



## VERIFICATION OF THE RESPONSIBLE PERSONS

30 03 2015

Following Article 21, Part 1 of the law on Securities of the Republic of Lithuania and the rules of the arrangement and presentation of the periodical and extra information, approved by the Commission of the Securities of the Republic of Lithuania, we, Director, Audrius Zuzevičius, and Chief Accountant, Audronė Zemlevičienė, certify that, according to our knowledge, the Audited Financial Statement of 2014 of the AB „Anykščių vynas“, made according to the International Standard of the Financial Accounting, is up to Standard and it indicates the Company asset, obligations, financial state, profit or loss rightly and cash flows, that review of the business development and activity, the description of the Company state with the main risks and uncertainties we meet are specified properly.

Director

Audrius Zuzevičius

Chief Accountant

Audronė Zemlevičienė



**AB ANYKŠČIŲ VYNAS**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR**  
**2014**

# CONTENTS

<b>Annual financial statements</b>	<b>3 - 40</b>
Company details	3
Independent auditor's report to the Shareholders of AB Anykščių Vynas	4
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
<b>Annual report</b>	<b>41 - 56</b>
Main data about the Issuer	42
Other information about the Issuer	43
Data about Issuer's activity	53
Finance	55
The Company and the society	55
The Company's plans and projections	56
<b>Annex No. 1 to Annual Report: Information on compliance with Corporate Governance code</b>	<b>57 - 77</b>

## Company details

### AB Anykščių Vynas

Telephone: + 370 381 50 233  
Telefax: + 370 381 50 350  
Registered address: Dariaus ir Girėno st. 8,  
Anykščiai LT-29131, Lithuania

### Supervisory Board

Raimondas Kurlianskis, Chairman  
Inga Žemkauskienė  
Dalius Balceris

### Board of Directors

Vidas Lazickas, Chairman  
Marijus Strončikas  
Justas Rameika

### Management

Audrius Zuzevičius, Director  
Audronė Zemlevičienė, Chief Accountant

### Auditor

KPMG Baltics, UAB

### Banks

Swedbank, AB



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

Phone: +370 5 210 2600  
Fax: +370 5 210 2659  
E-mail: vilnius@kpmg.lt  
Website: kpmg.com/lt

## Independent auditor's report

To the Shareholders of AB Anykščių Vynas

### Report on the Financial Statements

We have audited the accompanying financial statements of AB Anykščių Vynas ("the Company"), which comprise the statement of financial position as at 31 December 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 6–40.

#### *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 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.



*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of AB Anykščių Vynas as at 31 December 2014 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.

**Report on Other Legal and Regulatory Requirements**

Furthermore, we have read the annual report of AB Anykščių Vynas for the year ended 31 December 2014, set out on pages 41–77 of the financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements of AB Anykščių Vynas for the year ended 31 December 2014.

On behalf of KPMG Baltics, UAB

Domantas Dabulis  
Partner pp  
Certified Auditor

Toma Marčinauskytė  
Certified Auditor

Vilnius, the Republic of Lithuania  
27 March 2015

## Statement of financial position

	Note	2014	2013*	2012*
<b>ASSETS</b>				
Property, plant and equipment	14	17,156	17,329	18,573
Intangible assets	15	-	-	438
Long-term loans	16	1,000	2,900	2,900
<b>Total non-current assets</b>		<b>18,156</b>	<b>20,229</b>	<b>21,911</b>
Inventories	17	3,777	2,880	2,028
Trade and other receivables	18	2,053	2,179	2,068
Other assets		56	71	45
Cash and cash equivalents	19	134	35	150
<b>Total current assets</b>		<b>6,020</b>	<b>5,165</b>	<b>4,291</b>
<b>Total assets</b>		<b>24,176</b>	<b>25,394</b>	<b>26,202</b>
<b>EQUITY</b>				
Share capital	20	20,000	20,000	20,000
Accumulated losses		(6,300)	(6,431)	(5,796)
<b>Total equity attributable to shareholders</b>		<b>13,700</b>	<b>13,569</b>	<b>14,204</b>
<b>LIABILITIES</b>				
Employee benefits	23	193	171	-
Deferred tax liability	13	-	-	-
<b>Total non-current liabilities</b>		<b>193</b>	<b>171</b>	<b>-</b>
Loans and borrowings	24	7,451	8,768	10,516
Trade and other payables	25	2,089	1,020	536
Provisions	22	-	537	-
Income tax payable	12	23	-	-
Other liabilities	26	720	1,329	946
<b>Total current liabilities</b>		<b>10,283</b>	<b>11,654</b>	<b>11,998</b>
<b>Total liabilities</b>		<b>10,476</b>	<b>11,825</b>	<b>11,998</b>
<b>Total equity and liabilities</b>		<b>24,176</b>	<b>25,394</b>	<b>26,202</b>

\* - adjusted. For more details refer to Note 4 of the Notes to financial statements.

The notes on pages 10-40 are an integral part of these financial statements.

Director

Chief Accountant



Audrius Zuzevičius

Audronė Zemlevičienė



## Statement of profit or loss and other comprehensive income

	Note	2014	2013*
Gross sales turnover		23,270	29,599
Excise tax		(7,296)	(10,297)
<b>Revenue</b>	5	<b>15,974</b>	<b>19,302</b>
Cost of sales	5	(12,810)	(16,319)
<b>Gross profit</b>		<b>3,164</b>	<b>2,983</b>
Other income	7	196	997
Selling and distribution expenses	8	(1,253)	(1,414)
Administrative expenses	9	(1,634)	(2,606)
Other expenses	7	(27)	(21)
<b>Results from operating activities</b>		<b>446</b>	<b>(61)</b>
Finance income	11	84	102
Finance costs	11	(376)	(505)
<b>Net finance costs</b>		<b>(292)</b>	<b>(403)</b>
<b>Profit (loss) before income tax</b>		<b>154</b>	<b>(464)</b>
Income tax (expense)	12	(23)	(26)
<b>Profit (loss) for the period</b>		<b>131</b>	<b>(490)</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Re-measurement of defined benefit liability	23	-	(171)
Deferred income tax effect	13	-	26
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>(145)</b>
<b>Total profit or loss and other comprehensive income</b>		<b>131</b>	<b>(635)</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (in Lit)as)	21	0.01	(0.02)

\* - adjusted. For more details refer to Note 4 of the Notes to financial statements.

The notes on pages 10–40 are an integral part of these financial statements.

Director



Audrius Zuzevičius

Chief Accountant

Audronė Zemlevičienė



## Statement of changes in equity

	Share capital	Accumulated losses	Total equity
Balance at 1 January 2013 – as previously stated	20,000	(6,657)	13,343
Correction of error – deferred tax recognition (Note 4)	-	861	861
<b>Balance at 1 January 2013 – adjusted</b>	<b>20,000</b>	<b>(5,796)</b>	<b>14,204</b>
Net profit (loss) for the year	-	(490)	(490)
Other comprehensive income	-	(145)	(145)
<b>Total profit or loss and other comprehensive income for the period</b>	<b>-</b>	<b>(635)</b>	<b>(635)</b>
<b>Balance at 31 December 2013</b>	<b>20,000</b>	<b>(6,431)</b>	<b>13,569</b>
Net profit (loss) for the year	-	131	131
Other comprehensive income	-	-	-
<b>Total profit or loss and other comprehensive income for the period</b>	<b>-</b>	<b>131</b>	<b>131</b>
<b>Balance at 31 December 2014</b>	<b>20,000</b>	<b>(6,300)</b>	<b>13,700</b>

The notes on pages 10–40 are an integral part of these financial statements.

Director



Audrius Zuzevičius

Chief Accountant

Audronė Zemlevičienė

## Statement of cash flows

	Note	2014	2013*
<b>Cash flows from operating activities</b>			
Profit (loss) for the period		131	(490)
Adjustments for:			
Depreciation and amortisation of non-current assets	14,15	678	1,166
Interest expenses (income), net		184	169
Gain on sale of property, plant and equipment	7	(29)	(705)
Income tax expenses	12	23	26
Provisions		(537)	537
Change in inventories		(897)	(852)
Change in trade and other receivables		141	(137)
Change in trade and other payables		1 514	319
<b>Net cash from (used in) operating activities</b>		<b>1 208</b>	<b>33</b>
<b>Cash flows from investing activities</b>			
Interest received	11	84	102
Proceeds from sale of property, plant and equipment		29	1,302
Acquisition of property, plant and equipment	14	(505)	(81)
Loans granted by the Company		-	-
Proceeds from loan repayments		1,900	-
<b>Net cash from (used in) investing activities</b>		<b>1,508</b>	<b>1,323</b>
<b>Cash flows from financing activities</b>			
Loans received		256	-
Repayment of loans		(2,624)	(1,200)
Interest paid	11	(249)	(271)
<b>Net cash from (used in) financing activities</b>		<b>(2,617)</b>	<b>(1,471)</b>
<b>Change in cash and cash equivalents</b>		<b>99</b>	<b>(115)</b>
<b>Cash and cash equivalents at 1 January</b>	18	<b>35</b>	<b>150</b>
<b>Cash and cash equivalents at 31 December</b>	18	<b>134</b>	<b>35</b>

\*- adjusted. For more details refer to Note 4 of the Notes to financial statements.

The notes on pages 10–40 are an integral part of these financial statements.

Director

Audrius Zuzevičius

Chief Accountant



Audronė Zemlevičienė

## Notes to the financial statements

### 1. Reporting entity

AB Anykščių Vynas (hereinafter “the Company”) is incorporated and domiciled in Lithuania. The address of the Company is Dariaus ir Girėno st. 8, LT-29131 Anykščiai, Lithuania.

The Company was established in 1926. It was registered as a state enterprise in 1990 and re-registered as a joint stock company in 1995. The Company produces and sells alcoholic beverages: natural and fortified fruit-berry wine, spirits, cider, and concentrated apple and berry juice.

The Company’s shares are listed on the Baltic Secondary List of the Stock Exchange NASDAQ OMX Vilnius.

The controlling shareholder of the Company is Company Group ALITA, AB, which as at 31 December 2014 holds 18,980 thousand ordinary registered shares, or 94.9% of all shares of the Company.

The main shareholder of Company Group ALITA, AB is UAB Mineraliniai Vandenyys which is indirectly owned by UAB Koncernas MG Baltic.

### 2. Basis of preparation

#### 2.1. Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

The Board of Directors has approved the annual report for issue on 27 March 2015 and decided to provide it to the general meeting of the shareholders together with the audited annual financial statements. The shareholders may reject the financial statements and request the financial statements be amended and reissued.

#### 2.2. Basis of measurement and Going Concern

The financial statements have been prepared on the historical cost basis and on a going concern basis. Related assumptions are stated in Note 31.

#### 2.3. Functional and presentation currency

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

#### 2.4. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

- Note 13 – Deferred tax assets and liabilities
- Note 14 – Property plant and equipment
- Note 17 – Inventories
- Note 18 – Trade and other receivables
- Note 23 – Post employment employee benefits.

## **2. Basis of preparation (continued)**

### **2.4. Use of estimates and judgements (continued)**

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

#### **(a) Impairment losses on property, plant and equipment**

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

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

The carrying amounts of property, plant and equipment are disclosed in Note 14.

#### **(b) Impairment losses on trade and other receivables**

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Company makes 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, national or local economic conditions that influence the group of the receivables.

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

The carrying amounts of receivables are disclosed in Note 18.

#### **(c) Useful lives of property, plant and equipment and intangible assets**

Useful lives of assets at least once a year and changed when necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilisation and physical condition of the assets concerned.

The carrying amounts of property, plant and equipment are disclosed in Note 14.

#### **(d) Production costs**

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

#### **(e) Deferred tax asset**

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

The carrying amounts of deferred tax asset are disclosed in Note 13.

#### **(f) Measurement of defined benefit obligations**

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

The carrying amounts of post-employment benefits are disclosed in Note 23

## **2. Basis of preparation (continued)**

### **2.4. Use of estimates and judgements (continued)**

#### **(g) Net realisable value of inventory**

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The carrying amounts of inventory are disclosed in Note 17

## **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless stated otherwise.

### **3.1. Foreign currency**

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

### **3.2. Financial instruments**

#### **(a) Non-derivative financial instruments**

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

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

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

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

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

Loans and receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment losses, if any. Short-term receivables are not discounted.

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

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

### 3. Significant accounting policies (continued)

#### 3.2. Financial instruments (continued)

##### (b) Share capital

###### *Ordinary shares*

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

#### 3.3. Property, plant and equipment

##### *Recognition and measurement*

Property, plant and equipment are measured at cost (or deemed cost – see below) less accumulated depreciation and impairment losses. The buildings were accounted as follows:

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

According to the exception available under IFRS 1, which permits the carrying amount of an item of property, plant and equipment to be measured at the date of transition based on a deemed cost, buildings, acquired before 1 January 1996, were measured at indexed cost less indexed accumulated depreciation and impairment losses evaluated, and these values were used as deemed cost at that date. After 1 January 1996 all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

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

##### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss, when incurred.

##### *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or deemed cost substituted for cost, less its residual value.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under financial lease are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and corresponding periods are as follows:

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

### **3. Significant accounting policies (continued)**

#### **3.4. Intangible assets**

Intangible assets comprising trademarks, computer software and software licenses that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

##### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognised in profit or loss, when incurred.

