



## VERIFICATION OF THE RESPONSIBLE PERSONS

28 03 2013

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 Statements of 2012 of AB „Anykščių vynas“, prepared in accordance with the International Financial Reporting Standards, gives true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Company, and annual report includes fair review of the business development and activity, the description of the state of the Company and the main risks and uncertainties that are being faced.

Director

Audrius Zuzevičius

Chief Accountant

Audronė Zemlevičienė

**AB Anykščių Vynas**

Financial statements for the  
year ended  
31 December 2012

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## Company details

### AB Anykščių Vynas

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Registered address: Duriaus ir Girėno st. 8,  
Anykščiai LT-29131, Lithuania

### Board of Directors

Vytautas Junevičius, Chairman  
Vaidas Mickus  
Artūras Tiurlinas  
Audrius Zuzevičius

### Management

Audrius Zuzevičius, Director

### Auditor

KPMG Baltics, UAB

### Banks

Swedbank, AB  
AB Šiaulių Bankas



**KPMG Baltics, UAB**  
Upės St. 21  
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## 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 2012, the statements of 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 5–39.

#### *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 2012 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.

### **Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 2.2. and 30 to the financial statements, which describe that the Company has incurred a net loss of 2,331 thousand Litas for the year ended 31 December 2012 (2011: loss of 6,222 thousand Litas) and, as at that date, the Company had accumulated losses of 6,657 thousand Litas. Following the agreement with the Bank, extended in 2012, the Company was contractually required to repay a credit facility of 8,632 thousand Litas by 28 February 2013; the Bank extended the deadline of credit repayment to 30 June 2013. Management of the Company expects that in June 2013 the Company will reach an agreement with the Bank regarding long term repayment schedules. Management's projections for the Company and its assumptions used in the impairment testing of property, plant and equipment depend on the financing made available. Although Management remains confident of a successful outcome, and has therefore prepared these financial statements on the basis of the company being a going concern, as at the date of this report, no extension has been agreed. The Company's ability to continue as a going concern depends on the continued support by the Bank, the extension of repayment term for the credit facility and on the ability of shareholders to secure adequate additional financing for implementation of the long term forecasts, which have been developed by the Management and approved by the Board. Should the finance not be extended or additional finance not made available, it is unlikely that the Company could continue as a going concern. These financial statements do not reflect the adjustments, if any, that would be required if the Company is unable to continue as a going concern.

### **Report on Other Legal and Regulatory Requirements**

Furthermore, we have read the annual report of AB Anykščių Vynas for the year ended 31 December 2012, set out on pages 40–57 of the financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements of AB Anykščių Vynas for the year ended 31 December 2012.

On behalf of KPMG Baltics, UAB



Rokas Kasperavičius  
Partner pp  
Certified Auditor

Vilnius, Republic of Lithuania  
28 March 2013

## Statement of financial position

As at 31 December

	Note:	2012	2011
<b>ASSETS</b>			
Property, plant and equipment	16	18,573	19,470
Intangible assets	17	438	1,097
Long-term loans	8	2,900	2,800
Other receivables		-	63
<b>Total non-current assets</b>		<b>21,911</b>	<b>23,430</b>
Inventories	18	2,028	3,984
Trade and other receivables	19	2,068	3,845
Other assets		45	216
Cash and cash equivalents	20	150	45
<b>Total current assets</b>		<b>4,291</b>	<b>8,090</b>
<b>Total assets</b>		<b>26,202</b>	<b>31,520</b>
<b>EQUITY</b>			
Share capital	21	20,000	37,000
Accumulated losses		(6,657)	(21,326)
<b>Total equity attributable to shareholders</b>		<b>13,343</b>	<b>15,674</b>
<b>LIABILITIES</b>			
Deferred tax liability	15	861	889
Deferred income		-	63
<b>Total non-current liabilities</b>		<b>861</b>	<b>952</b>
Loans and borrowings	23	8,632	8,632
Trade and other payables	24	536	1,980
Other liabilities	25	2,830	4,282
<b>Total current liabilities</b>		<b>11,998</b>	<b>14,894</b>
<b>Total liabilities</b>		<b>12,859</b>	<b>15,846</b>
<b>Total equity and liabilities</b>		<b>26,202</b>	<b>31,520</b>

The notes on pages 9-39 are an integral part of these financial statements.

Director



Audrius Zuzevičius

Chief Accountant

Audronė Zemlevičienė

## Statement of comprehensive income

For the year ended 31 December

	Note	2012	2011
Revenue	7	12,351	20,031
Cost of sales	7	(10,353)	(17,291)
<b>Gross profit</b>		<b>1,998</b>	<b>2,740</b>
Other income	9	119	340
Selling expenses	10	(779)	(1,329)
Administrative expenses	11	(3,327)	(5,234)
Loss from disposal of a subsidiary		-	(2,370)
Other expenses	9	(27)	(44)
<b>Results from operating activities</b>		<b>(2,016)</b>	<b>(5,097)</b>
Finance income		124	64
Finance costs	13	(467)	(418)
<b>Net finance costs</b>		<b>(343)</b>	<b>(354)</b>
<b>Loss before income tax</b>		<b>(2,359)</b>	<b>(6,251)</b>
Income tax expense	14	28	29
<b>Loss for the period</b>		<b>(2,331)</b>	<b>(6,222)</b>
<b>Loss per share</b>			
Basic earnings per share (in Litas)	22	(0.08)	(0.14)
Diluted earnings per share (in Litas)	22	(0.08)	(0.14)

The notes on pages 9–39 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 2011	49,081	(27,185)	21,896
Reduction of the share capital	(12,081)	12,081	-
Loss for the period		(6,222)	(6,222)
Total comprehensive income for the period	(12,081)	5,859	(6,222)
Balance at 31 December 2011	37,000	(21,326)	15,674
Balance at 1 January 2012	37,000	(21,326)	15,674
Reduction of the share capital	(17,000)	17,000	-
Loss for the period		(2,331)	(2,331)
Total comprehensive income for the period	(17,000)	(14,669)	(2,331)
Balance at 31 December 2012	20,000	(6,657)	13,343

The notes on pages 9–39 are an integral part of these financial statements.

