

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

Social Risk Factors

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

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

8 Employees

Average number of employees

Indices	January-December, 2015	January-December, 2014
Number of employees	154	151

Average number of employees increased by 2,0 percent as a result of increased scope of production and sales.

Average monthly salary of employees

Employees	January-December, 2015		January-December, 2014	
	Number as on 31/12/2015	Average monthly salary (in EUR)	Number as on 31/12/2014	Average monthly salary (in EUR)
Managers (directors)	4	4,849	4	4,492
Specialists and white-collar workers	66	1,067	63	980
Blue-collar workers	102	573	92	540
Total	172	820	159	790

Annual Statement

8 Employees (cont'd)

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.

Employee distribution by education

Employees	Number as on 31/12/2015	Number as on 31/12/2014
With higher education	59	57
With post-secondary education	19	17
With higher secondary or vocational secondary education	94	85
Total	172	159

Staff According to Age

Employees	Number as on 31/12/2015	Number as on 31/12/2014
< 25 years old	10	9
25-34 years old	43	39
35-44 years old	47	46
45-54 years old	49	43
55-60 years old	14	14
> 60 years old	9	8
Total	172	159

Staff According to Gender

Employees	Number as on 31/12/2015	Number as on 31/12/2014
Women	81	75
Men	92	84
Total	172	159

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.

Annual Statement

8 Employees (cont'd)

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.

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 2015, EUR 6 thousand were paid for the use of national natural resources (water) and EUR 6.6 thousand – 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.

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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 existing losses, timely execution of orders, better usage of current assets has been ensured, and the employees are involved in constant process of improvement and efficiency increase.

In 2015, the following LEAN methods and tools were applied in certain parts when managing effective processes: 5S, Kaizen, PDCA, SMED, SD, TPM, Kanban, Asaichi :

- 5S Visual checks and auditing implemented in 3 workplaces, 11 were updated ;
- Kaizen 327 ideas implemented;
- PDCA 13 problems solved;
- SMED 10 new SOI;
- SD 3 new projects;
- TPM 11 installations are looked after using TPM methodology;
- Kanban Kanban (min-max projects for reserves) is in force in 126 workplaces,
- Asaichi 22 employees are trained, 1 is preparing for certification.

Annual Statement

12 Business Plans and Forecasts

Sales revenue in January-December 2015 increased by 9.7 percent (in January-December 2015 EUR 21,017.7 thousand, in January-December 2014 EUR 19,166.4 thousand) comparing with the same period of previous year. Sales revenue of alcoholic beverages manufactured by the Company decrease by 0.7 percent, or EUR 111.6 thousand.

In 2015 successful investment into developments of brands delivered a positive effect on the Company's results. The advertising campaign on renewed „Bajorų Premium" vodka, which started in September 2015, stimulated the sales increase of the brand. The sales of „Bajorų Premium" brand doubled. Another brand of the Company „Shotka" slowly take its positions in the foreign markets together with the support from the Group. Currently, the investments in to product promotion is oriented into Spain market – the Shotka events are organized in Barselona and Madrid. Starting from 2016 the product will be introduced and will start its first steps in France, USA and Canada markets.

In 3rd quarter 2015 the Company renewed and introduced to the market the well known brands of the Company such as „Čepkelių", "Vilniaus džinas". In summer 2015 the new brand "Kaligula" was introduced.

The Company plans to increase sales revenue by 20 percent and reach EUR 3.8 million EBITDA.

The Company's operational priorities for 2016 are:

- Strengthening of brands on domestic market:
  investing in the primary brands: „Sobieski", „Bajorų", „Gedimino", „Čepkelių", „Starka", „Renaissance";
- Strengthening of MBWS Group brands positions in Lithuanian and Eastern European markets:
  investing in the primary brands: „Marie Brizard", „William Peel", „Gautier", „Fruits and Wine", „Sobieski", „Shotka";
- Strengthening positions of Bulgarian wines belonging to the Group in Lithuania;
- Reaching 24 percent of market share of Lithuanian vodka market;
- Increasing growth of brandy category by 19 percent;
- Increasing bitter category by 30 percent.

Due to unstable geopolitical situation in the neighboring markets and not growing Lithuanian market, future business forecasts still face number of challenges. It is expected that alcohol market in 2016 will be on the same level as 2015 and growing export together with the updated products and brands portfolio will stimulate stable but on the other hand growing results of the Company.

13 Events after the Reporting Period

On the 2nd of February 2016 Marie Brizard Wines and Spirits contracted shares' sales - purchase agreement and acquired number of ordinary registered shares of Vilniaus degtine AB, equal to 2,233,476, from East Capital. The total value of the transactions was equal to EUR 781.7 thousand.