##### *Amortisation*

Amortisation is calculated over the cost of the asset, or other amount substituted for cost.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and corresponding periods are 1–3 years.

Amortisation methods and useful lives are reviewed at each financial year-end and adjusted if appropriate.

#### **3.5. Emission allowances**

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

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

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

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

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

#### **3.6. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.



### 3. Significant accounting policies (continued)

#### 3.7. Impairment

##### (a) Financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

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

##### (b) Non-financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

### **3. Significant accounting policies (continued)**

#### **3.8. Dividends**

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

#### **3.9. Employee benefits**

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

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

##### ***Social security contributions***

The Company pays social security contributions to the State Social Security Fund (hereinafter referred to as the Fund) on behalf of its employees in accordance with the local legal requirements. The social security contributions are recognised as an expense on an accrual basis and are included within personnel expenses.

##### ***Post-employment employee benefits***

Each employee, according to the collective agreement effective in the Company, upon termination of employment at the retirement age, is entitled to receive a certain compensation. The compensation depends on the duration of the employment. Actuarial calculations have been made to estimate the related liability. The liability is accounted at present value using the market discount rate.

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

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

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

##### ***Termination benefits***

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

### 3. Significant accounting policies (continued)

#### 3.10. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Long-term provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as financial costs. Short-term provisions are not discounted.

#### 3.11. Revenue and costs

##### *Goods sold*

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

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

In the statement of profit or loss and other comprehensive income the Company additionally discloses gross sales revenue and excise tax, since in the Company's management opinion, such presentation allows for a more exact assessment of the Company's financial performance and financial position.

##### *Sales of services*

Sales of services are recognised on performance of the services. Revenue from sales is recognized only after services are rendered and income can be reliably estimated.

##### *Rental income*

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

##### *Costs*

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

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

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

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

#### 3.12. Lease payments

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

#### 3.13. Finance income and finance costs

Finance income comprises interest income on funds invested and other financial income. Interest income is recognised in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and other financial expenses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 3. Significant accounting policies (continued)

#### 3.14. Income tax

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognised in profit or loss except to the extent it relates to the items recognised on other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax losses can be carried forward for an indefinite period. When calculating the income tax for 2015 and subsequent years, the amount of utilised tax losses cannot exceed 70% of taxable profit of the tax period.

#### 3.15. Segment reporting

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

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

The following summary describes the operations of each segment.

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

#### 3.16. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits are probable.

#### 3.17. Earnings per share

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

### 3. Significant accounting policies (continued)

#### 3.18. Determination of fair values

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

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

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

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

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

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

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

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

##### ***Long term loans***

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

##### ***Trade and other receivable***

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Short term receivables are not discounted. This fair value is determined for disclosure purposes.

##### ***Financial liabilities, including loans and borrowings***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Short term liabilities are not discounted.

Carrying amount of all financial assets and liabilities of the Company is close to their fair value.

### 3. Significant accounting policies (continued)

#### 3.19. New standards, amendments and interpretations

##### (a) Changes in accounting policies

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

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

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

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

The standard did not have any impact on the Company, as it does not hold significant interests in other entities, including equity accounted investees.

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

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

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

- IAS 27 (2011) Separate Financial Statements;
- IAS 28 (2011) Investments in Associates and Joint Ventures;
- Amendments to IFRS 10 Consolidated Financial Statements;
- Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 27 on Investment Entities;
- Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting.

##### (b) New standards, interpretations and amendments to published standards not yet effective

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

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

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

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

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

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

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

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

### 3. Significant accounting policies (continued)

#### 3.19. New standards, amendments and interpretations (continued)

##### (b) New standards, interpretations and amendments to published standards not yet effective (continued)

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

The improvements introduce eleven amendments to nine standards (IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IFRS 16, IFRS 38, IAS 24, IAS 40) and consequential amendments to other standards and interpretations. Four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted. Other amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted.

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

### 4. Correction of errors

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

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

#### 31 December 2012

	Previously stated	Adjustment effect	Stated in these financial statements
<b>EQUITY</b>			
Share capital	20,000	-	20,000
Accumulated losses	(6,657)	861	(5,796)
<b>Total equity attributable to shareholders</b>	<b>13,343</b>	<b>861</b>	<b>14,204</b>
<b>LIABILITIES</b>			
Employee benefits	-	-	-
Deferred tax liability	861	(861)	-
<b>Total non-current liabilities</b>	<b>861</b>	<b>(861)</b>	<b>-</b>
Loans and borrowings	10,516	-	10,516
Trade and other payables	536	-	536
Provisions	-	-	-
Other liabilities	946	-	946
<b>Total current liabilities</b>	<b>11,998</b>	<b>-</b>	<b>11,998</b>
<b>Total liabilities</b>	<b>12,859</b>	<b>(861)</b>	<b>11,998</b>
<b>Total equity and liabilities</b>	<b>26,202</b>	<b>-</b>	<b>26,202</b>



#### 4. Correction of errors (continued)

31 December 2013

	Previously stated	Adjustment effect	Stated in these financial statements
<b>EQUITY</b>			
Share capital	20,000	-	20,000
Accumulated losses	(7,240)	809	(6,431)
<b>Total equity attributable to shareholders</b>	<b>12,760</b>	<b>809</b>	<b>13,569</b>
<b>LIABILITIES</b>			
Employee benefits	171	-	171
Deferred tax liability	809	(809)	-
<b>Total non-current liabilities</b>	<b>980</b>	<b>(809)</b>	<b>171</b>
Loans and borrowings	8,768	-	8,768
Trade and other payables	1,020	-	1,020
Provisions	537	-	537
Other liabilities	1,329	-	1,329
<b>Total current liabilities</b>	<b>11,654</b>	<b>-</b>	<b>11,654</b>
<b>Total liabilities</b>	<b>12,634</b>	<b>(809)</b>	<b>11,825</b>
<b>Total equity and liabilities</b>	<b>25,394</b>	<b>-</b>	<b>25,394</b>

Statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

	Previously stated	Adjustment effect	Stated in these financial statements
<b>Profit (loss) before income tax</b>	<b>(464)</b>	<b>-</b>	<b>(464)</b>
Income tax (expense)	26	(52)	(26)
<b>Profit (loss) for the period</b>	<b>(438)</b>	<b>(52)</b>	<b>(490)</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Re-measurement of defined benefit liability	(171)	-	(171)
Deferred income tax effect	26	-	26
<b>Total comprehensive income, net of tax</b>	<b>(145)</b>	<b>-</b>	<b>(145)</b>
<b>Total comprehensive income</b>	<b>(583)</b>	<b>(52)</b>	<b>(635)</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (in Litass)	(0.02)	0.00	(0.02)

## 5. Financial risk management

### Overview

The Company has exposure to the following risks from its use of financial instruments:

- (a) credit risk;
- (b) liquidity risk;
- (c) market risk;
- (d) operating risk.

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

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

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

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

#### (a) Credit risk

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

#### *Trade and other receivables*

The Company controls credit risk by using credit conditions and procedures of market analysis. Credit terms for sales are from 15 to 60 days. Irregular customers are required to pay in advance.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance for impairment includes loss estimated on a specific basis, related to individually significant trade and other receivables, as well as collectively assessed impairment loss.

The aging of trade receivables at the reporting date could be specified as follows:

	2014		2013	
	Gross amount	Impairment	Gross amount	Impairment
Not past due	1,999	-	1,921	-
Past due 0–60 days	44	-	239	-
Past due 60–180 days	10	-	19	-
More than 180 days	227	227	183	183
	<b>2,280</b>	<b>227</b>	<b>2,362</b>	<b>183</b>

The majority of the Company's customers are wholesalers. 37 percent of the Company's customers as at 31 December 2014 have transacted with the Company for several years and have generated more than 93 percent of all sales revenue. In 2014, impairment loss was recognised against one of the customers.

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

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

The Company has an unsecured long-term loan receivable from the main shareholder of the Company, amounting to 2,900 thousand Lit as at 31 December 2013. During 2014, 1,900 thousand Lit of the loan were repaid.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2014</u>	<u>2013</u>
Long term loan receivable	1,000	2,900
Trade receivables	2,053	2,179
Cash and cash equivalents	134	35
	<u><b>3,187</b></u>	<u><b>5,114</b></u>

As at the date of the statement of financial position, the maximum exposure to credit risk for loan and trade receivables by geographic region was:

	<u>2014</u>	<u>2013</u>
Lithuania	2,873	5,058
Euro area countries	180	21
	<u><b>3,053</b></u>	<u><b>5,079</b></u>

### *Guarantees*

The Company's policy is to provide financial guarantees only to the Group companies. AB Anykščių Vynas has issued a suretyship on behalf of its parent company Company Group ALITA, AB to related company UAB MG Baltic Trade for the loans granted by latter to Company Group ALITA, AB, amounting to 10,423 thousand EUR (35,989 thousand LTL) (as at 31 December 2013, suretyship to Swedbank, AB amounted to 11,683 EUR (40,339 thousand LTL)). Management of the Company believes it is very unlikely that right to this guarantee would be exercised.

### (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company is in a constant discussion with the bankers on financing the entity.

## 5. Financial risk management (continued)

### (b) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, as well as guarantees issued to the Group companies:

At 31 December 2014	Carrying amount	Contractual cash flows	6 months or less	6–12 months	More than 1 year
Loans and borrowings	7,451	(7,587)	(104)	(7,483)	-
Trade payables to related parties	340	(340)	(340)	-	-
Other trade payables	1,749	(1,749)	(1,749)	-	-
Guarantees / suretyships issued	-	(35,989)	-	-	(35,989)
<b>Total</b>	<b>9,540</b>	<b>(45,665)</b>	<b>(2,193)</b>	<b>(7,483)</b>	<b>(35,989)</b>

At 31 December 2013	Carrying amount	Contractual cash flows	6 months or less	6–12 months	More than 1 year
Loans and borrowings	8,768	(8,831)	(8,831)	-	-
Trade payables to related parties	262	(262)	(262)	-	-
Other trade payables	758	(758)	(758)	-	-
Guarantees / suretyships issued	-	(40,338)	-	-	(40,338)
<b>Total</b>	<b>9,788</b>	<b>(50,189)</b>	<b>(9,851)</b>	<b>-</b>	<b>(40,338)</b>

Interest payments for loans and borrowings were estimated for one year period only.

As indicated in Note 24, credit line maturity was extended until 31 August 2015.

### (c) Market risk

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

#### *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The functional currency of the Company is the Litas. The Company faces foreign currency risk on purchases and borrowings as well as on sales and amounts receivable that are denominated in currencies other than Litas. The risk related to transactions in euro is considered to be insignificant, as the Lithuanian Litas is pegged to euro at a fixed rate of EUR 1: LTL 3.4528. Transactions and balances in other currencies are insignificant.

## 5. Financial risk management (continued)

### (c) Market risk (continued)

#### *Interest rate risk*

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

An increase in the average annual interest rate (LIBOR) for the Company's borrowings by 50 basis points would have increased the interest expenses and decreased the net result and equity for the year ended 31 December 2014 by approximately 11 thousand Litas. A decrease in the average annual interest rate (LIBOR) for the Company's borrowings by 50 basis points would have had the equal but opposite effect.

### (d) Operating risk

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

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

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

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

Beverage	Alcohol content by volume (most common)	Excise tax rates effective as of 1 March 2015 (EUR for hectoliter)	Excise tax rates effective as of 1 April 2014 (LTL for hectoliter)
Sparkling wine	11%	72.12 EUR/HTL	225 LT/HTL
Wine	10.50%	72.12 EUR/HTL	225 LT/HTL
Sparkling wine drink	7–8%	28.67 EUR/HTL	85 LT/HTL
Cider	4.7%	28.67 EUR/HTL	85 LT/HTL
Fortified wine	18–19%	126.27 EUR/HTL	400 LT/HTL
Cocktails	5–6%	1,320.67 EUR/100%/HTL	4,460 LT/100%/HTL
Strong alcohol drinks	37.5–50%	1,320.67 EUR/100%/HTL	4,460 LT/100%/HTL

## 5. Financial risk management (continued)

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investors', creditors' and market confidence and to sustain future development of the business.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

There were no changes in the Company's approach to the capital management during the reporting year.

The Company is obliged to keep its equity not less than 50 percent of its share capital, as imposed by the Law on Companies of the Republic of Lithuania. Company complied with this requirement as at 31 December 2014.

## 6. Operating segments

### Information about reportable segments

For decision taking purposes, the Company is organised into two reportable operating segments that offer different products, and require different technology and marketing strategies. Information, as reviewed by the Chief Operating Decision Maker of the Company, regarding the results of each reportable segment that is used to measure performance of the Company is included below.