Director



Audrius Zuzevičius

Chief Accountant



Audronė Zemlevičienė

## Statement of cash flows

For the year ended 31 December

	Note	2012	2011
<b>Cash flows from operating activities</b>			
Profit (loss) for the period		(2,331)	(6,222)
Adjustments for:			
Depreciation and amortisation of non-current assets		1,556	1,736
Interest expenses (income), net	13	276	309
Disposal of subsidiary		-	2,370
Gain on sale of property, plant and equipment	9	-	(12)
Impairment losses (reversal) on trade and other receivables	19	-	(1,116)
Income tax expense	14	(28)	(29)
Change in inventories		1,956	241
Change in trade and other receivables		2,011	784
Change in deferred income		-	(45)
Change in trade and other payables		(2,959)	1,951
Change in employee benefits accrual		-	285
<b>Net cash from (used in) operating activities</b>		<b>481</b>	<b>222</b>
<b>Cash flows from investing activities</b>			
Interest received	13	124	64
Proceeds from sale of property, plant and equipment		-	42
Acquisition of property, plant and equipment	16	-	(14)
Disposal of subsidiary	8	-	2,900
Loans granted by the Company		(100)	(2,800)
<b>Net cash from (used in) investing activities</b>		<b>24</b>	<b>192</b>
<b>Cash flows from financing activities</b>			
Interest paid	13	(400)	(373)
<b>Net cash from (used in) financing activities</b>		<b>(400)</b>	<b>(373)</b>
<b>Change in cash and cash equivalents</b>		<b>105</b>	<b>41</b>
Cash and cash equivalents at 1 January	20	45	4
Cash and cash equivalents at 31 December	20	150	45

The notes on pages 9–39 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 referred to as the Company) is incorporated and domiciled in Lithuania. The address of the Company is Dariaus ir Girėno st. 8, Anykščiai LT-29131, 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 Įmonių grupė ALITA, AB, which as at 31 December 2012 holds 18,980 thousand ordinary registered shares, or 94.9% of all shares of the Company.

### 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 authorized these financial statements and the annual report for issue on 28 March 2013 and signed them on behalf of the Company. 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. As explained in Note 30, the Management and the bank agreed on the extension of deadlines for repayment of credit line facility by the end of June 2013. It is expected that in June the Company will reach an agreement with the bank regarding new repayment schedules. On the basis of the new repayment schedules and the Management's forecasts, the Management believes that the risk of the Company's inability to repay bad debts is low and, therefore, the Company will continue as a going concern in the foreseeable future.

#### 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 judgments, 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 values 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.

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.

## Notes to the financial statements

### 2. Basis of preparation (continued)

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

##### (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).

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.

##### (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 the statement of comprehensive income, the Company makes judgments 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.

##### (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.

##### (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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## Notes to the financial statements

### 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 Litai 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.

#### 3.2. Financial instruments

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

The Company initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date on which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has loans and receivable financial assets. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in a case of investments not at fair value through profit or loss, directly attributable transaction costs.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### 3.2. Financial instruments (continued)

##### (b) Non-derivative financial liabilities

The Company initially recognises non-derivative financial liabilities on the date the Company becomes a party to the contractual process of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

##### (c) Share capital

###### *Ordinary shares*

Ordinary shares are classified as equity. 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 stated 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 the statement of comprehensive income.

## Notes to the financial statements

3. Significant accounting policies (continued)  
3.3. Property, plant and equipment (continued)

### *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 the statement of comprehensive income, 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 is recognised in the statement of comprehensive income 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 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 plant 8–80 years;
- Machinery and equipment 4–50 years;
- Vehicles 4–25 years;
- Other equipment and tools 3–11 years.

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

- 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 the statement of comprehensive income, when incurred.

### *Amortisation*

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

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

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### 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 the statement of comprehensive income.

#### 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.

#### 3.7. 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 both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.



## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### 3.7. Impairment (continued)

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 the statement of comprehensive income.

The effective interest method is a method of calculating the amortised 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 discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### (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.

#### 3.8. Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends 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. There are no long-term employee 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.

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### 3.9. Employee benefits (continued)

##### *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.

#### 3.10. 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 recognition

##### *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. 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 management involvement with the goods, 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 when the products are shipped from the company's warehouse and the sales invoice is issued.

##### *Sales of services*

Sales of services are recognised on performance of the services.

##### *Rental income*

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

#### 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.

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### 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.

#### 3.14. 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.

#### 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.

#### 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.

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### 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 of all dilutive potential ordinary shares. During the reporting period there were no dilutive potential ordinary shares issued by the Company.

#### 4. 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 defined as the estimated amount for which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

##### *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. 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.

## Notes to the financial statements

### 5. Influence on the financial statements of application of new standards, amendments and new interpretations

The accounting policies applied by the Company to all financial information reported in these financial statements are consistent with the accounting policies of the previous year. New IFRSs that became effective in 2012 did not have material impact on the financial statements.

#### Approved, but not yet effective standards and interpretations

New and revised International Financial Reporting Standards and interpretations have been issued, which will be effective for financial reporting periods starting from 1 January 2013 or later. The Company has decided not to early adopt the new standards and interpretations. Estimates of the possible effect of the new and revised standards applied for the first time, as presented by the Company's management, are stated below.

- Amendments to IFRS 7 Disclosures - *Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2013):

The Amendments contain new disclosure requirements for financial assets and liabilities that are:

- offset in the statement of financial position; or
- subject to master netting arrangements or similar agreements.

The Company does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

- IFRS 10 *Consolidated Financial Statements* and IAS 27 (2011) *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014).

The Company does not expect the new standard to have any impact on the financial statements, as it has no investees and does not prepare consolidated financial statements.

- IFRS 11 *Joint Arrangements* (Effective for annual periods beginning on or after 1 January 2014). The standard supersedes and replaces IAS 31, *Interest in Joint Ventures*. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement;
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in its consolidated financial statements.

The Company does not expect the new Standard will have a material impact on the financial statements since it is not a party to any joint arrangements.

## Notes to the financial statements

### 5. Influence on the financial statements of application of new standards, amendments and new interpretations (continued)

#### Approved, but not yet effective standards and interpretations (continued)

- IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014). The standard requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

The Company does not have interest in other entities.

- IFRS 13 *Fair Value Measurement* (effective prospectively for annual periods beginning on or after 1 January 2013). The standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.

The Company does not expect IFRS 13 to have material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (Effective for annual periods beginning on or after 1 July 2012):
  - require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections;
  - change the title of the *Statement of Comprehensive Income* to *Statement of Profit or Loss and Other Comprehensive Income*, however, other titles are also allowed to be used.

The amendments may be relevant to the Company's financial statements.

- Amendments to IAS 12: *Deferred Tax: Recovery of Underlying Assets* (Effective for annual periods beginning on or after 1 January 2013). The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.

The amendments are not relevant to the Company's financial statements, since it does not have any investment properties measured using the fair value model in IAS 40.

## Notes to the financial statements

### 5. Influence on the financial statements of application of new standards, amendments and new interpretations (continued)

#### Approved, but not yet effective standards and interpretations (continued)

- IAS 19 (2011) *Employee Benefits* (Effective for annual periods beginning on or after 1 January 2013). The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation.

The amendments are not relevant to the Company's financial statements, since the Company does not have any defined benefit plans.