Director General
Juozas Daunys
Vilnius, 01 March, 2016

Annex to Annual Statement

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

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

PRINCIPLES/ RECOMMENDATIONS	YES /NO /NOT APPLICABLE	COMMENT
Principle I: Basic provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The governance system of the stock company Vilniaus Degtinė ensures that all information about material events of the Company, financial results, activities and development prospects is disclosed on a timely basis and accurately as provided for by the provisions of the law, and the information is also posted on the website of the Company and in other sources.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The activities of all management bodies of the Company are focused on creating value for the shareholders and client, providing high-quality products to the consumers.
1.3. Company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The supervisory board, the board and the head of the Company work in close cooperation when resolving various issues arising in the Company, held joint discussions on particularly important issues in order to find the most optimal solutions ensuring maximum benefit for the Company.
1.4. Company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected too.	Yes	Management bodies of the Company ensure that the rights of all interested parties (stakeholders) are respected. Quality management system (ISO 9001) has been implemented in the Company. There is mutually beneficial cooperation with suppliers and clients; terms and provisions of the contracts are strictly followed.

Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholder meeting and the chief executive officer, it is recommended that a company should setup both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The Company follows this recommendation; it has the following supervisory and management bodies: general shareholder meeting, supervisory board, board and the head of the Company. Regular board meetings and supervisory board meetings, discussion of the most important issues of the Company ensure effective supervision of Company's activities.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The collegial management body of the Company is the board, collegial supervisory body – supervisory board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	The Company has both supervisory board and the board.
2.4. The collegial supervisory body to be elected by the general shareholder meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	This recommendation is observed when the provisions of principles III and IV are applied in formation of the supervisory board of the Company (and the board to the extent it is possible) or evaluation of its activities.
2.5. Company's supervisory and management bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate.	Yes	The supervisory board of the Company consists of three persons; the board consists of five persons.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The supervisory board and the board are elected for a term of 4 years; according to the Articles of Association of the issuer, it is not prohibited to re-elect these persons.
2.7. Chairman of the collegial body elected by the general shareholder meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the Chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholder meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Company partly follows this recommendation (the head of the supervisory board has never been the head of the Company, but the chairman of the board has been the head of the Company during the period 2003-2004). The chairman of the supervisory board represents the main shareholder of the Company and is not related with day-to-day operations of the Company.

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

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

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

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

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

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

4.14. Audit Committee. 4.14.1. Key functions of the Audit Committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholder meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose enterprises (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committeeshould act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.	Yes	The functions of audit committee are performed by the Company's supervisory board.

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

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

Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Company follows these recommendations; the members of its supervisory board and the board act upon these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholder meeting or any other corporate body authorized by the meeting.		
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Company follows these recommendations; the members of its supervisory board and the board act upon this recommendation in practice or would act upon it in such situation because they are acquainted with these provisions and would knowingly follow the recommendation.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company does not prepare reports on salary policy because it is a confidential internal document of the Company. The general information about the salaries paid to the admnistration members is disclosed and average salary of the Company's employees is specified by categories in the annual statement.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes	Information about the total amount of the salary paid out to the admnistration members during the year is made public every year through the reports.

8.3. Remuneration statement should leastwise include the following information: 1) Explanation of relative importance of variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.	No	The supervisory and management bodies of the Company conclude and approve contracts with the Company's administration heads; the contracts are confidential and not publicly available.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The supervisory and management bodies of the Company conclude and approve contracts with the Company's administration heads; the contracts are confidential and not publicly available.

8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	No	The Company does not make the salary policy publicly available because it is a confidential internal document of the Company. The Company does not exercise the

8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.			policy of using shares as a method of remuneration.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.			
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.			
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annualremuneration, which should, in general, not be higher than two years of the non-variable component ofremuneration or the equivalent thereof.			
8.11. Termination payments should not be paid if the termination is due to inadequate performance.			
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting. 8.13. In case the remuneration is based on awarding shares, the shares should not vest for at least three years after their award. 8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and theright to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria. 8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should befixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components). 8.16. Remuneration of non-executive or supervisory directors should not include share options. 8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration. 8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors'remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory. 8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of schemeshould be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual generalmeeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.			

8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval. 8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting. 8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the companyintends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept stakeholders includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	Corporate governance system of the Company ensures that all legally protected rights of the stakeholders are respected.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure

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

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

10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company follows these recommendations; it posts all the information specified in the recommendation on its website.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The Company follows this recommendation; annual financial statements and annual statement of the Company are audited by an independent audit company (audit for the year 2015 is carried out by KPMG Baltics UAB).
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholder meeting.	Yes	The Company follows this recommendation; the audit company is proposed to the general shareholder meeting by the supervisory board of the Company (upon the proposal of the board).
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The audit company did not receive any other remuneration from the Company during 2015.