	Alcoholic drinks		Fruit and berry products		Not allocated to any specified segment		Total	
	2014	2013	2014	2013	2014	2013*	2014	2013*
Sales	9,769	11,039	5,556	7,751	649	512	15,974	19,302
Cost of sales	(7,878)	(9,314)	(4,560)	(6,719)	(372)	(286)	(12,810)	(16,319)
<b>Gross profit (loss)</b>	<b>1,891</b>	<b>1,725</b>	<b>996</b>	<b>1,032</b>	<b>277</b>	<b>226</b>	<b>3,164</b>	<b>2,983</b>
Operating expenses	(1,155)	(1,847)	(103)	(128)	(1,629)	(2,045)	(2,887)	(4,020)
Other income	-	-	-	-	196	997	196	997
Other expenses	-	-	-	-	(27)	(21)	(27)	(21)
Finance income	-	-	-	-	84	102	84	102
Finance costs	-	-	-	-	(376)	(505)	(376)	(505)
<b>Profit (loss) before income tax</b>	<b>736</b>	<b>(122)</b>	<b>893</b>	<b>904</b>	<b>(1,475)</b>	<b>(1,246)</b>	<b>154</b>	<b>(464)</b>
Segment assets	18,096	16,332	2,129	2,631	3,951	6,431	24,176	25,394
Acquisition of property, plant and equipment	16	81	-	-	489	-	505	81
Depreciation & amortisation of non-current assets	328	751	143	179	207	235	678	1,166
Segment liabilities	999	770	281	-	9,196	11,055	10,476	11,825

\* - adjusted. For more details refer to Note 4 of the Notes financial statements

## 6. Operating segments (continued)

Sales concentration by customers could be presented as follows:

	2014		2013	
	Sales	%	Sales	%
Customer 1	2,417	15.1	5,694	29.5
Customer 2	2,281	14.3	3,070	15.9
Customer 3	2,182	13.7	2,174	11.3
Customer 4	1,621	10.1	1,898	9.8
Other customers	7,473	46.8	6,466	33.5
	<b>15,974</b>	<b>100</b>	<b>19,302</b>	<b>100</b>

## Geographical information

The geographical information below analyses the Company's revenue based on the geographical location of customers. All of the Company's assets are located in and all capital investments are made in Lithuania.

	Revenue	
	2014	2013
Lithuania	10,699	11,369
EU countries	5,243	7,858
Other countries	32	75
<b>Total</b>	<b>15,974</b>	<b>19,302</b>

## 7. Other income and expenses

	2014	2013
Income from rent and services provided	139	109
Net gain on sale of property, plant and equipment	29	705
Other income	28	183
	<b>196</b>	<b>997</b>
Cost of rent and provided services	(27)	(21)
	<b>(27)</b>	<b>(21)</b>

## 8. Selling and distribution expenses

	2014	2013
Advertising	426	407
Transportation and logistics	352	436
Warehousing	287	344
Sales and marketing department's expenses	119	160
Other selling expenses	69	67
	<b>1,253</b>	<b>1,414</b>



## 9. Administrative expenses

	<u>2014</u>	<u>2013</u>
Personnel expenses	521	346
Management	334	334
Repair and maintenance	164	228
Advisory expenses	133	179
Write-off of production overheads due to operation below capacity	101	56
Taxes	84	502
Depreciation and amortisation	54	493
Doubtful debts	43	-
Insurance expenses	41	38
Energy expenses	36	66
Write-down of inventories to the net realisable value	-	187
Redundancy expenses	-	156
Other administrative expenses	123	21
	<u><b>1,634</b></u>	<u><b>2,606</b></u>

In 2014, the Company operated below its available capacity; therefore, part of production overheads amounting to 101 thousand Litas (2013: 56 thousand Litas) was reclassified to administrative expenses.

## 10. Personnel expenses

	<u>2014</u>	<u>2013</u>
Production costs	1,261	1,456
Selling and distribution expenses	260	278
Administrative expenses (including redundancy expenses)	521	502
	<u><b>2,042</b></u>	<u><b>2,236</b></u>

As at 31 December 2014, the Company had 66 employees (2013: 66 employees). Personnel expenses include the Management's salaries amounting to 164 thousand Litas (2013: 124 thousand Litas).

## 11. Finance income and expenses

	<u>2014</u>	<u>2013</u>
Interest income	84	102
	<b>84</b>	<b>102</b>
Interest expense	(268)	(271)
Overdue interest and fines	(88)	(234)
Other finance costs	(20)	-
	<u><b>(376)</b></u>	<u><b>(505)</b></u>
<b>Net finance costs</b>	<u><b>(292)</b></u>	<u><b>(403)</b></u>

## 12. Income tax expense

	2014	2013*
Income tax	23	-
Deferred tax (income) expense	-	26
<b>Total income tax expense recognized in profit or loss</b>	<b>23</b>	<b>26</b>

### Reconciliation of effective tax rate

	2014		2013*	
Profit (loss) before income tax		154		(464)
Income tax at statutory tax rate	15.0%	23	15.0%	(70)
Non-deductible expenses / (Tax-exempt income)	17.5%	27	(12.1)%	56
Change in unrecognised temporary differences	(17.5)%	(27)	(8.5)%	40
Change in temporary differences	0.0%	-	0.0%	-
<b>Total income tax expense recognized in profit or loss</b>	<b>15.0%</b>	<b>23</b>	<b>(5.6)%</b>	<b>26</b>

\*- adjusted. For more details refer to Note 4 of the Notes to financial statements

### Amounts recognised in other comprehensive income

	2014			2013		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Post-employment employee benefits	-	-	-	171	26	171
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171</b>	<b>26</b>	<b>171</b>

### 13. Deferred tax assets and liabilities

	2014		2013*		2012*	
	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
<b>Deferred tax asset</b>						
Impairment of property, plant and equipment	206	31	206	31	285	43
Impairment of trade and other receivables	227	34	183	27	183	27
Inventories write-down	125	19	275	41	171	26
Accrued social insurance tax of vacation reserve	47	7	44	7	37	6
Accrued employee benefits	80	12	-	-	-	-
Employment benefits	193	29	171	26	-	-
Provisions	-	-	537	81	-	-
Tax losses carried forward	24,522	3,678	24,872	3,731	25,376	3,806
<b>Available deferred tax asset</b>		<b>3,810</b>		<b>3,944</b>		<b>3,908</b>
Asset not recognised		(3,002)		(3,109)		(3,047)
<b>Deferred tax asset, recognised</b>		<b>808</b>		<b>835</b>		<b>861</b>
<b>Deferred tax liability</b>						
Carrying amount of property, plant and equipment for which investment relief was used	(5,389)	(808)	(5,564)	(835)	(5,739)	(861)
<b>Deferred tax liability</b>		<b>(808)</b>		<b>(835)</b>		<b>(861)</b>
<b>Net deferred tax asset (liability)</b>		<b>-</b>		<b>-</b>		<b>-</b>

\*- adjusted. For more details refer to Note 4 of the Notes to financial statements

A part of deferred tax asset has not been recognised in respect of tax losses carried forward due to high uncertainty if enough taxable profit will be available in the foreseeable future against which the Company could utilise the benefits in full. Only the part of deferred tax asset which will be used to offset temporary differences related to investment relief on property plant and equipment was recognised.

Under current legislation, the Company's tax losses, 24,522 thousand Lit, can be carried forward for indefinite period of time, if economic activity from which the losses originated is continued. When calculating the income tax for 2015 and subsequent years, the amount of utilised tax losses cannot exceed 70% of taxable profit of the tax period.

#### 14. Property, plant and equipment

	Buildings and plant	Vehicles, equipment and tools	Other assets	Construction in progress and prepayments for property, plant and equipment	Total
<b>Cost</b>					
Balance at 1 January 2013	29,099	44,116	6,636	13	79,864
Additions	-	80	1	-	81
Disposals	(1,314)	(55)	(6)	-	(1,375)
Balance at 31 December 2013	27,785	44,141	6,631	13	78,570
Additions	-	65	440	-	505
Reclassifications	(77)	(478)	555	-	-
Disposals	-	(209)	(224)	-	(433)
Balance at 31 December 2014	27,708	43,519	7,402	13	78,642
<b>Depreciation and impairment losses</b>					
Balance at 1 January 2013	13,338	41,545	6,408	-	61,291
Depreciation for the year	464	232	32	-	728
Disposals	(719)	(53)	(6)	-	(778)
Balance at 31 December 2013	13,083	41,724	6,434	-	61,241
Depreciation for the year	458	189	31	-	678
Reclassification	(77)	(478)	555	-	-
Disposals	-	(209)	(224)	-	(433)
Balance at 31 December 2014	13,464	41,226	6,796	-	61,486
<b>Carrying amounts</b>					
At 31 December 2013	14,702	2,417	197	13	17,329
At 31 December 2014	14,244	2,293	606	13	17,156

Depreciation of property, plant and equipment is recognised in:

	2014	2013
Production costs	555	606
Selling and distribution expenses	69	67
Administrative expenses	54	55
	<b>678</b>	<b>728</b>

As at 31 December 2014, property, plant and equipment with a carrying amount of 15,895 thousand Litass (2013: 16,451 thousand Litass) is pledged to secure the credit line facility.

The carrying amount of insured property, plant and equipment as at 31 December 2014 was 16,342 thousand Litass (2013: 16,452 thousand Litass). Assets are insured against all risks as follows: buildings for value of 69,970 thousand Litass, equipment and tools of 42,940 thousand Litass.

## 14. Property, plant and equipment (continued)

### *Impairment testing*

Due to the Company's losses accumulated for several previous consecutive years, the Management of the Company estimated potential impairment for property, plant and equipment. During the evaluation the long term forecast of the Company's activities (for 5 years) was prepared and the value in use for property, plant and equipment was calculated.

The long-term forecasts are based on the Management's assessments regarding the Company's capacity to get long-term financing prolonged as well as financing for the working capital of approximately 2 million Litass for the processing of apple. Short term financing will be secured from short term related persons' and bank loans or customer financing. The relevant assumptions are based on almost full exploitation of optimised production and human resources capacity, and the Company's capacity to maintain its market share and retrieve its market shares lost in certain segments.

Property, plant and equipment is allocated to two cash-generating units, Alcohol drinks and Fruit and berry products; part of assets is not allocated. Value in use is estimated for both cash-generating units together since part of property, plant and equipment is not allocated to any cash-generating unit.

Based on the evaluation, the Management of the Company does not assess that the Company's assets have impaired significantly. The 10% discount rate and 0.25% long-term growth rate after the projection period were used for the calculation of value in use (10% and 0.25% respectively were used for impairment test in 2013). The Company used 5 years discounted cash flows model with terminal value component.

The change of the discount rate significantly influences the determined value in use, amounting to approximately 20.9 million Litass (19.5 million Litass during impairment test in 2013). The table with potential discount rates and the long-term growth rates after the projection period together with potential impairment (losses), as calculated using these rates, is presented below.

Discount rate	Long-term growth rate after the projection period			
	1.25%	0.75%	0.25%	0.00%
9.66%	-	-	-	-
10.00%	-	-	-	-
10.34%	-	-	49	330
10.68%	-	154	710	968
11.02%	255	819	1,330	1,568
11.36%	923	1,441	1,913	2,133
11.70%	1,549	2,026	2,462	2,666

## 15. Intangible assets

	Trademarks	Other intangible assets	Total
<b>Cost</b>			
Balance at 1 January 2013	1,969	445	2,414
Balance at 31 December 2013	1,969	445	2,414
Write-offs and sales	(15)	(75)	(90)
Balance at 31 December 2014	1,954	370	2,324
<b>Amortisation and impairment losses</b>			
Balance at 1 January 2013	1,531	445	1,976
Amortisation for the year	438		438
Balance at 31 December 2013	1,969	445	2,414
Write-offs and sales	(15)	(75)	(90)
Amortisation for the year	-	-	-
Balance at 31 December 2014	1,954	370	2,324
<b>Carrying amounts</b>			
At 31 December 2013	-	-	-
At 31 December 2014	-	-	-

The amortisation of trademarks and other intangible assets is recognised under administrative expenses in the statement of profit or loss.

## 16. Long term loan

In 2011 a long-term unsecured loan of 2,900 thousand Litass was granted to Company Group ALITA, AB with the maturity term of 6 years and subject to the annual interest rate 6-month VILIBOR plus 2.5%. During 2014, 1,900 thousand Litass of the loan were repaid. The Company does not disclose the fair value of the financial asset as its book value is a close approximation of the fair value and the fair value cannot be measured reliably.

## 17. Inventories

	2014	2013
Finished goods	1,215	513
Work in progress	1,779	1,895
Raw materials and consumables	716	472
Goods for resale	67	-
	<b>3,777</b>	<b>2,880</b>

The value of inventories recognized as expenses during 2014 amounted to 9,797 thousand Litass (2013: 12,038 thousand Litass). As at 31 December 2014 write-down of inventories to net realisable value amounted to 125 thousand Litass (as at 31 December 2013: 275 thousand Litass). The write-downs and reversals are included in administrative expenses.

In 2014, the Company operated below its available capacity; therefore, the expenses of production overheads due to operation below capacity, amounting to 101 thousand Litass (2013: 56 thousand Litass), were recognised in administrative expenses of the current year.

The Company insured its inventories for 2,881 thousand Litass against fire, natural forces and other damages.

## 18. Trade and other receivables

	2014	2013
Trade receivables due from related parties	6	-
Other trade receivables	2,047	2,179
<b>Trade and other receivables, net of impairment losses</b>	<b>2,053</b>	<b>2,179</b>
<b>Trade and other receivables, gross</b>	<b>2,280</b>	<b>2,362</b>
Impairment of trade and other receivables as at 31 December	(227)	(183)
<b>Trade and other receivables, net of impairment losses</b>	<b>2,053</b>	<b>2,179</b>

## 19. Cash and cash equivalents

	2014	2013
Cash at bank	125	31
Cash on hand	9	4
<b>Total</b>	<b>134</b>	<b>35</b>

## 20. Capital and reserves

As at 31 December 2014, the authorised and issued share capital comprised 20,000,000 ordinary shares with a nominal value of 1 Litas each. All issued shares are fully paid.