- IAS 28 (2011) *Investments in Associates and Joint Ventures* (Amendments effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early.). There are limited amendments made to IAS 28 (2008):
  - *Associates and joint ventures held for sale.* IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
  - *Changes in interests held in associates and joint ventures.* Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The Company does not expect the amendments to Standard to have material impact on the financial statements since it does not have any investments in associates or joint ventures that will be impacted by the amendments.

- *Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities* (Effective for annual periods beginning on or after 1 January 2014). The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Company does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

## Notes to the financial statements

### 5. Influence on the financial statements of application of new standards, amendments and new interpretations (continued)

Approved, but not yet effective standards and interpretations (continued)

- IAS 27 (2011) *Separate Financial Statements* (Effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011) are also applied early).

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, *Consolidated Financial Statements*.

The Company does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not result in a change in the Company's accounting policy.

### 6. 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.

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 capital. 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 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.

#### (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.



## Notes to the financial statements

### 6. Financial risk management (continued)

#### (a) Credit risk (continued)

##### 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:

	2012		2011	
	Gross amount	Impairment	Gross amount	Impairment
Not past due	1,461		2,781	
Past due 0-60 days	488		552	
Past due 60-180 days	22		512	
More than 180 days	280	183	183	183
	<b>2,251</b>	<b>183</b>	<b>4,028</b>	<b>183</b>

All the Company's customers are wholesalers. More than 90 percent of the Company's customers as at 31 December 2012 have transacted with the Company for several years, and no impairment loss has been recognised against these customers.

Sales concentration by customers could be presented as follows:

	2012		2011	
	Sales	%	Sales	%
Customer 1	3,765	30.5	4,631	23.1
Customer 2	1,850	15.0	2,977	14.9
Customer 3	1,506	12.2	2,157	10.8
Customer 4	1,256	10.2	2,046	10.2
Other customers	3,974	32.1	8,220	41.0
	<b>12,351</b>	<b>100</b>	<b>20,031</b>	<b>100</b>

The Company has an unsecured long-term loan receivable from the main shareholder of the Company, amounting to 2,900 thousand Litas as at 31 December 2012.

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

	2012	2011
Long term loan receivable	2,900	2,800
Trade receivables	2,068	3,845
Cash and cash equivalents	150	45
	<b>5,118</b>	<b>6,690</b>

## Notes to the financial statements

### 6. Financial risk management (continued)

#### (a) Credit risk (continued)

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:

	2012	2011
Lithuania	4,947	6,642
Euro area countries	21	3
	<u>4,968</u>	<u>6,645</u>

#### Guarantees

The Company's policy is to provide financial guarantees only to the Group companies. As at 31 December 2012 AB Anykščių Vynas had a guarantee on behalf of Įmonių grupė ALITA, AB, its parent company, to Swedbank, AB for the loans granted by the Bank to Įmonių grupė ALITA, AB, amounting to EUR 13,647 thousand (31 December 2011: EUR 13,647 thousand).

#### (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.

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:

	Carrying amount	Contractual cash-flows	6 months or less	6-12 months	More than 1 year
At 31 December 2012					
Loans and borrowings	8,632	(8,943)	(8,802)	(141)	
Trade payables to related parties	-	-	-	-	
Other trade payables	500	(500)	(500)	-	
Guarantee issued	47,120	-	-	-	(47,120)
Total	<u>56,252</u>	<u>(9,443)</u>	<u>(9,302)</u>	<u>(141)</u>	<u>(47,120)</u>

## Notes to the financial statements

### 6. Financial risk management (continued)

#### (b) Liquidity risk (continued)

	Carrying amount	Contractual cash-flows	6 months or less	6-12 months	More than 1 year
At 31 December 2011					
Loans and borrowings	8,632	(8,975)	(8,802)	(180)	
Trade payables to related parties	-	-	-	-	-
Other trade payables	1,276	(1,276)	(1,276)	-	-
Guarantee issued	47,120	-	-	-	(47,120)
<b>Total</b>	<b>57,028</b>	<b>(10,251)</b>	<b>(10,071)</b>	<b>(180)</b>	<b>(47,120)</b>

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

As described in Note 2.2., the Management is seeking to discuss the possible extension of the contractual loan maturities and expects to reach an agreement with the bank regarding new repayment schedules in June 2013.

#### (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

The functional currency of the Company is Lithuanian 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. Changes to this peg could occur if the Government's macroeconomic policy changes.

The Company's exposure to foreign currency risk was as follows:

	2012		2011	
	EUR	LTL	EUR	LTL
Long term loan receivable	-	2,900	-	2,800
Trade and other receivables	21	2,091	3	4,021
Cash and cash equivalents	3	147	1	44
Loans and borrowings	(8,632)	-	(8,632)	-
Trade and other liabilities	(200)	(3,166)	(405)	(5,857)
<b>Total</b>	<b>(8,808)</b>	<b>1,972</b>	<b>(9,033)</b>	<b>1,009</b>

The Company does not prepare any sensitivity analysis based on the foreign currency exchange rate variances as the Company considered them to be unlikely at the end of reporting period.

## Notes to the financial statements

### 6. Financial risk management (continued)

#### *Interest rate risk*

The Company's borrowings are subject to variable interest rates related to LIBOR. At 31 December 2012, 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 100 basis points would have increased the interest expenses and decreased the result for the year ended 31 December 2012 by approximately 86 thousand Litas. A decrease in the average annual interest rate (LIBOR) for the Company's borrowings by 100 basis points would have had the equal but opposite effect.

#### **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 up to 50 percent of its share capital, as imposed by the Law on Companies of the Republic of Lithuania.

The General Meeting held in the Company on 26 July 2012 adopted a resolution following the Law on Companies of the Republic of Lithuania to reduce the authorised capital of the Company to 20,000 thousand Litas to reduce accumulated losses to help rectify the required authorised capital to equity ratio.

## Notes to the financial statements

### 7. Operating segments

#### Information about reportable segments

For decision taking purposes, the Company is organized 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		Apple products		Not allocated to any specified segment		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Sales	8,120	16,426	3,801	3,079	430	526	12,351	20,031
Cost of sales	(7,516)	(14,741)	(2,562)	(2,215)	(275)	(335)	(10,353)	(17,291)
Gross profit (loss)	604	1,685	1,239	864	155	191	1,998	2,740
Operating expenses	(1,520)	(2,011)	(91)	(428)	(2,495)	(4,124)	(4,106)	(6,563)
Other income					119	340	119	340
Other expenses					(27)	(44)	(27)	(44)
Disposal of the subsidiary						(2,370)		(2,370)
Finance income					124	64	124	64
Finance expenses					(467)	(418)	(467)	(418)
Profit (loss) before income tax	(916)	(326)	1,148	436	(2,591)	(6,361)	(2,359)	(6,251)
Income tax	-	-	-	-	28	29	28	29
Profit (loss) for the period	(916)	845	1,148	864	(2,563)	(7,931)	(2,331)	(6,222)
Segment assets:	13,666	18,441	2,504	2,595	10,032	10,484	26,202	31,520
Capital expenditure	-	-	-	-	-	14	-	14
Depreciation & amortisation of non-current assets	1,058	1,251	281	303	217	182	1,556	1,736
Segment liabilities	356	961	-	-	12,503	14,885	12,859	15,846

#### Geographical segments

In presenting information on the basis of geographical segments, segment revenue is 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		Intangible assets and PP&E		Capital expenditure	
	2012	2011	2012	2011	2012	2011
Lithuania	12,234	19,905	19,011	20,567	-	14
Germany	29	-	-	-	-	-
Estonia	5	9	-	-	-	-
Latvia	45	58	-	-	-	-
Other countries	38	59	-	-	-	-
Total	12,351	20,031	19,011	20,567	-	14

## Notes to the financial statements

### 8. Long term loan

In 2011, after the consideration for the assets held for sold shares of UAB Vilkmergės Alus had been received, a long-term unsecured loan of 2,900 thousand Litas was granted to Įmonių grupė ALITA, AB with the maturity term of 6 years and subject to the annual interest rate 6-month VILIBOR plus 2.5%.

### 9. Other income and expenses

	2012	2011
Gain on sale of current assets	-	24
Income from rent and services provided	110	128
Net gain on sale of property, plant and equipment	-	42
Other income	9	146
<b>Total other income</b>	<b>119</b>	<b>340</b>
Cost of rent and provided services	(27)	(44)
<b>Total other expenses</b>	<b>(27)</b>	<b>(44)</b>

### 10. Selling expenses

	Note	2012	2011
Marketing expenses		222	615
Personnel expenses	12	241	421
Transportation		221	102
Depreciation	16	18	19
Other selling expenses		77	172
<b>Total selling expenses</b>		<b>779</b>	<b>1,329</b>

### 11. Administrative expenses

	Note	2012	2011
Repair and maintenance		375	1,011
Personnel expenses	12	704	993
Redundancy expenses		55	851
Depreciation and amortisation	16, 17	859	1,041
Advisory expenses		431	382
Security expenses		235	235
Taxes		155	162
Write-off of production overheads due to operation below capacity	18	234	108
Insurance expenses		39	46
Communication expenses		43	43
Write-down of inventories to the net realisable value		100	-
Other administrative expenses		97	362
<b>Total administrative expenses</b>		<b>3,327</b>	<b>5,234</b>

## Notes to the financial statements

### 11. Administrative expenses

In 2011, the Company implemented a plan for reducing costs, increasing efficiency and profitability and, as a result, a number of employees were made redundant and redundancy compensation was paid. As at 31 December 2011, a provision of 285 thousand Litas was allocated for additional redundancy payments paid to the employees made redundant in 2012. In 2012, the additional redundancy compensation of 55 thousand Litas was paid, the expenses of which were included in the administrative expenses.

In 2012, the Company operated below its available capacity; therefore, part of production overheads amounting to 234 thousand Litas was reclassified to operating expenses.

### 12. Personnel expenses

	Note	2012	2011
Production costs		1,276	2,100
Selling expenses	10	241	421
Administrative expenses	11	704	993
<b>Total personnel expenses</b>		<b>2,221</b>	<b>3,514</b>

The amounts above do not include expenses for redundancy compensation and other payments that are recognised in administrative expenses, as specified in Note 11.

As at 31 December 2012, the Company had 74 employees (2011: 100 employees). Personnel expenses include the Management's salaries amounting to 180 thousand Litas (2011: 116 thousand Litas).

### 13. Finance income and expenses

	Note	2012	2011
Interest income		124	64
<b>Finance income</b>		<b>124</b>	<b>64</b>
Interest expense		(400)	(373)
Overdue interest and fines		(66)	(45)
Other finance costs		(1)	-
<b>Finance costs</b>		<b>(467)</b>	<b>(418)</b>
<b>Net finance costs</b>		<b>(343)</b>	<b>(354)</b>

## Notes to the financial statements

### 14. Income tax expense

	2012	2011
Deferred tax income (expense)	28	29
Total	28	29

### Reconciliation of effective tax rate

	2012		2011	
Profit (loss) before income tax		(2,359)		(6,251)
Income tax at statutory tax rate	15.0%	(354)	15.0%	(938)
Non-deductible expenses / (Tax-exempt income)	-0.1%	2	-3.1%	192
Current year losses for which no deferred tax asset was recognised	-6.0%	374	-13.7%	856
Unrecognised temporary differences arising in the current period	2.1%	(51)	2.2%	(139)
Income tax expenses (Income)	(1.2%)	(28)	(0.4%)	(29)



## Notes to the financial statements

### 15. Deferred tax assets and liabilities

	2012		2011	
	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
<b>Deferred tax asset</b>				
Impairment of property, plant and equipment	285	43	316	47
Impairment of trade and other receivables	183	27	183	27
Inventories write-down	171	26	131	20
Accrued vacation reserve	155	23	216	32
Termination benefits accrual	-	-	285	43
Tax losses carried forward	25,376	3,806	22,882	3,432
<b>Available deferred tax asset</b>		<u>3,925</u>		<u>3,601</u>
Asset not recognised		<u>(3,925)</u>		<u>(3,601)</u>
<b>Deferred tax asset, recognised</b>		<u>0</u>		<u>0</u>
<b>Deferred tax liability</b>				
Carrying amount of property, plant and equipment for which investment relief was used	(5,739)	(861)	(5,924)	(889)
<b>Deferred tax liability</b>		<u>(861)</u>		<u>(889)</u>
<b>Net deferred tax asset (liability)</b>		<u>(861)</u>		<u>(889)</u>

In 2012, no deferred tax asset has been recognised in respect of deductible temporary differences and tax losses carried forward because the management is of the opinion that it is not probable that enough taxable profit will be available in the foreseeable future against which the Company could utilise the benefits.

Under current legislation, the Company's tax losses can be carried forward for indefinite period of time, if economic activity from which the losses originated is continued.