The holders of ordinary shares are entitled to one vote per share in the General Shareholders' Meeting and receive dividends, when declared, and are entitled to capital repayment in case of reduction of the capital and other rights granted by the law.

## 21. Earnings per share

	2014	2013*
Profit (loss) for the period	131	(490)
Number of shares 1 January (thousand)	20,000	20,000
Number of shares 31 December (thousand)	20,000	20,000
Weighted average number of shares in issue (thousand)	20,000	20,000
<b>Basic and diluted earnings (losses) per share</b>	<b>0.01</b>	<b>(0.02)</b>

\*- adjusted. For more details refer to Note 4 of the Notes to financial statements

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

## 22. Provisions

In 2012 the State Tax Inspectorate performed a tax inspection in the Company, during which an additional VAT payable to the budget in the amount of 413 thousand Litass, as well as late payment interest, amounting to 83 thousand Litass and 41 thousand Litass of penalties were calculated for the year 2010.

In June 2013 Vilnius District Administrative Court rejected the claim of the Company regarding the decision of the State Tax Inspectorate to pay VAT to the budget. On 5 March 2014, the Supreme Administrative Court of Lithuania rejected appeal and left Vilnius District Administrative Court decision unchanged.

The Company paid to the budget the VAT, late payment interest and penalties as adjudged by the court.



## 23. Post-employment employee benefits

	<b>Net defined benefit liability</b>	
	<b>2014</b>	<b>2013</b>
<b>Balance at 1 January</b>	<b>171</b>	<b>-</b>
Included in profit or loss	22	-
Included in other comprehensive income	-	171
<b>Total post-employment employee benefits</b>	<b>193</b>	<b>171</b>

Based on the defined benefit plan, the assets for fulfilment of respective liabilities are not accumulated. Increase in 2014 in defined post-employment benefit liability is due to employee changes.

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

<b>Assumption</b>	<b>Base</b>	<b>Change by</b>	<b>Impact on post-employment benefit obligation</b>	
			<b>On increase</b>	<b>On decrease</b>
Annual salary increase	2%	0.5%	7	(7)
Discount rate	5%	0.5%	(7)	7

## 24. Loans and borrowings

	<b>2014</b>	<b>2013</b>
Loans from financial institutions	-	7,432
Loans from related persons	7,432	-
Accrued interest	19	-
Other loans	-	1,336
	<b>7,451</b>	<b>8,768</b>

In December 2014, UAB MG Baltic Trade took over all rights and obligations under the credit agreement for an amount of 2,152 thousand EUR (equal to 7,432 thousand Litass) of AB Anykščių Vynas and Swedbank, AB. Simultaneously, the maturity of the credit provided to the Company was extended until 31 August 2015. As at 31 December 2014, average interest rate was 2.8 percent (2013: 2.8 percent).

Credit repayment is secured with the pledge of property, plant and equipment with a carrying amount of 15,895 thousand Litass as at 31 December 2014, and pledge of inventories.

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

On 2 March 2015 a credit agreement with SEB bank was signed under which the Company received a long-term credit of 1,100 thousand EUR (3,798 thousand Litass) and a credit line (overdraft) of 1,200 thousand EUR (4,143 thousand Litass). After the financial statements date, the loan repayment to UAB MG Baltic Trade was financed with the mentioned credits.

## 25. Trade and other payables

	Note	2014	2013
Trade payables to third parties		1,749	758
Trade payables to related parties		340	262
		<b>2,089</b>	<b>1,020</b>

## 26. Other liabilities

	2014	2013
Accrued vacation reserve	199	185
Prepayments received and other payables	188	158
Employment related liabilities	176	115
Value added tax payable	114	291
Excise duty payable	43	580
	<b>720</b>	<b>1 329</b>

## 27. Related party transactions

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

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

- Company Group ALITA, AB – the Parent Company;
- MG Baltic Grupė – UAB Mineraliniai vandenys, UAB MG Baltic Trade, UAB Koncernas MG Baltic and other companies directly or indirectly managed by UAB Koncernas MG Baltic.

The main shareholder of the parent company Company Group ALITA, AB – UAB Mineraliniai Vandenys acquired the controlling block of shares of Company Group ALITA, AB.

Until 5 December 2014, the main shareholder of the Company Company Group ALITA, AB has been indirectly owned by Swedbank, AB, a company registered in Sweden, which also owns Swedbank, AB registered in Lithuania – the main creditor of the Company. The rights and obligations of the Company, as a debtor, and Swedbank, AB (registered in Lithuania), as a creditor, are set and exercised based on the procedures established by the credit agreement.

As at 31 December 2014 the parent company Company Group ALITA issued a suretyship for the Company to UAB MG Baltic Trade for the loan granted to the Company and amounting to 7,432 thousand Litass (as at 31 December 2013, the suretyship in the amount of 7,432 thousand Litass was issued to Swedbank, AB).

The Company issued a suretyship to UAB MG Baltic Trade for the loan of Company Group ALITA, AB amounting to 35,989 thousand Litass. To secure this loan the Company has pledged its trademarks, immovable property, inventories and equipment.

## 27. Related party transactions (continued)

Transactions during the year and balances outstanding at the end of the year are summarised below:

	<u>2014</u>	<u>2013</u>
<b>Transactions with related parties</b>		
Sales to Parent company	1,537	598
Sales to the MG Baltic Group	5	-
Purchases from Parent company	2,243	2,394
Interest income from Parent company	84	102
Interest expense to MG Baltic Group	19	-
<b>Amounts receivable from related parties</b>		
Long-term loan receivable from Parent company	1,000	2,900
Trade receivables from MG Baltic Group	6	-
<b>Amounts payable to related parties</b>		
Loans from MG Baltic Group	7,432	-
Accrued interest to MG Baltic Group	19	-
Trade payables to Parent Company	<u>340</u>	<u>262</u>

## 28. Contingent assets and liabilities

### Third party inventories held

As of 31 December 2014 the Company stored 1,850 t of apple concentrate of third parties (estimated approximate value of 4,085 thousand Litass). The apple juice was produced and sold during the year 2014 and the buyer is entitled to storage services until the end of May 2015. The parent company has insured these inventories for the amount of 5,000 thousand Litass against natural calamities, fire and other damages.

### Guarantees, warranties issued

The Company issued a suretyship to related company UAB MG Baltic Trade for the loan of Company Group ALITA, AB amounting to 35,989 thousand Litass. To secure this guarantee, the Company has pledged its trademarks, immovable property, inventories and equipment.

### Liabilities not disclosed in the balance sheet

The Company rents 1 land plot from the State with lease term until 8 August 2046. The annual rent fee in 2014 amounted to 16 thousand Litass. The environmental obligations (cleaning, restoration, etc.) are incumbent on the lessee of the rented state land. No provision is included in the financial statements as at 31 December 2014, as the management could not reliably estimate the present value of future obligations. However, it is considered that such amount would not be material.

The Company has two operating lease agreements for lease of vehicles with Company Group ALITA, AB for a period from 1 October 2016 until 19 February 2019.

Amounts payable under operating lease agreements:

Items	During 1 year	From 1 to 5 years	After 5 years	Total
Vehicles	24	44	-	68
Land rent*	16	62	431	509
<b>Total</b>	<u>40</u>	<u>106</u>	<u>431</u>	<u>577</u>

\*When calculating the future minimum payments it was assumed that lease price will not change.

## 28. Contingent assets and liabilities (continued)

### Contingencies related with payment of taxes

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

### Contingencies related with the change of main shareholder of Company Group ALITA, AB

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

## 29. Litigation and claims

On 23 September 2013 the Company received the announcement from the Panevėžys Regional Court on the claim provided by the shareholder of the Company Plass Investments Limited regarding invalidation of the Agreement on purchase-sale of the boiler house and of the movable and immovable assets related thereto, concluded on 20 June 2013 by and between the Company (the seller) and the buyer, as well as on application of restitution, related to execution of this agreement (the Company and the buyer of the mentioned assets are included as the respondents in the case).

On 10 April 2014, the Vilnius County Court received a claim from the Company's shareholder Plass Investments Limited for declaring void the contract for sale of trademarks concluded by the Company and Company Group ALITA, AB.

In January 2015, settlement agreements were signed for both of the cases with no additional liabilities to the Company.

## 30. Subsequent events

On 2 March 2015, a credit agreement with SEB bank was signed under which the Company received a long-term credit of 1,100 thousand EUR (3,798 thousand Lit) and a credit line (overdraft) of 1,200 thousand EUR (4,143 thousand Lit). The long-term credit repayment term is established until 27 February 2020, the term of repayment of account credit surplus limit is established until 31 May 2016. After the financial statements date, the loan repayment to UAB MG Baltic Trade was financed with the mentioned credits.

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

After the end of the financial year there were no other material events which would require disclose in the financial statements or notes.

### 31. Going concern

During 2014, the Company earned a net profit of 131 thousand Litas. As at 31 December 2014, the Company's short-term liabilities exceeded its current assets by 4,263 thousand Litas and accumulated losses amount to 6,300 thousand Litas.

In order to improve cash flows, the management is taking active measures to improve financial stability of the Company. In 2014, the Board and management of AB Anykščių Vynas continued to implement an optimisation project of management and production costs, which helped to achieve goals and to facilitate that the Company can continue as a going concern.

Also, as disclosed in Note 30, the Company received short-term and long-term credits from SEB bank, thus ensuring financing for the year 2015. After this loan refinancing, the Company's short-term liabilities exceed current assets approximately by 1 million Litas. The management expects that the short-term credit received for financing working capital will also be extended for the next year after the final maturity. Moreover, positive cash flows are expected to be generated from operating activities of the Company.

For a more efficient use of energy resources, in 2014 the Company installed a new water-heating boiler.

In the view of the above mentioned actions and taking into consideration the Company's production capabilities and technical expertise of staff, the management is of the opinion that the Company will be able to continue as a going concern.

Director



Audrius Zuzevičius

Chief Accountant

Audronė Zemlevičienė



**THE ANNUAL REPORT OF THE COMPANY  
ANYKŠČIŲ VYNAS, AB**

**2014**

*Prepared following the Rules on Preparation and Provision of Periodical and Additional Information approved by the Board of Bank of Lithuania*

The definitions used in the Annual report shall have the meaning defined in the list below, unless the context provides otherwise. This list contains the main concepts used throughout the Annual report. The text of the Annual report may provide for explanations or definitions of other concepts as well.

‘Company’ or ‘Issuer’ – a public company Anykščių Vynos established and acting pursuant to the laws of the Republic of Lithuania.

‘Annual report’ – this document meant for the public in which information about the Company is disclosed which is required to be disclosed under the legal acts.

## 1. MAIN DATA ABOUT THE ISSUER

### 1.1. The reporting cycle for which the annual report was prepared

Annual report is prepared for the reporting period from year 1 January 2014 until 31 December 2014.

### 1.2. The Issuer and its contact information

The name	Anykščių Vynos
Legal form:	Joint-Stock Company, Legal entity
The registration date and place	21 November 1990, Utena branch of the State Enterprise Centre of Registers
The date and place of re-registration	28 July 2004, Utena branch of the State Enterprise Centre of Registers
The Register number	BĮ 97-340
The Company’s registration code	254111650
The registered address	Dariaus ir Girėno st. 8, Anykščiai LT-29131
Phone	(8-381) 50 233
Fax.	(8-381) 50 350
E-mail	<a href="mailto:info@anvynas.lt">info@anvynas.lt</a>
Website	<a href="http://www.anvynas.lt">www.anvynas.lt</a>

### 1.3. The main activities of the Issuer

The type of activities of Anykščių Vynos, AB: production and sale of alcoholic drinks and concentrated apple juice. The Company produces and distributes cider, natural and fortified fruit wines of special technology, bitters, liqueurs, spirits and concentrated apple juice.

### 1.4. Information about agreements with intermediaries of public trading in securities

On 29 June 2004 Anykščių Vynos, AB signed an agreement on management of Issuer’s securities accounting with Swedbank AB, represented by the Department of Operations with Securities (company code 112029651, address: Konstitucijos Ave. 20A, Vilnius, LT-03502, tel.: (+370 5) 258 24 85, fax.: (+370 5) 258 21 70).

### 1.5. Data on trading of the Issuer’s securities in regulated markets

On 3 July 1995, Anykščių Vynos, AB issued ordinary shares were included into the NASDAQ OMX Vilnius Secondary List. At the beginning of 2014 there were 20,000,000 (twenty million) ordinary registered shares of Anykščių Vynos AB, the nominal value of each are 1 LTL (one). The total value of shares amounted to LTL 20,000,000 000 (twenty million). Starting 1 January 2015 euro became the national currency of the Republic of Lithuania and share capital was changed to 5 800 000 EUR (five million eight hundred thousand), nominal value of one share is equal to 0.29 EUR. The ISIN code of these shares is LT0000112773 (the ticker is ANK1L).

Anykščių Vynos, AB did not obtain its own shares in 2014.

## 2. OTHER INFORMATION ABOUT THE ISSUER

### 2.1. The structure of the Issuer's authorized capital

The authorized capital of Anykščių Vynas, AB is LTL 20,000,000 (twenty million) (from 1 January 2015 – 5,800,000 (five million eight hundred thousand) EUR).