## Notes to the financial statements

### 16. Property, plant and equipment

	Buildings and plant	Vehicles, equipment and tools	Other assets	Construction in progress and prepayments	Total
<b>Cost</b>					
Balance at 1 January 2011	29,099	45,352	6,713	43	81,207
Additions	-	-	14	-	14
Disposals	-	(1,222)	(79)	-	(1,301)
Transfers	-	11	(11)	-	-
Balance at 31 December 2011	29,099	44,141	6,636	43	79,920
Balance at 1 January 2012	29,099	44,141	6,636	43	79,920
Disposals	-	(25)	-	(30)	(55)
Balance at 31 December 2012	29,099	44,116	6,636	13	79,865
<b>Depreciation and Impairment losses</b>					
Balance at 1 January 2011	12,357	41,939	6,352	30	60,678
Depreciation for the year	496	482	95	-	1,073
Disposals	-	(1,222)	(79)	-	(1,301)
Balance at 31 December 2011	12,853	41,199	6,368	30	60,450
Balance at 1 January 2012	12,853	41,199	6,368	30	60,450
Depreciation for the year	485	371	40	-	896
Disposals	-	(25)	-	(30)	(55)
Balance at 31 December 2012	13,338	41,545	6,408	-	61,291
<b>Carrying amounts</b>					
At 1 January 2011	16,742	3,413	361	13	20,529
At 31 December 2011	16,247	2,942	268	13	19,470
At 31 December 2012	15,761	2,571	228	13	18,574

Depreciation of property, plant and equipment is recognised in:

	Note	2012	2011
Production costs		(679)	(664)
Selling expenses	10	(18)	(19)
Administrative expenses	11	(199)	(378)
Cost of rental income of other activity		-	(12)
Total depreciation		(896)	(1,073)

## Notes to the financial statements

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

As at 31 December 2012, property, plant and equipment with a carrying amount of 17,355 thousand Litas (2011: 18,037 thousand Litas) is pledged to secure the credit line facility.

The carrying amount of insured property, plant and equipment as at 31 December 2012 was 17,357 thousand Litas (2011: 18,043 thousand Litas). Assets are insured against all risks as follows: buildings for value of 72,803 thousand Litas.

#### Impairment testing

Due to Company's losses accumulated for several consecutive years, the Management of the Company measured the 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 as well as financing for the working capital. The relevant assumptions are based on almost full exploitation of optimized production and human resources capacity, and the Company's capacity to maintain its market share and retrieve its market shares lost in certain segments.

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 0.75% long-term growth rate after the projection period were used for the calculation of value in use.

The change of the discount rate significantly influences the discounted cash flows, amounting to approximately 21 million Litas, under which the assets' value in use is estimated. 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%
9.65%	-	-	-	-
10.00%	-	-	-	33
10.35%	-	-	482	800
10.70%	-	596	1,224	1,516
11.05%	706	1,342	1,919	2,188
11.40%	1,455	2,039	2,570	2,818
11.75%	2,154	2,691	3,182	3,411

The discounted cash flows are also significantly influenced by the assumption regarding additional financing to the working capital, which would lead to implementation of other assumptions set in the long term forecast. The additional financing included in the assumptions for 2014 amounts to 5,000 thousand Litas.

## Notes to the financial statements

### 17. Intangible assets

	Trade marks	Other intangible assets	Total
<b>Cost</b>			
Balance at 1 January 2011	1,969	445	2,414
Balance at 31 December 2011	1,969	445	2,414
Balance at 1 January 2012	1,969	445	2,414
Balance at 31 December 2012	1,969	445	2,414
<b>Amortisation and impairment losses</b>			
Balance at 1 January 2011	219	435	654
Amortisation for the year	656	6	663
Disposals	-	-	-
Balance at 31 December 2011	875	441	1,316
Balance at 1 January 2012	875	441	1,316
Amortisation for the year	656	4	660
Balance at 31 December 2012	1,531	445	1,976
<b>Carrying amounts</b>			
At 1 January 2011	1,750	10	1,760
At 31 December 2011	1,094	3	1,097
At 31 December 2012	438	-	438

The amortisation of trademarks and other intangible assets is recognised in administrative expenses in the statement of comprehensive income.

### 18. Inventories

	2012	2011
Concentrated apple juice	-	129
Finished production	1,202	1,043
Work in progress	368	2,111
Raw materials and consumables	458	731
Carrying amount of inventories at 31 December	2,028	3,984

In 2012, raw materials, consumables and changes in finished goods and work in progress included in cost of sales amounted to 6,349 thousand Litas (2011: 13,441 thousand Litas). In 2012, the write-down of inventories to net realisable value amounted to 171 thousand Litas (2011: 131 thousand Litas). The write-downs and reversals are included in administrative expenses.

## Notes to the financial statements

### 18. Inventories (continued)

In 2012, the Company operated below its available capacity; therefore, the expenses of production overheads due to operation below capacity, amounting to 234 thousand Litas (2011: 108 thousand Litas), were recognised in administrative expenses of the current year.

The Company insured its inventories for 4,600 thousand Litas against fire, natural forces and other damages. The Company has pledged inventories with the amount of 2,028 thousand Litas to the bank.

### 19. Trade and other receivables

	Note	2012	2011
Trade receivables due from related parties	26	93	790
Other trade receivables		1,975	3,055
<b>Trade and other receivables, net of impairment losses</b>		<b>2,068</b>	<b>3,845</b>
<b>Trade and other receivables, gross</b>		<b>2,251</b>	<b>4,028</b>
Impairment of trade and other receivables at 31 December		(183)	(183)
<b>Trade and other receivables, net of impairment losses</b>		<b>2,068</b>	<b>3,845</b>
Impairment of trade and other receivables at 1 January	11	(183)	(1,299)
Write off of impairment loss	11	-	1,116
Impairment of trade and other receivables at 31 December		(183)	(183)

### 20. Cash and cash equivalents

	2012	2011
Cash at bank	146	42
Cash in hand	4	3
<b>Total</b>	<b>150</b>	<b>45</b>

At 31 December 2012, cash balances in bank, amounting to 146 thousand Litas, as well as inflows into the main bank account were pledged to secure repayment of the credit line facility provided by the bank.

### 21. Capital and reserves

As at 31 December 2012, 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.

On 26 July 2012, an Extraordinary General Meeting of Shareholders was held and a decision to reduce the Company's authorised capital by 17,000,000 Litas was adopted, i.e. from 37,000,000 Litas to 20,000,000 Litas by cancellation and denouncing 17,000,000 of the Company's ordinary registered shares with the nominal value of 1 Litas each.

The authorised capital was reduced with a purpose rectify the legally required ratio of authorised share capital to shareholders equity of at least 50%.

## Notes to the financial statements

### 22. Earnings per share

	2012	2011
Loss for the period	(2,331)	(6,222)
Number of shares 1 January (thousand)	37,000	49,081
Number of shares 31 December (thousand)	20,000	37,000
Weighted average number of shares in issue (thousand)	29,917	44,047
Basic and diluted earnings (losses) per share	(0.08)	(0.14)

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.

### 23. Loans and borrowings

The Company has a credit line facility amounting to 8,632 thousand Litas (EUR 2,500 thousand) with Swedbank, AB. The loan was due on 28 February 2013. On 28 February, the bank and the Company agreed a deferral of the repayment date to 30 June 2013. As at 31 December 2012, 8,632 thousand Litas had been drawn (2011: 8,632 thousand Litas). The effective interest rate in 2012 was 3.6% (2011: 4.0%).