The structure of the authorized capital of Anykščių Vynas AB by type of the shares on 31 December 2014:

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion in the authorized capital, %
Ordinary registered shares	20,000,000	1	20,000,000	100.00
<b>Total:</b>	<b>20,000,000</b>	<b>-</b>	<b>20,000,000</b>	<b>100.00</b>

All shares of Anykščių Vynas, AB are fully paid. Each fully paid share gives its owner one vote in the General Shareholders Meeting.

### 2.2. Restrictions of securities' transferability

There are no restrictions on transferability of the shares of Anykščių Vynas, AB.

### 2.3. Information about the description of principal investments made during reporting period

In order to balance the cash flow the management takes active actions to ensure the financial stability of the Company. Over the past few years many funds have been provided for investments thus solving many production improvement and efficiency issues. As a result, the total amount of investments of Anykščių Vynas, AB in 2014 was 505 thousand LTL (most of this was made in production equipment improvement).

### 2.4. Information about shareholders

On 31 December 2014 there were 380 shareholders in the list shareholders of Anykščių Vynas, AB.

Shareholders of Anykščių Vynas, AB who owned 5% or more of the Company's authorized capital on 31 December 2014:

Name, surname/ company name, legal form, office address, registration code	Number of ordinary registered shares held by the right of ownership, units	Portion of the authorized capital held, %	Portion of the votes attaching to the shares held by the right of ownership, %
Company Group ALITA, AB, Miškininkų st. 17, LT-62200 Alytus, register code: 302444238	18,980,045	94.90	94.90

On 31 December 2014, other shareholders owned (together) 1,019,955 shares of the Company. This amounted to 5.10% of all shares issued by the Company and votes attached to such shares.

There are no shareholders with the special rights of the control.

There are no shareholders with restricted voting rights.

### 2.5. Information about mutual agreements of the shareholders

There are no mutual agreements of the shareholders the Issuer is aware of that might result in the restriction of the share transferability and/or voting rights.

### 2.6. Information about the authorized capital of other companies owned by the Company

Anykščių Vynas, AB has no the authorized capital of other companies.



## 2.7. Information about employees

The dynamics of average number of employees and average monthly salary (without compensations) of Anykščių Vynas, AB during the year 2014 and 2013 by personnel groups:

Personnel	2014			2013		
	Average number of employees	%	Average salary	Average number of employees	%	Average salary
Managers	2	2.9	6,103	2	2.7	4,652
Specialists and officials	23	33.3	2,003	24	32.4	1,896
Workers	44	63.8	1,466	48	64.9	1,492
<b>Total:</b>	<b>69</b>	<b>100</b>	<b>1,777</b>	<b>74</b>	<b>100</b>	<b>1,720</b>

The average number of employees decreased by 5 persons, or 6.8%, due to optimization of production and managing functions. The average salary rate increased by 57 LTL. This was the result of raising salaries from February.

Anykščių Vynas AB employees' structure comparison by education as at 31 December 2014 and 31 December 2013:

Employees education	31 12 2014		31 12 2013	
	Number of employees	%	Number of employees	%
University degree	17	25.8	18	26.4
College	22	33.3	21	30.9
Secondary	26	39.4	26	41.2
Unfinished secondary	1	1.5	1	1.5
<b>Total:</b>	<b>66</b>	<b>100</b>	<b>66</b>	<b>100</b>

The Company has a Collective Agreement, there are Anykščių Vynas AB committees of the Trade Union of Lithuanian Food Producers and Workers' Union 'Solidarumas'.

Labour contracts or collective labour contracts do not provide any special rights or undertakings to the Issuer's employees or part of them.

## 2.8. Powers of attorney of Issuer's bodies to issue and buy Issuer's shares

There were no powers of attorney of Issuer's bodies to issue or buy Issuer's shares in 2014.

## 2.9. Information about the Company's members of Supervisory Council, Board, manager and Chief Financial Officer

### 2.9.1 General information about the Company's managing bodies

Under the Articles of Association of Anykščių Vynas, AB, which were valid until 22 January 2015 the Company's management bodies were:

- The General Shareholders' Meeting;
- The Board (elected of 4 members for 4 years);
- The Company's Manager (Director), who is elected or recalled by the Company's Board.

On 22 January 2015, the extraordinary shareholders meeting of Anykščių Vynas, AB approved the new Articles of Association that were on the same date registered in the Register of Legal Entities. Under the new Articles of Association, the Company's management bodies are:

- The General Shareholders' Meeting;
- The Supervisory Board (of 3 members elected for 4 years by the General Shareholders' Meeting);
- The Board (elected by the Supervisory Board: 3 members for 4 years);
- The Head of the Company (Director) who is elected by the Company's Board.

The General Shareholders' Meeting works under the competence set by the Law on Companies of the Republic of Lithuania and by Anykščių Vynas, AB Articles of Association.

The Company's Articles of Association may be amended only by resolution of the General Shareholders' Meeting passed by at least 2/3 majority vote of the shareholders present at the General Meeting following the order provided for in the Law on Companies.

The Supervisory Board is the collegial supervision body of 3 members elected for 4 years by the General Shareholders' Meeting. The Chairman is elected from the Supervisory Board members. The Supervisory Board members' tenure is unlimited.

The Board is a collegial management body of 3 members elected for 4 year by the Supervisory Board. The Chairman of the Board is elected from the Board members. The Board members tenure is unlimited.

The Head of the Company – Director is a sole Company's governing body, whose competence is foreseen by the Law on Companies of the Republic of Lithuania and Articles of Association of the Company. The Head of the Company is elected and dismissed by the Board. The Head of the Company approves the Rules of Administration Work, organizes daily activities of the Company and represents the Company in the relationships with third parties, and performs other functions prescribed by the Articles of Association.

### 2.9.2 Other information about the Company's managing bodies

#### The Supervisory Board:

Name, Surname	Position	Beginning of term	End of term
Raimondas Kurlianskis	Chairman	22 01 2015	22 01 2019
Inga Žemkauskienė	Member	22 01 2015	22 01 2019
Dalius Balceris	Member	22 01 2015	22 01 2019

The additional information about the Supervisory Board members:

#### **Raimondas Kurlianskis**

Education: university degree, Vilnius University, Faculty of Economics, Labour Economy, Vilnius University, International Business School, Administration of International Business.

Participation in other companies' activities:

Vice-president and Board member of the MG Baltic group,  
 General Director and Board Chairman of MG Baltic Media, UAB,  
 Director and Chairman of the Board of Alfa Media, UAB,  
 Board member of MG Baltic Investment UAB,  
 Chairman of the Board of UPG Baltic UAB,  
 Chairman of the Board Mediafon UAB,  
 Chairman of the Board Laisvas ir nepriklausomas kanalas UAB,  
 Chairman of the Supervisory Board of Company Group ALITA, AB,  
 He does not own any shares in Company Group ALITA, AB and Anykščių Vynas, AB.

**Inga Žemkauskienė**

Education: university degree, Vilnius University, Faculty of Law; specialisation- civil law.

Participation in other companies' activities:

Attorney at Law and partner at law firm Raulynaitis, Žemkauskienė and Partners,

Lecturer of civil procedure at Mykolas Romeris University,

Member of the Supervisory Board of STUMBRAS, AB

Member of the Supervisory Board of Company Group „ALITA“, AB.

She does not own any shares in Company Group ALITA, AB and Anykščių Vynas, AB.

**Dalius Balceris**

Education: university degree, Vilnius University, Faculty of Law; specialisation- civil law

Participation in other companies' activities:

Attorney at Law and partner at law firm Raulynaitis, Žemkauskienė and Partners,

Member of the Supervisory Board of STUMBRAS, AB,

Member of the Supervisory Board of Company Group ALITA, AB,

He does not own any shares in Company Group ALITA, AB and Anykščių Vynas, Ab.

**The Board:**

Name, surname	Position	Beginning of term	End of term
Vidas lazickas	Chairman	22 01 2015	22 01 2019
Justas Rameika	Member	22 01 2015	22 01 2019
Marijus Strončikas	Member	22 01 2015	22 01 2019
Vytautas Junevičius	Chairman	26 04 2012	05 12 2014
Vaidas Mickus	Member	26 07 2012	05 12 2014
Audrius Zuzevičius	Member	09 11 2012	05 12 2014
Artūras Tiurinas	Member	09 11 2012	22 11 2013

The additional information about the current Board members:

**Vidas Lazickas**

Education: university degree, Vilnius Construction Technical School, Industrial and Civil Construction.

Vilnius University, Faculty of Economics, Management and Arrangement of Production.

Participation in other companies' activities:

Director of Economy and Finances and Board member of the of the UAB Koncernas MG Baltic,

Director General and Board member at UAB MG Baltic Investment

Director and Board member of Minvista UAB,

Director of Eminta UAB,

Board member of MG Baltic Trade UAB,

Board member of Apranga APB,

Board member of Laisvas ir nepriklausomas kanalas UAB,

Board member of MG Baltic Media UAB ,

Board member of MV Eesti OU,

Board member of MV Latvia SIA,

Board member of MV Poland S.P. z.o.o,

Board member of MG Valda UAB,

Chairman of the Board of Company Group ALITA, AB,

Chairman of the Board of Mitnija UAB,

Director of Euvalda UAB,

Chief accountant Extera“UAB.

He does not own any shares in Company Group ALITA, AB and Anykščių Vynas, AB.

**Justas Rameika**

Education: university degree, Vilnius University, Faculty of Economics; Europese Hogeschool Brussel, Faculty of Economics; Vilnius University, Business Management.

Participation in other companies' activities:

Chief financial officer of UAB MG Baltic Trade;  
Finance controller of UAB Koncernas MG Baltic;  
Board member of Alfa Media UAB,  
Board member of UPG Baltic UAB,  
Board member of Minvista UAB,  
Board member of MV Poland S.P. z.o.o,  
Board member of Company Group ALITA, AB,  
He does not own any shares in Company Group ALITA, AB and Anykščių Vynas, AB.

**Marijus Strončikas**

Education: university degree, Kaunas University of Technology (KTU), Informatics, Master; Baltic Institute of Corporate Governance (BICG), Professional Board Member (Executive education).

Participation in other companies' activities:

IT and Purchasing Director at UAB Koncernas MG Baltic;  
Board member of Apranga APB,  
Board member of Company Group ALITA, AB,  
He does not own any shares in Company Group ALITA, AB and Anykščių Vynas, AB.

The additional information about the past Board members:

**Vytautas Junevičius**

Education: University degree, engineer–economist; the specialist in international economic relationships.

Participation in other companies' activities:

From 1994 to 2009 the CEO of Alita AB (on 07/10/2009 the name was changed to ALT investicijos); from 07/10/2009 to 30/11/2009 the CEO of the Company Group ALITA, AB; from 01/12/2009 to 31/10/2011 worked as an advisor to the CEO of the Company Group ALITA, AB; from 01/11/2011 to 31/12/2014 has worked as a senior advisor to the CEO of the Company Group ALITA.

The Supervisory Board member of the Company Group ALITA, AB (from 03/10/2011 to 05/12/2015)

The Board member of Šiaulių bankas AB.

Vice President of Vilnius Chamber of Commerce, Industry and Crafts,

Until 05-12-2015 he had 2,895,364 (or 14.48%) of the Company Group ALITA, AB shares, and 346,205 (or 0.13%) of Šiaulių bankas, AB shares. No shares of Anykščių Vynas, AB.

**Vaidas Mickus**

Education: University degree (Business Administration – Bachelor, Accounting and Audit – Masters degree).

Participation in other companies' activities:

Employment: Finance & IT director of the Company Group ALITA, AB since 24 May 2012 to 23 July 2012; The General Director of the Company Group ALITA AB since 23 July 2012 to 09 February 2015.

The Board member of the Company Group ALITA, AB since 26/07/2012 to 05/12/2014)

He has no shares either of the Company Group ALITA AB or Anykščių Vynas, AB.

**Audrius Zuzevičius**

Education: University degree (mechanical engineer).

2002–2011 – mechanical engineer at Bottling and Souvenir Production Department, mechanic in Engineering Workshop of Mechanical Department, Head of Bottling and Souvenir Production Department, Head of Production, the Director.

He has no shares either of Anykščių Vynas, AB or the Company Group ALITA, AB.

**Artūras Tiurinas**

Education: University degree (Bachelor and Master degree in Managing and Business Administration).

He has no shares either of Anykščių Vynas, AB or the Company Group ALITA, AB.

**Head of the Company (the General Manager) and Chief Accountant of Anykščių Vynas AB:**

Name, surname	Position	Beginning of term	End of term
Audrius Zuzevičius	General Manager	20 01 2012	
Audronė Zemlevičienė	Chief Accountant	19 05 2005	

The additional information about the managing bodies and Chief Accountant of Anykščių Vynas, AB:

**Audrius Zuzevičius**

The information about the Director is under the information about the Board members.

**Audronė Zemlevičienė**

University degree, economist.

For the past 10 years worked in the Company as an accountant, deputy Chief Accountant, Chief Accountant.

Has no shares either of Anykščių Vynas, AB or the Company Group ALITA, AB.

The Manager of the Company and Chief Financier are paid a salary in accordance with their employment agreement and are ensured other social guarantees as prescribed by the Collective Agreement.