To secure the repayment of this credit line facility the Company pledged property, plant and equipment with a carrying amount of 17,355 thousand Litas as at 31 December 2012, as well as inventories amounting to 2,028 thousand Litas, all the current and future funds in the main accounts of the bank, and current and future lease rights to 6.7521 ha land plot.

### 24. Trade and other payables

	Note	2012	2011
Trade payables		500	1,276
Accrued vacation reserve		155	216
Employment related liabilities		96	203
Provisions for redundancy payments		-	285
Total trade and other payables		751	1,980

### 25. Other liabilities

	2012	2011
Excise duty payable	2,258	3,280
Value added tax payable	273	935
Prepayments received and other payables	84	67
Total other liabilities	2,615	4,282

In August 2012, the Company concluded a deferred settlement agreement with the State Tax Inspectorate for the amount of 2,424 thousand Litas subject to 0.01% interest rate, for which deferral of payment of excise duty and value added tax is distributed over the period of six months to 22 December 2013.

## Notes to the financial statements

### 26. 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:

- Įmonių grupė ALITA, AB – the Parent Company since 27 October 2009;
- UAB Vilkmergės Alus (the former subsidiary company of AB Anykščių Vynas, sold in June 2011)

The main shareholder of the parent company Įmonių grupė ALITA, AB - FR&R Invest IGA S.A., is indirectly owned by Swedbank, AB, a company registered in Sweden, which also holds Swedbank, AB registered in Lithuania. The rights and obligations of the Company, as a debtor, and Swedbank, AB (registered in Lithuania), as creditor, are set and exercised based on the procedures established by the credit agreement.

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

	Note	2012	2011
<b>Transactions with related parties</b>			
Sales to related parties		675	880
Acquisitions from related parties		898	1,669
Interest received		124	64
<b>Amounts receivable from related parties</b>			
Long term loan receivable	8	2,900	2,800
Trade receivables from related parties, net of impairment	19	93	790
<b>Amounts payable to related parties</b>			
Trade payables to related parties	24	-	-

### 27. Contingent liabilities

In accordance with the National Allocation Plan for 2008–2012, AB Anykščių Vynas has been provided with 14,934 CO<sub>2</sub> emission allowances (2,986 per year) for the system boiler house, oilcake dryer. In 2012, the amount of the greenhouse gas emissions (GHG emissions) was 2,648 tCO<sub>2</sub>, in 2011 it was 2,685 tCO<sub>2</sub>.

AB Anykščių Vynas issued a guarantee to Įmonių grupė ALITA, AB for loans granted by the bank, amounting to EUR 13,647 thousand. To secure the guarantee the Company has pledged its trademarks, immovable property, inventories and equipment.

The Company rents 1 land plot from the State with contract maturity on 8 August 2046. The annual rent fee in 2012 amounted to 25 thousand Litax. 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 2012, as the management could not reliably estimate the present value of future obligations. However, it is considered that such amount would not be material.

## Notes to the financial statements

### 27. Contingent liabilities (cont'd)

In 2012, while conducting the tax inspection of the Company, the Tax Inspectorate calculated the additional amount of VAT for the year 2010, equal to 413 thousand Litas, as well as late payment interest, amounting to 82 thousand Litas and 41 thousand Litas of penalties. On 31 December 2012, the Company has filed an appeal against the Tax Inspectorate to the Vilnius District Administrative Court concerning the Tax Inspectorate's decision adopted in the course of the tax inspection. The Company has not made any provisions for the VAT tax in question.

Due to uncertainty related to the outcome of the case, the Company has not accrued any provisions for possible losses as at 31 December 2012.

### 28. Litigation and claims

The Company is not involved in any litigation where it acts as a defendant.

### 29. Subsequent events

After the reporting date, on 11 February 2013 a meeting of the Board of AB Anykščių Vynas was held and the decision to reduce the number of workers was adopted, as unfavourable business environment does not allow to ensure the stable growth of trade volumes. On 28 February 2013, the Company also signed an agreement with Swedbank, AB for the extension of credit line to 30 June 2013.

### 30. Going concern

During 2012, the Company managed to reduce losses by more than 60%. During the reporting year, the Company incurred net losses amounting to 2,331 thousand Litas (6,222 thousand Litas in 2011). The Company's short-term liabilities exceeded its current assets by 7,707 thousand Litas. Working capital is negative at 8,632 thousand Litas. On 26 July 2012, the reduction of the Company's authorised capital to 20,000 thousand Litas was approved to cover accumulated losses of the same amount.

In order to improve cash flows, the Management is taking active measures to ensure financial stability of the Company. The Board and Management of AB Anykščių Vynas continue to implement an optimisation project of management and production costs, which helps to achieve goals set for 2012-2013, and to facilitate that the Company can continue as a going concern:

- Following the agreement the provision services related to sales organisation, buying organisation, information technologies, consultations on business governance issues, accounting, finance management and other necessary services has been transferred to the parent company Įmonių grupė ALITA, AB in order to optimise management costs and avoid duplication of roles in both companies.
- Optimizing the number of employees in production and administration, in line with volumes of production and sales. The project is scheduled to be completed by August 2013. It is also planned to optimize fixed production costs by decreasing a number of employees in the Company's technical services. Once the project related to optimization of the number of employees is completed, operating costs are expected to decrease and profitability of production is expected to increase.
- Optimization of premises owned by the Company and its capacities is in progress: some unoccupied administrative premises were rented to third parties. As a result of staff optimization, the need for administrative space was reduced and, at the same time, utility costs were cut down. In 2013, the Company is planning to keep production volumes, and even increase them, and optimize production capacity with a smaller number of staff.



## Notes to the financial statements

### 30. Going concern (cont'd)

- After the parent company started providing sales and marketing services, decisions have been made and agreements have been reached with clients: sales prices of the main product manufactured in the Company, i.e. fortified wine, were increased; search of materials and ancillary materials at lower prices is in progress; a negotiation regarding longer payment terms is in progress with clients. The Company has a strategy how to promote sales of the natural wine Voruta, as it is the main product and generates profit. The new team is seeking to not only maintain the Company's position in the main categories of production on the shrinking Lithuanian market but strengthen them as well. The Company is also actively working on the export development.
- During the period from the end of 2012 to the date of this report the Company succeeded in making agreements with purchasers for long-term orders that would allow the Company after the optimization to use the available production and human resources more efficiently.
- The Company made an agreement and rendered a service of production of concentrated juice. In 2013, it is planned to use this possibility to a greater extent and render not only service of production of concentrated juice but also other related services (e.g. drying of oilcakes, etc.).
- In 2013, the Company and Swedbank, AB signed the amendment to the loan agreement of 10 August 2004, which extended the repayment date of credit to 30 June 2013. The Management believes that a new credit repayment schedule will be agreed with Swedbank, AB in June.