There is no conflict of interests between the duties and responsibilities of the Members of the Board and administrative management to the Company and their private interests.

During the year 2014 the Managing Bodies of Anykščių Vynas, AB had not got any loans, guarantees or warranties to secure their fulfilment of the obligations.

The information about estimated average amounts for the Company's one member of the Supervisory Board, the Board and the Administration during the years 2014 and 2013:

	Average members number during the period		Benefits for carrying out the Supervisory Board or the Board member functions, thousand LTL		Salary and related benefits, thousand LTL		Other benefits, thousand LTL		Average benefits for one member, thousand LTL per month	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Board members	3	3	-	-	85.3	71.5	-	-	3,0	23.8
Administration members	2	2	-	-	146.5	124.0	-	-	73.3	62.0

**2.10. The Audit committee**

No Audit Committee is formed in the Company. The role of the Audit Committee, according to the Law of Audit, was performed by the parent company's Company Group ALITA, AB Audit Committee. From 19 April 2013, according to the decision of the Company's Group ALITA, AB General Shareholders Meeting, the legislation provided role of the Audit Committee was delegated to the Supervisory Board of the Company's Group ALITA, AB.

**2.11. Significant agreements and related party transactions**

Parties related to the Company are considered to be shareholders, employees, members of the Board, their close relatives and entities that directly and indirectly control the companies constituting the Group or are controlled individually or together with another party that is also recognised to be a related (associated) party, under the condition that the relation enables one of the parties to control another party or have a significant influence upon the other party's financial and management decisions.

The Company and its employees are related by employment relations, on the basis where the employees of the Company are paid their salaries.

There are no significant transactions concluded with the shareholders, employees, members of the Board or their close relatives.

The Company has concluded agreements which are important for the Company's activity. These agreements include sureties, the purchasing and selling of the goods, service rendering transactions.

Other information about transactions concluded in 2014 with related parties is presented in the explanatory note of financial statements Note 27.

#### ***Sureties between the companies of the group***

Anykščių Vynas AB had undertaken to provide surety to Swedbank, AB, to the extent of its assets, and had pledged the immovable property, equipment, land lease rights, all circulating stocks of goods, all current and future funds in Swedbank, AB, and part of trademarks, securing the discharge of the obligations of the Company under the credit agreements with Swedbank, AB. Anykščių vynas, AB had also pledged part of its brands securing the discharge of the obligations of the Company under the credit agreement with Šiaulių bankas, AB.

During December 2014, UAB MG Baltic Trade has taken over the claim rights to the loan and credit line agreements signed earlier between the Company and Swedbank, AB. Simultaneously, the final repayment term was moved to 31 August 2015.

Company Group ALITA AB had provided a surety for Swedbank, AB in respect of the LTL 7.4 million credit line opened for the benefit of Anykščių Vynas, AB.

Further information about other sureties is provided in note 28 to the financial statements for the year 2014.

#### ***2.12. Issuer's or its bodies', formed committees or employees agreements***

There are no any agreements concluded with Issuer's or its bodies', formed committees or employees providing for compensations if they resigned or were dismissed without a reasonable cause or if their work terminated due to the change of control of the Issuer.

#### ***2.13. Information about other significant agreements between related parties***

The information about significant agreements and agreements between the related parties of the previous periods and the period of 2014 is published in the Anykščių Vynas, AB annual audited financial statements and previous financial statements, which could be found at Central regulated information database [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com) and at webpage [www.anvynas.lt](http://www.anvynas.lt).

#### ***2.14. Data about the publicly disclosed information***

The Company, complying with governing legislation regarding the securities market, via NASDAQ OMX Vilnius information disclosure and distribution system's OMX Company News Service website [www.nasdaqomx.com/vilnius](http://www.nasdaqomx.com/vilnius) and via Anykščių Vynas, AB website [www.anvynas.lt/investuotojams](http://www.anvynas.lt/investuotojams) publicly published the following most important information:

<b>Date</b>	<b>Name of the notification</b>
28.02.2014	Unaudited activity result of Anykščių Vynas, AB for the year of 2013
07.03.2014	Supreme Administrative Court of Lithuania upheld the decision of Vilnius District Administrative Court
18.03.2014	Regarding amendment to the credit agreement
18.03.2014	Regarding convocation of Annual General Meeting of Shareholders of public limited liability company Anykščių Vynas
18.03.2014	Regarding the adopted decisions of the Board of public limited liability company Anykščių Vynas, related to the Annual General Meeting of Shareholders, being convened
09.04.2014	Decisions of annual general meeting of shareholders of public limited liability company Anykščių Vynas
09.04.2014	Anykščių Vynas, AB annual information for 2013
05.05.2014	Unaudited activity result of Anykščių Vynas, AB for the three months of 2014
07.08.2014	Unaudited activity result of Anykščių Vynas, AB for the six months of 2014

25.09.2014	Share Sale-Purchase Agreements for sale of the controlling block of shares in Company Group ALITA, AB, which is the main shareholder of the company, have been signed
26.11.2014	Unaudited activity result of Anykščių Vynas, AB for the nine months of 2014
27.11.2014	CORRECTION: Unaudited activity result of Anykščių Vynas, AB for the nine months of 2014
03.12.2014	The Court dismissed claim of Plass Investments Limited regarding invalidation of the Agreement on sale of the boiler house held by the company
05.12.2014	Transaction under the Share Sale-Purchase Agreements for sale of the controlling block of shares in Company Group ALITA, AB, which is the main shareholder of the company, has been completed
09.12.2014	Notification on the disposal of voting rights
09.12.2014	Notification on the acquisition of voting rights
09.12.2014	Notification about the intention to submit a mandatory tender offer
30.12.2014	Convocation of the Extraordinary General Meeting of Shareholders
30.12.2014	Regarding the adopted decision of the Director of public limited liability company Anykščių Vynas, related to the Extraordinary General Meeting of Shareholders, being convened
08.01.2015	Regarding agenda supplementation and draft decisions of Extraordinary General Meeting of Shareholders convened by public limited liability company Anykščių Vynas
12.01.2015	The company received an appeal of Plass Investments Limited regarding the decision of Court in the case on sale of the boiler house held by the company
13.01.2015	Notification regarding approval of the circular of the mandatory tender offer
15.01.2015	Notification regarding the announcement of the non-competitive mandatory tender offer circular
21.01.2015	Regarding new draft decision on item included in the agenda of Extraordinary General Meeting of Shareholders convened by public limited liability company Anykščių Vynas
22.01.2015	Decisions of Extraordinary General Meeting of Shareholders of public limited liability company Anykščių Vynas
23.01.2015	Registration of the new wording of articles of association of the limited liability company Anykščių Vynas, election of the chairman of the supervisory council, election of the members of the board
23.01.2015	Opinion of the board of limited liability company Anykščių Vynas about the announced mandatory non-competitive official offer to buy shares of the company
05.02.2015	The report on the implementation of mandatory non-competitive tender offer was received
05.02.2015	Notification on the acquisition of voting rights
27.02.2015	Unaudited activity result of Anykščių Vynas, AB for the year of 2014
27.02.2015	Court terminated civil case regarding invalidation of the Agreement on sale of the boiler house held by the company
03.03.2015	Signing of a loan contract

### **2.15. The risk factors related with the Issuer's activity**

The main risk factors which had impact for the Company's economic - financial performance in 2014 and may also have impact in the future:

#### *Legal risk.*

The Company's activities and sales both on the local and foreign markets may be affected by the state policy and future decisions concerning the increase of excise duty, customs, product marking, other requirements for the products or production processes, restrictions on advertising and retail trade, judicial or arbitral decisions.

Failure to timely adjust to the requirements of new legal acts or decisions, regulating production and trading of alcoholic beverages, e.g. for quality, marking, packaging, may temporarily reduce the production volumes, which, in its turn, may have an effect on the Company's business prospects and cause contingent expenses for the fulfilment of obligations or payment of penalties.

#### *Consumption.*

Most of the Company's trademarks are well known in the local market. The Company's ability to retain competitiveness of its trademarks depends on its success to offer the consumers the product which they find attractive. But the consumer's preferences toward certain product may change due to social or economic factors.

The general economical situation and a decrease on the income level per person as well as additional taxes influence the consumption habits. Part of consumers may choose cheaper products produced by the Company or its competitors. Increased competition in the market of alcoholic beverages encourages a decrease in a general price level.

#### *Market risk. Currency rates.*

The Company's functional currency was Litas, since 01 January 2015 the functional currency is EUR. The Company is exposed to the currency risk in respect of procurement and borrowing from banks as well as due to sales and accounts receivable in other currencies than Litas or EUR.

#### *Supply.*

Global changes in the demand and supply, the uncertainty about the natural and weather conditions and (or) government policies may cause price fluctuations of the main raw materials used in the production of alcoholic drinks. Such unpredictable fluctuations in the price for raw materials and packaging may have an effect on the Company's results of performance.

Energy resources used by the Company are natural gas, electricity and water. Supply prices of some of the resources on the domestic market depend on the trends on the global energy markets.

#### *Seasonality.*

Pronounced seasonality affects only production of products made from apples, the supply of which directly depends on natural conditions and sales volumes depend on the prices in the European market.

#### *Credit risk.*

Due to the specificity of activity the Company is exposed to a large credit risk concentration: around 82% of turnover is related to a few major wholesale customers. The Company applies procedures, ensuring assessment and monitoring of the customers' credibility as well as encouragement of more favourable terms of settlement. The Company does not guarantee for the other parties trading obligations.

#### *Financial risk.*

As at 31 December 2014 the Company had LTL 7.5 million of short term loans. The Company had no long term loans and leasing liabilities. The current level of the Company's financial debt may affect that the additional attraction of the loaned capital to carry out the future financial demands could be relatively complicated and/or relatively expensive.



More information about the Company's loans, interest rates is in the audited financial statements' of 2014 Note 24.

*Environmental protection.*

In its activities the Company must comply with various rules of the environmental protection, regulating the marking, use and storage of various harmful substances used in the activities of the Company. These rules obligate to implement procedures and technologies that allow a proper management of any hazardous substances, provides for the liability when managing and eliminating any pollution of the environment. Besides the liability for the current activities, the Company may have to be liable for any its past activities if it turned out that any harm to the environment was made. Also, any changes in the regulations in the area of the environment protection, both on the national and international level, may oblige the Company to take measures to comply with the newly set standards. This may have a negative effect to the activities, financial status and results of the Company.

*Quality of the Products.*

Real or hypothetical risks related to the quality and safety of the products or their effects on health may result in the liability of the Company and adversely affect its activities and reputation. Despite mechanisms of control applied in the activities of the Company, there are no warranties or guarantees that any product offered by the Company may be recognised as failing to meet quality standards or not suitable for further processing and consumption. Therefore the Company may be forced to withdraw such products or destroy them and to take responsibility if any of such products would cause hazard to consumers' health. Withdrawal of large amount of products and any requests to compensate the damage caused by the use of such products may result in long-term restrictions on appearance of such products in the market and a loss of confidence in the Company's products. Even if it cleared out that that suspicions concerning the safety of the products are not grounded, the negative public opinion may have a strong adverse effect on the reputation, image and name of the Company.

*Intellectual property.*

The Company puts much effort for the protection of its intellectual property rights, including registration of trademarks, patents and website addresses. The Company also uses security measures and signs contracts in order to protect its confidential information. Yet, the Company may not be sure that the measures taken will be sufficient or that the third parties will not violate or unlawfully takeover the Company's intellectual property rights. Due to the popularity of the Company's products among consumers there may be attempts to falsify its products. In the event substandard or even health hazardous product imitations appeared on the market, the Company might suffer losses. The failure of the Company to protect its intellectual property rights against the abuse or unlawful takeover may also affect the Company's performance results and future business development.

Other social, technical-technological and ecological factors are deemed to have no major impact on the Company's business-financial activities in 2015.

***2.16. Termination or reduction of production that has exercised or exercises material impact on the results of the Issuer during the last two financial (business) years***

During the last two years there were no termination of production.

***2.17. The main lawsuits and arbitrations***

The information about the main lawsuit and arbitrations is in the audited financial statements of 2014 Note 29.

***2.18. Information regarding compliance with the Corporate Governance Code***

Information regarding the compliance with the Corporate Governance Code is in the Annual Report.

***2.19. Significant events after reporting period***

This information is included in Note 30 of the audited separate financial statements and Note xx of the consolidated financial statements.

### 3. DATA ABOUT ISSUER'S ACTIVITY

#### *3.1. The short history of the Issuer and the review of the main products*

Anykščių Vynas, AB was founded in 1926 – it is the oldest company in the East Baltic region which began to produce wine in the industrial way. The founder is a certified agronomist Balys Karazija.

Balys Karazija was constantly expanding shops, buying more modern equipment and became the first widely recognized Lithuanian winemaker. Already in 1938 he was recognized internationally. In 1938 in International Exhibition in Paris wine “Birutė” won the top prize, and two other wines were awarded by gold medals.

In 1940 the winery of B. Karazija was nationalized. In the post-war time there was a lack of raw material, new equipment, technology. Only in the 1960s, approximately after ten years of reconstruction, the winery came to life again. In 1968 Anykščių Vynas AB was awarded a diploma and three medals at the All-union Exhibition of Economic Achievements, successfully participated in the international exhibitions in the USA, Canada, Chile, Great Britain, Poland, etc. In 1969 and 1972 the natural Lithuanian wines “Jubiliejinis” and “Šermukšnelė” were given the grade of quality. When M. Gorbačiovas started his anti-alcoholic campaign, the country's leading winery was turned into a food-producing plant, producing cool drinks, sweets and the other non-alcoholic production.

Since 1988 it produces apple concentrated juice according to the technology of the Swiss company “Unipektin”. In 1995 the Company has been awarded the International Diamond Star and International Europe Award for the quality.

Today Anykščių Vynas, AB is the Company which can process about 35 thousand tonnes of fruits and berries, also makes notable taste and high quality drinks from natural materials – fruit wine, cider, bitters, liquors, spirit drinks.

The assortment of the Company's production was constantly changing according to the consumer's taste, but the natural black current wine is still one of the most popular. In 2007 the black currant wine, was granted a name Voruta a legendary king's Mindaugas castle that as explorers guess was near Anykščiai. Being popular several years ago the traditional Lithuanian drinks – natural wines – find their consumer and a team of admirers again. This was proved in December, 2009 when the black currant wine “Voruta” was awarded the name of the Nation Heritage by the Ministry of Agriculture of Lithuania. The natural black currant wine “Voruta” was awarded the gold medal in the competition “The Lithuanian Year Product 2010”. It was already the second award of this product. In 2009 “Voruta” was also awarded the gold medal in the competition of the alcoholic drinks “Zolotoj Grifon” in Yalta. Natural chokeberry wine “Voruta” in the competition “Lithuanian Product of the Year 2013” was awarded by gold medal. In 2013 new taste in Voruta product range was provided to the customers – natural apple wine Voruta. In 2014 another taste was added – garden fruit. This product had been successfully integrated into “Voruta” natural wines family.

In the end of 2014, new product was provided to the market – originally bottled sweet apple and sweet cherry wine.

#### *3.2. Quality and environment managing systems*

Anykščių Vynas, AB maintain and continuously improves its quality managing system in accordance with LST EN ISO 9001:2008 (ISO 9001:2008) standard. The quality concept applies not only to the final product but also the way the Company presents its products to the market, how fast and in what manner responds to the consumer's comments.

The activity of each organization has an influence not only on the production quality but also on the environment, people and workers' health. In order to manage its activity's, products' influence upon the environment the Company operates in conformity with the requirements of the standards of the Environment Management System LST EN ISO 14001:2004 (ISO 14001:2004).

During 2014 the Company had 39 annual reviews of quality and environmental protection managing systems (hereinafter – integrated management system) documents (quality policy, environment protection policy, quality guide, environment protection guide, quality and environment protection management systems procedures and RVASVT plans).

During the annual review the compliance of these documents to the legal acts and other documents, the Company's organizational structure, technological process improvement, the range of assortment and the changes of used materials was inspected.

Following the results of inspection and under the initiative of the Company's departments new editions of 35 documents were approved, 4 documents were not changed.

Under Anykščių Vynas, AB KVS and AVS internal audit plan for the year 2014, 8 internal integrated management system audits had been carried in all departments. Departments managers responded to the audit notes and made adjustments.

On 7 July 2014 the international certification company TUV UOLEKTIS UAB made the recertification audit of Company Anykščių Vynas, AB. During the audit the compliance with ISO 9001 and ISO 14001 standards' requirements was inspected. The Company was issued with the TIC (TUV International Certification) certificate confirming the compliance of Quality Management System to ISO 9001:2008 (LST EN 9001:2008) and ISO 14001:2004 (LST EN ISO 14001:2005) standards' requirements, which is valid till 25 August 2017.

In 2014 Anykščių Vynas, AB carried out the environmental objectives and targets. The main source of pollution is the boiler house and apple cake stove. Following the plan of allocation of national revolving pollution permissions for the year 2013–2020, the Company did not get any allocated RPP (revolving pollution permissions), whereas the emitted amount of GCGE (gas creating greenhouse effect) is 439 tonnes CO<sub>2</sub>. Annual water pollution had not exceeded the one indicated in the Pollution integrated prevention control permission. The Company had not got any fines; there were no restrictions or halt of production for environmental pollution. There were no any other factors of risk or accidents.

The instruments provided for in the Environment Protection Instruments Plan for 2014 were executed. During 2014 the Company had used 1,419 MWh (2013 – 1,432 MWh) of electricity, 42.5 thousand m<sup>3</sup> (2013 – 39.6 thousand m<sup>3</sup>) of water, 1,106 thousand m<sup>3</sup> (2013 – 1,145 thousand m<sup>3</sup>) of natural gas.

The Company has agreements with packaging waste recycling company. During 2014 the Company had bought waste recycling services of 640.4 tons of glass packaging, 16.5 tons of plastic packaging, 40.0 tons of PET packaging, 38.3 tons of paper and cardboard packaging, 2.5 tons of metal, 2.2 tons of wooden packaging.

The special attention is paid for the quality of production and raw materials. The quality of production is constantly controlled by the employees of production control laboratory, who are working in accordance with the law of LR and EU. In the year 2013 there were no official complaints from consumers or regulatory authorities for the non-compliance of quality of production to the quality requirements. The manufacturing technology laboratory employees are continuously getting acquainted with the new requirements of legal acts of EU and national legal acts requirements that regulated manufacturing of alcoholic beverages, analyse new methods of alcoholic beverages' examination, apply in their work changes of the methods of technology and control.

### ***3.3. Belonging to the associated organizations***

In 2014 Anykščių Vynas, AB belonged to these associated structures:

Panevėžys Chamber of Commerce, industry and crafts.

Association GS1 Lithuania

The Company does not take part in the capital of the above mentioned structures but it is a member and pays the membership fees.

### 3.4. Short review about activities

Strong competition in the local market and unfavourable excise policy (unfavourable excise policy for fruit wines while this policy is favourable for the strong beer), restrictions on trade of special technology fruit wines in PET bottles and decline in sales price of concentrated apple juice resulted in the decrease of sales revenue of the Company by 17%.

The special attention was still paid to natural wine “Voruta”. In 2014 the new flavour of natural wines was added – garden berries wine. This product had been successfully integrated into “Voruta” natural wines family. The release of new products and successful marketing implements gave positive results for the sold quantity of this natural wine - the sold quantity increased by 21% compared with 2013. In 2014 the share of natural fruit wines has increased to 2014 the share of natural fruit wines has increased to 30% from all the sales of the Company.

Company continued working with export customers in Latvia, Estonia, UK, and USA. The Company exports natural wines, special technology fruit wines and apple products. Also the new natural occasional winter wine “Winter Glintvein” had been started exporting very successfully.

Since 2013 the Company started making apple products again (few years before the Company was providing such the service for other companies). During the apple season the Company had bought and processed 16,620 tonnes of apples, produced 2,127 tonnes apple juice concentrate, 594 tonnes of dried apple pomace and 193 tonnes of flavour. All those products were successfully sold in foreign markets.

More information about the Company’s financial situation and general revenues data is presented in audited financial statements of 2014.

## 4. FINANCE

Anykščių Vynas, AB activity results for 2014 according to the International Accounting Standards is LTL 0.1 million (EUR 0.03 million) profit before taxes. The audited result before taxes of 2013 was LTL 0.5 million (EUR 0.1 million) of loss before taxes.

The sales revenues for 2014 amounts to LTL 16.0 million (EUR 4.6 million) and in comparing with 2013 sales revenues decreased by 17%.

Other financial information is presented in the financial statements report for the period of 2014, which ended 31 December 2014.

Anykščių Vynas, AB audited financial statements can be found at NASDAQ OMX Vilnius information disclosure and distribution system’s OMX Company News Service website [www.nasdaqomx.com/vilnius](http://www.nasdaqomx.com/vilnius) and in Anykščių Vynas, AB website [www.anvynas.lt/investuotojams](http://www.anvynas.lt/investuotojams).

## 5. THE COMPANY AND THE SOCIETY

Anykščių Vynas, AB contributes to the social and cultural life of the country and town in which the Company is settled. In 2014 the budget of the Republic of Lithuania received around LTL 13.8 million in the form of different taxes. The taxes were divided as follows (LTL thousand):

The name of the tax	2014, LTL thousand
Excise duty	7,289
Value added tax	2,383
Social insurance fees	601
Income tax from the payrolls	170
Packaging costs	91
The other taxes	76
<b>Total</b>	<b>10,610</b>

Anykščių Vynas, AB has a collective agreement in which the benefits for the social care are foreseen, by giving the allowances to the Company workers. In 2014, LTL 10.5 thousand were nominated for different allowances.

## 6. THE COMPANY'S PLANS AND PROJECTIONS

Sales in 2015 will be mainly influenced by the economic and social situation, so it is difficult to forecast the Company's turnover and profit. It is planned that the main goals for 2015 which the management shall aim to implement shall be:

- operational efficiency and cost optimization;
- growing value of the trademark;
- search of new markets;
- production assortment optimization following the market changes;
- increasing profitableness and market share;
- cash flows improvement;
- simplification of internal processes.

In order to balance the cash flows the management takes active actions seeking to ensure the financial stability of the Company. Over the past few years many issues regarding the improvement of production and increase of effectiveness were solved. The investment plans are not yet approved for 2015, however minimal planned investment should be 185.0 thousand EUR.

Director



Audrius Zuzevičius

**ANNEX No. 1**  
**TO THE 2014 ANNUAL REPORT OF COMPANY AB ANYKŠČIŲ VYNAS**

**ANYKŠČIŲ VYNAS AB**  
**DISCLOSURE FORM CONCERNING THE COMPLIANCE WITH THE GOVERNANCE**  
**CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET OF THE**  
**NASDAQ OMX VILNIUS**

ANYKŠČIŲ VYNAS AB, following Article 21 paragraph 3 of the Law Securities of the Republic of Lithuania and item 24.5 of the Trading Rules of the NASDAQ OMX AB Vilnius discloses its compliance with Governance Code and particular Rules of the NASDAQ OMX Vilnius for the companies listed on the regulated market. If this Code and some of the Rules are not followed then it must be said which particular Rules are not obeyed and why:

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLI- CABLE	COMMENTARY
<b>Principle I: Basic Provisions</b> <b>The overriding objective of provisions a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company publishes the policy of the Company development and objectives in annual activity reports, in the Company's website (www.anvynas.lt).
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 Company works according to the approved production selling and production plans so implementing its strategic objectives.
1.3. A 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	ANYKŠČIŲ VYNAS AB is a subsidiary enterprise of the Company Group ALITA AB. The Company Group ALITA AB owns 94.9% shares of the Anykščių Vynas AB. The Supervisory Council, the Board and the manager shall implement this recommendation.
1.4. A 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.	Yes	The Company respects the rights and interests of its shareholders, employees, clients, customers, and other persons related to the activity of the Company. Relevant information about the Company is published in the websites of the Vilnius Stock Exchange and the Company, in press. The Company takes part in the events of the local community. It keeps friendly contacts with suppliers and creditors, respects customers, their remarks about the Company activities and production.
<b>Principle II: The corporate governance framework</b> <b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The General Meeting of Shareholders, the Supervisory Council (came into operation on 22 January 2015 after the registration of the amended Articles of Association of the Company with the Register of Legal Entities), the Board and the manager of the Company are the bodies of the Company.
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 Supervisory Council of the Company is responsible for effective supervision of the activities of the management bodies of the Company (i.e. to elect and remove the Board members; if the Company operates unprofitably, to consider whether the Board members fit to perform their duties; to supervise the activity of the Board and the manager of the Company; to submit its proposals and comments to the General Meeting of Shareholders on the Company's operating strategy, the activity of the Board and the manager of the Company; to carry out other activities assigned to it by laws and other regulations).

		The Board of the Company is responsible for proper strategic management of the Company (i.e. to approve the business strategy of the Company, to adopt the most important decisions prescribed by legal acts regarding the organisational and management structure of the Company, transactions, different obligations to be assumed, etc.).
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.	Yes	The Company has both the Board and the Supervisory Council.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. <sup>1</sup>	No	A collegial supervisory body elected by the General Meeting of Shareholders – the Supervisory Council operates as of 22 January 2015. Candidates to members of the Supervisory Council are nominated and the voting for these candidates is conducted in compliance with the procedure prescribed by laws.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. <sup>2</sup>	Yes	Under the Articles of Association, the Board of the Company consists of 3 members. 3 Board members (out of 3 possible) are elected. Under the Articles of Association, the Supervisory Council consists of 3 members. 3 members (out of 3 possible) of the Supervisory Council are elected. Every member has one vote when decisions are taken by these bodies.
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	Members of the Supervisory Council are elected for the maximum period stipulated by the Law on Companies – 4 years; the number of their terms of office is not limited. Furthermore, there are no restrictions as to the re-election of members. The General Meeting of Shareholders may remove the Supervisory Council or its members before the expiry of the term of office thereof. A member of the Supervisory Council may also resign from office before the expiry of his term of office by giving a written notice in this regard to the Company at least 14 calendar days in advance. The procedure for removing a member of the Supervisory Council is not easier than the removal procedure applied to a Board member.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairperson of the Supervisory Council was not the Director of the Company; his present or former offices are not an obstacle for implementing independent and impartial supervisions.