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 Zemlėvičienė



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

**2012**

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

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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 VYNAS 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 2012 till 31 December 2012.

### 1.2. The Issuer and its contact information

The name	ANYKŠČIŲ VYNAS
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	24 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	Darius Jū Girėnų st. 8, Anykščiai LT-29131
Phone	(8-381) 50 233
Fax	(8-381) 50350
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 VYNAS 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 VYNAS 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 VYNAS AB issued ordinary shares were included into the NASDAQ OMX Vilnius Secondary List. At the beginning of 2012 there were 37,000,000 ordinary registered shares of ANYKŠČIŲ VYNAS AB. The total nominal value of shares amounted to LTL 37,000,000. The ISIN code of these shares is LT0000112773 (the ticker is ANKIL). On 26 July 2012, the extraordinary General Meeting of Shareholders adopted a decision to reduce the authorized capital of the Company to LTL 20,000,000. After completion of the procedure of authorized capital reduction, the accounting records of the ordinary registered shares of ANYKŠČIŲ VYNAS AB were adjusted on 14 August 2012. Instead of previously registered emission of ordinary registered shares, the amount of which was 37,000,00 ordinary registered shares, ANYKŠČIŲ VYNAS AB shares emission after the authorized capital reduction is 20,000,000 ordinary registered shares with LTL 1 (one) nominal value each. The ISIN code left the same – LT0000112773.

ANYKŠČIŲ VYNAS AB had not obtained its own shares in 2012.

## 2. OTHER INFORMATION ABOUT THE ISSUER

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

The structure of the authorized capital of ANYKŠČIŲ VYNAS AB by type of the shares on 31 December 2012:

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 and solved many production improvement and efficiency issues. Due to this there were no significant investments to ANYKŠČIŲ VYNAS AB during 2012.

#### 2.4. Information about shareholders

On 31 December 2012 there were 408 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 2012:

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 2012, 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 2011 and 2012 by personnel groups:

Personnel	2011			2012		
	Average number of employees	%	Average salary	Average number of employees	%	Average salary
Managers	2	1.4	4,829	2	2.5	4,522
Specialists and officials	49	34.3	1,827	29	35.8	1,811
Workers	92	64.3	1,318	50	61.7	1,545
Total:	143	100	1,541	81	100	1,719

The average number of employees decreased by 62 persons, or 43.4%, due to optimization of production and managing functions as well as lower sales and production volumes. The average salary of employees increased by LTL 178, or 11.6%. The average salary increase was determined by the decrease of number of lower qualification employees.

ANYKŠČIŲ VYNAS AB employees's structure comparison by education as at 31 December 2011 and 31 December 2012:

Employees education	31 12 2011		31 12 2012	
	Number of employees	%	Number of employees	%
University degree	29	29.0	22	29.4
College	36	36.0	25	33.3
Secondary	34	34.0	25	36.0
Unfinished secondary	1	1.0	1	1.3
<b>Total:</b>	<b>100</b>	<b>100</b>	<b>75</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'.

There are no Issuer's employees or part of them with special rights or undertakings.

#### *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 2012.

#### *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 the Company's management bodies are:

- 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.

The General Shareholders Meeting works under the competence set up by the Company Law of the Republic of Lithuania and by ANYKŠČIŲ VYNAS AB Articles of Association.

The Company's Articles of Association may be amended by the decision of the General Shareholders Meeting, which would be adopted by a qualified majority of votes of at least 2/3 of all the votes carried by the shares of the shareholders attending the meeting, whose shares grant them more than 1/2 of all votes.

The Board is a collegial management body 4 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 Manager of the Company - Director is a sole Company's governing body, whose competence is foreseen by the Company Law of the Republic of Lithuania and Articles of Association of the Company. The Manager of the Company approves the Rules of Administration Work, organizes daily activities of the Company and represents the Company in the relationships with the third parties.

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

##### The Board:

Name, surname	Position	Beginning of term	End of term
Vytautas Junevičius	Chairman	02 08 2011	26 04 2012
Paulius Kibiša	Member	02 08 2011	26 04 2012
Loreta Nagulevičienė	Member	02 08 2011	26 04 2012
Martynas Grigalavičius	Member	02 08 2011	29 03 2012
<b>The Board since 26 04 2012</b>			
Vytautas Junevičius	Chairman	26 04 2012	25 04 2016
Paulius Kibiša	Member	26 04 2012	09 11 2012
Loreta Nagulevičienė	Member	26 04 2012	24 05 2012
Ramunė Petravičienė	Member	26 04 2012	09 11 2012
Vaidas Mickus	Member	26 07 2012	25 04 2016
Audrius Zuzevičius	Member	09 11 2012	25 04 2016
Artūras Tiurinas	Member	09 11 2012	25 04 2016

The additional information about the Board members of ANYKŠČIŲ VYNAS AB:

##### **Vytautas Junevičius**

Education: Kaunas Polytechnic Institute, engineer - economist; International Business School at Vilnius University, the specialist in international business relationships. Since 1994 to 2009 the CEO of Alita AB (since 7 October 2009 the name was changed into ALT investicijos); since 10 July 2009 to 11 November 2009 the CEO of Company Group ALITA, AB; since 1 December 2009 to 31 October 2011 as the advisor to the CEO of Company Group ALITA, AB; since 1 November 2011 is working as senior advisor to the CEO of Company Group ALITA.

Participation in other companies' activities: the Supervisory Board member of the Company Group ALITA AB, the Board member of Šiaulių bankas, AB.

He has 12,895,364 (or 14.48%) of the Company Group ALITA AB shares and no shares of ANYKŠČIŲ VYNAS AB.

##### **Vaidas Mickus**

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

Employment: Finance & IT director of the Company group ALITA, AB since 24 May 2012 to 23 July 2012; the CEO of the Company Group ALITA AB since 23 July 2012.

He has no shares either of the Company Group ALITA AB or ANYKŠČIŲ VYNAS AB.

**Audrius Zuzevičius** the Director of ANYKŠČIŲ VYNAS AB since 23 January 2012

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, Director of ANYKŠČIŲ VYNAS AB

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.



The additional information about the former Board members of ANYKŠČIŲ VYNAS AB:

**Paulius Kibiša**

Education: University degree (Management).

Employment: the General Manager of the Company Group ALITA AB from 1 December 2009 to 23 July 2012.

He had no shares either of the Company Group ALITA AB or ANYKŠČIŲ VYNAS AB.

**Loreta Nagulevičienė**

Education: Vilnius University, Faculty of Economics, diploma in Economics field: economy cybernetics (economy mathematics), Master's degree in Business finance.

Employment: the Company Group ALITA, AB, Finance & IT director from 4 April 2010 to 24 May 2012.