<sup>1</sup> Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

<sup>2</sup> Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

**Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting**

**The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup>**

<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>Under the Articles of Association (registered with the Register of Legal Entities on 22 January 2015), the General Meeting of Shareholders elects the Supervisory Council. Candidates to members of the Supervisory Council are nominated and the voting for these candidates is conducted in compliance with the procedure prescribed by laws. The Supervisory Council submits its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, set of annual financial statements, draft of profit/loss appropriation and the annual report of the Company as well as the activities of the Board and the manager of the Company, informs the meeting of shareholders in case the financial standing of the Company has deteriorated below the values presented in the Strategic Business Plan.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the <b>company's annual report</b>.</p>	<p>Yes</p>	<p>The information about the candidates to members of the Supervisory Council is put in the papers of the General Meeting (where the candidates are nominated in advance) and the shareholders may familiarise with such information beforehand in accordance with the procedure prescribed by the Law of the Republic of Lithuania on Companies. The data on the members of the Supervisory Council is compiled, specified and presented in the Annual Report of the Company and the Register of Legal Entities of the Republic of Lithuania.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the <b>collegial body</b>.</p>	<p>Yes</p>	<p>The candidates to members of the Supervisory Council inform the General Meeting about their education, working experience and expertise. The Annual Report provides the composition of the Supervisory Council, the education and working experience of its members.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>No</p>	<p>The members of the Supervisory Council of the Company have the proper qualification, long-term expertise and versatile knowledge and experience to fulfil their tasks properly; however, no periodical evaluation takes place.</p> <p>The Company has no audit and remuneration committee.</p>

<sup>3</sup> Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.



<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>No</p>	<p>New members of the Supervisory Council familiarise with their duties, the Company and its activity individually. No annual review is conducted considering that persons participating in the activity of the Company and other organisations have sufficient knowledge and skills.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>No</p>	<p>Until now the Company has not assessed the independency of members of elected collegial bodies and the content of the definition of adequacy of independent members has not been discussed. In any case, in performing their duties, the members of the Supervisory Council try to avoid conflicts of interest. The General Meeting of Shareholders, which has elected the candidates who receive the most votes, decides whether or not to have an independent member in the Supervisory Council. In nominating their candidates to the Supervisory Council and voting for them, the shareholders follow their own opinion which candidates will represent their interests the best.</p>
<p>3.7 A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>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;</li> <li>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);</li> <li>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);</li> </ol>	<p>No</p>	<p>The documents governing the activity of collegial bodies of the Company do not define the independency criteria for collegial bodies; however, considering the provided criteria, it could be stated that the members of the Supervisory Council of the Company are not independent.</p>

<sup>4</sup> The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

<sup>5</sup> It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>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, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	No	The Company has not established additional criteria regarding the independency of the members of the Supervisory Council.
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	No	The Company has not applied the disclosure of independence criteria referred to in the Code in practice yet (see items 3.6, 3.7).
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	No	The Company has not applied the evaluation and disclosure practice of independence of the members of a collegial body yet (see items 3.6, 3.7).

<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.<sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Not applicable</p>	<p>See items 3.6, 3.7.</p>
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p>		
<p><b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.<sup>8</sup></p>	<p>Yes</p>	<p>Under the Articles of Association of the Company, the Supervisory Council assesses the financial standing of the Company, among other things, by comparing financial performance of the Company reflected in the financial statements against the values of the Strategic Business Plan. The Supervisory Council submits its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, set of annual financial statements, draft of profit/loss appropriation and the annual report of the Company as well as the activities of the Board and the manager of the Company, and performs other functions assigned to it in the Articles of Association of the Company and the Law on Companies.</p>
<p>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).</p>	<p>Yes/ No</p>	<p>According to the information available to the Company, the members of its Supervisory Council act in good faith with regard to the Company, in the interest of the Company and its shareholders and not in their own or third party interests, ensuring that their independency when taking decisions is maintained. The Company has no independent members of the Supervisory Council.</p>

<sup>6</sup> It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

<sup>7</sup> See Footnote 3.

<sup>8</sup> See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The Company follows this recommendation.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The Company complies with the specified recommendations, the Supervisory Council treats all the shareholders of the Company fairly and impartially. The members of collegial bodies, prior to taking any decision the criteria of which are stipulated in the Articles of Association, consider the impact of the decision on the shareholders. The shareholders are provided with information in accordance with the procedure prescribed in the Articles of Association, and no more information than required by legal acts is provided to the shareholders.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>No</p>	<p>The Articles of Association does not provide for that transactions concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies.<sup>10</sup> Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>Yes/ No</p>	<p>The persons that elected the members of the Supervisory Council do not affect the work and decisions of the Supervisory Council. The members of the Supervisory Council are authorised to receive the information and documents necessary to perform their duties properly through the Board and the manager of the Company. The collegial bodies of the Company are provided with all financial means and other conditions necessary for their work. The Company has no Remuneration Committee.</p>

<sup>9</sup> It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

<sup>10</sup> In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees<sup>11</sup>. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	No	There are no mentioned committees in the Company.
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	Ne	There are no mentioned committees in the Company.
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	No	There are no mentioned committees in the Company.

<sup>11</sup> The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state ).

<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	No	There are no mentioned committees in the Company.
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	No	There are no mentioned committees in the Company.
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> <li>1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) Properly consider issues related to succession planning;</li> <li>5) Review the policy of the management bodies for selection and appointment of senior management.</li> </ol> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	There is no such committee in the Company.

<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company.</li> <li>4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation.</li> <li>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>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.</li> </ol> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>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.</li> </ol> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>	No	There is no such committee in the Company.
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<p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
<p>4.14. Audit Committee.  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 shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;  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 centers and/or activities carried out through special purpose vehicles (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</p>	<p>No</p>	<p>There is no such committee in the Company.</p>



<p>relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the <u>yearly and half-yearly statements are approved</u>.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	Internal documents of the Company do not provide for individual evaluation of the activity of a collegial body because the legal acts of the Republic of Lithuania do not require doing so.
<p><b>Principle V: The working procedure of the company's collegial bodies</b></p> <p><b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b></p>		
<p>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.</p>	Yes	The chairperson of the Board and the chairperson of the Supervisory Council implement these recommendations.

<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.<sup>12</sup></p>	<p>Yes</p>	<p>The Board of the Company organises its meetings or adopts written decisions at least once a month. When necessary, its meetings are held several times a month. The Supervisory Council organises its meetings or adopts written decisions at least once a quarter.</p>
<p>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.</p>	<p>Yes</p>	<p>The members of the Supervisory Council and of the Board are informed about the future meeting in advance; the material for the discussion is handed in the fixed time.</p>
<p>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.</p>	<p>Yes</p>	<p>The Company complies with the provisions of this recommendation.</p>
<p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b></p>		
<p>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.</p>	<p>Yes</p>	<p>The authorized capital of the Company consists of the ordinary registered shares that grant equal rights to all the shareholders.</p>
<p>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.</p>	<p>Yes</p>	<p>In annual and half-yearly reports of the issuer, the Company discloses detailed information enabling an investor to draw valid conclusions on the acquisition of and the rights carried by the shares. The information is published in the information system of AB „NASDAQ OMX Vilnius and on the website of the Company.</p>

<sup>12</sup> The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.<sup>13</sup> All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	No	<p>The Company's Articles of Association does not provide for criteria of important transactions, following which selected transactions would be subject to approval of the general shareholders' meeting. The possibility to get acquainted and to take part in making important decisions to the Company is not given to all the shareholders.</p>
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.</p>	Yes	<p>It is announced about the convocation of the General Meeting of Shareholders in the information system of AB „NASDAQ OMX Vilnius and on the website of the Company under the established procedure.</p> <p>The Company's Director and the Company's Board enable opportunities of the shareholders to get acquainted with the Company's documents connected with the agenda of the General Meeting of Shareholders in terms and order that are set in the Law on Joint Stock Companies and Articles of Association.</p>
<p>6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	Yes	<p>The Company publishes the documents prepared for the General Meeting of Shareholders, including draft resolutions and adopted decisions, in the information system of NASDAQ OMX AB Vilnius and on the website of the Company. The information related to convocation of the General Meeting of Shareholders and decisions adopted by it are provided in the information system of the NASDAQ OMX AB Vilnius and on the website of the Company in the Lithuanian and English languages.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	Yes	<p>The shareholders of the Company may exercise the right to participate in the General Meeting either in person or through a proxy provided the person has a properly executed power of attorney. The Company also makes it possible for the shareholders to vote by filling up a general voting bulletin by not participating in the meeting, as it is fixed in the Law on Joint Stock Companies.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	No	<p>The Articles of Association of the Company do not provide for possibility for the shareholders to participate and vote in the meeting of shareholders using electronic means of communication.</p>

<sup>13</sup> The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<b>Principle VII: The avoidance of conflicts of interest and their disclosure</b>		
<b>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</b>		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	Under the Company's opinion there were no failures to comply with this principle in 2014.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	No	Under the Company's opinion there were no failures to comply with this principle in 2014.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes/ No	The Articles of Association of the Company registered with the Register of Legal Entities on 22 January 2015 does not provide for such obligation to inform; however, the Articles of Association of the Company provides that the Company's transactions with the Head of the Company, heads of the Company's structural departments or their deputies as well as with the persons related with these people should be approved by the Board.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The members of the Board and of the Supervisory Council of the Company have familiarised with these provisions and must comply with them.
<b>Principle VIII: Company's remuneration policy</b>		
<b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not announce the Company's remuneration policy neither in the annual report, nor in the Company's website. The amount paid to the Company's managers during a year is made public in the annual report.
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.	No	See item 8.1.

<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>5) Sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>6) Sufficient information on the linkage between the remuneration and performance;</li> <li>7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>8) Sufficient information on the policy regarding termination payments;</li> <li>9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li> <li>10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>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;</li> <li>12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;</li> <li>13) Remuneration statement should not include commercially sensitive information.</li> </ol>	No	See item 8.1.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	See item 8.1.
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2) The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>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;</li> <li>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;</li> <li>5) Compensation receivable or paid to each former</li> </ol>	No	See item 8.1.

<p>executive director or member of the management body as a result of his resignation from the office during the previous financial year;</p> <p>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</p> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>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;</li> <li>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;</li> <li>4) All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ol> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>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.</li> </ol> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	No	See item 8.1.
<p>8.7 Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	No	See item 8.1.
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	No	See item 8.1.
<p>8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.</p>	No	The Company does not apply this regulation in practice.
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>	Yes	The Company followed this recommendation.
<p>8.11. Termination payments should not be paid if the termination is due to inadequate performance.</p>	Yes	The Company follows this recommendation.

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.	Not applicable	There is no policy of remuneration of directors in the company, therefore this recommendation is not followed.
8.13. Shares should not vest for at least three years after their award.	Not applicable	Company's shares are not being awarded..
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	The Company does not apply these regulations.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	There is no such practice in the Company.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	The Company follows this recommendation because there is no such practice in the Company.
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.	Not applicable	There is no remuneration policy of directors in the Company, therefore this recommendation is not followed.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The Company does not apply this recommendation.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	The Company's directors are not remunerated in shares.

<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> <li>1) Grant of share-based schemes, including share options, to directors;</li> <li>2) Determination of maximum number of shares and main conditions of share granting;</li> <li>3) The term within which options can be exercised;</li> <li>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>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.</li> </ol> <p>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.</p>	No	These questions are not being approved in the Company's shareholders' annual general meeting.
<p>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.</p>	Not applicable	There is no such practice in the Company.
<p>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.</p>	Not applicable	There is no such practice in the Company.
<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>	Not applicable	The Company's directors are not being awarded in shares therefore issues indicated in Article 8.19 are not considered.



<p><b>Principle IX: The role of stakeholders in corporate governance</b></p> <p><b>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</b></p>		
9.1 The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The rights of stakeholders that are protected by law are respected.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.	Yes	The stakeholders can take part in the Company management as far as the laws of the Republic of Lithuania allow.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	This provision is followed in so far as it is allowed by the Laws of the Republic of Lithuania.
<p><b>Principle X: Information disclosure and transparency</b></p> <p><b>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.</b></p>		
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. 9) 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	The information, provided in these recommendations, except the information about remuneration referred to in item 4, is disclosed in these sources: in the Annual Report, Financial Statements and in its Explanatory Notes, in the Reports about the essential events. The information is publishes in the NASDAQ OMX AB Vilnius website: <a href="http://www.nasdaqomx.com">www.nasdaqomx.com</a> ; or on the website of the Company.
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	ANYKŠČIŲ VYNAS AB is not a parent company in respect of other companies. The consolidated results are only disclosed by the parent company in respect of ANYKŠČIŲ VYNAS AB - the Company Group ALITA AB.
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.	Yes	The Company observes this recommendation.

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.	No	The Company does not follow this recommendation.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on 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 vital information is published on the website of the NASDAQ OMX AB Vilnius in Lithuanian and English, on the website of the Company in Lithuanian and English. Usually material events are being announced before or after a trading session on NASDAQ OMX Vilnius.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The vital information is published on the website of the Company in Lithuanian and English.
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 observes this recommendation.
<b>Principle XI: The selection of the company's auditor</b>		
<b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b>		
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 - an independent auditor carries out the audit of the Company annual financial accountability and the annual report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Company follows this recommendation - the Company's Board proposes a candidate firm of auditors to the General Meeting.
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.	Not applicable	The audit company did not provide any non-audit services to the Company and so it did not receive any payment for this from the Company.