She had no shares either of the Company Group ALITA AB or ANYKŠČIŲ VYNAS AB.

**Martynas Grigalavičius**

Education: University degree (Marketing Management).

Employment: The Marketing and Sales Director of the Company Group ALITA AB from 1 December 2009 to 15 March 2012.

He had no shares either of the Company Group ALITA AB or ANYKŠČIŲ VYNAS AB.

**Ramunė Petravičienė**

Education: University degree (French philology).

Employment: Human Resource Manager of the Company group ALITA AB since 3 May 2010 (since 1 November 2011 Human Resource and Administration Manager).

She has no shares either of the Company Group ALITA AB or ANYKŠČIŲ VYNAS AB.

**Head of the Company (the General Manager) and Chief Accountant of ANYKŠČIŲ VYNAS AB:**

Name, surname	Position	Beginning of term	End of term
Violeta Labutienė	General Manager	16 06 2008	20 01 2012
Audrius Zuzevičius	General Manager	23 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 General Director is near 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.

Additional information about the former manager:

**Violeta Labutienė**

University degree, economist.

Year 1997–2008 – Chief Economist, Manager of Economics department of ANYKŠČIŲ VYNAS AB, year 2008–2012 – Director.

Had 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.

The comparative data about payments and loans for the Managing Bodies during the year 2011 and 2012, LTL thousand:

Indexes	Benefits for the Managing Bodies	
	2011	2012
Amounts allocated to the managers during the year in relation to their employment agreement	115.9	179.6
Other material amounts, calculated for the managers during the year (dividend)	-	-
Average number of managers during the year	2	2
Amounts allocated to the managers in the month in relation to their employment agreement	4.8	4.5*
Receipts of the managers from the companies, in which they hold more than 20% of the authorized capital	-	-

\*- lay-off compensations excluded

Amounts allocated to the managers for the month in relation to their employment agreement is estimated without lay-off compensations.

During the year 2012 the Managing Bodies of ANYKŠČIŲ VYNAS AB had not got any loans, guarantees or warranties to secure their fulfillment of the obligations.

#### 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, performs the parent company's Company Group ALITA AB Audit Committee, which was elected on 29 April 2009 during the Company's Group ALITA AB General Shareholders Meeting. The members of the Audit Committee for the 4 years tenure were elected Jolanta Setkauskienė, Rima Ambraziejienė and independent auditor - Ona Katlauskienė. The meeting approved the Regulations of the Audit Committee defining its main functions to be as follows:

- submit to the Board of the Company recommendations concerning the selection, appointment, repeated appointment or dismissal of the external auditor, and the terms of the agreement with an audit firm;
- monitor the external audit process;
- monitor the compliance by the external auditor and the audit firm with the principles of independence and objectivity;
- monitor the financial reporting process;
- forthwith notify the Manager of the Company of the information provided by the audit firm to the Audit Committee on audit-related problem issues, specifically in case any material deficiencies related to financial statements are established;
- perform other functions prescribed by the relevant legal acts of the Republic of Lithuania and the guidelines contained in the Corporate Governance Code for companies listed at AB NASDAQ OMX Vilnius

On 27 April 2010 during the General Shareholders Meeting Vyda Marcevičienė was elected as independent Auditor instead of Ona Katlauskienė.

The Audit Committee members Jolanta Setkauskienė and Rima Ambraziejienė are working in the Company Group ALITA AB as the Economists.

The Audit Committee members Jolanta Setkauskienė, Rima ANYKŠČIŲ VYNAS AB Ambraziejienė and Vyda Marcevičienė have no shares either of ANYKŠČIŲ VYNAS AB and the Company Group ALITA AB.

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

### *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 2012 with related parties is presented in the explanatory note of financial statements Note 26.

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

ANYKŠČIŲ VYNAS AB has provided surety to secure the execution of obligations of Company Group ALITA AB under the credit agreements with Swedbank AB and has also pledged its trademarks to Šiaulių bankas AB securing the execution of obligations of Company Group ALITA AB.

Company Group ALITA AB has provided a surety for Swedbank AB in respect of the LTL 8.6m credit line opened for the benefit of ANYKŠČIŲ VYNAS AB.

### *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 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 2012 is published in the ANYKŠČIŲ VYNAS AB annual audited financial statements of 2012 and previous financial statements, which could be found at Central regulated information database [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com) and at webpage [www.anyvynas.lt](http://www.anyvynas.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.anyvynas.lt/investuotojams](http://www.anyvynas.lt/investuotojams) publicly published the following most important information:

Date	Name of the notification
19 January 2012	Notification regarding approval of the circular of the non-competitive mandatory tender offer
20 January 2012	Regarding the intention to delist the company
20 January 2012	Regarding the termination of the employment relationship of the director of the company and the appointment of the director of the company
30 January 2012	Opinion of the Board of ANYKŠČIŲ VYNAS AB about the submitted mandatory non-competitive tender offer to buy shares of the company
10 February 2012	Notification on the acquisition of voting rights
10 February 2012	The report on the implementation of mandatory non-competitive tender offer was received
29 February 2012	Anykščių vynas, AB non-audited results of for the year 2011
02 March 2012	Major shareholder of AB "ANYKŠČIŲ VYNAS" intends to start the sale process of the company
16 March 2012	Regarding resignation of the Board member of the Company
4 April 2012	Regarding convocation of Annual General Meeting of Shareholders of public limited liability company ANYKŠČIŲ VYNAS
4 April 2012	Regarding the adopted decisions of the Board of public limited liability company ANYKŠČIŲ VYNAS, related to the Annual General Meeting of Shareholders, being convened
26 April 2012	Decisions of annual general meeting of shareholders of public limited liability company ANYKŠČIŲ VYNAS
26 April 2012	ANYKŠČIŲ VYNAS AB annual information for 2011
3 May 2012	Regarding amendment to the credit agreement
9 May 2012	Regarding election of the chairman of the Board of the company
25 May 2012	Regarding resignation of the Board member of the Company
31 May 2012	Interim information of AB ANYKŠČIŲ VYNAS for the three months of 2012
4 July 2012	Regarding convocation of Extraordinary General Meeting of Shareholders of public limited liability company ANYKŠČIŲ VYNAS
5 July 2012	Regarding amendment to the credit agreement
26 July 2012	Decisions of extraordinary general meeting of shareholders of public limited liability company ANYKŠČIŲ VYNAS
3 August 2012	Regarding reduction of the authorized capital of Anykščių vynas AB
14 August 2012	Regarding adjustment of ANYKŠČIŲ VYNAS AB share accounting records
31 August 2012	Non-audited result of AB ANYKŠČIŲ VYNAS for the first half of 2012 year
31 August 2012	Information about the issued shares by ANYKŠČIŲ VYNAS AB as at 31-08-2012
5 September 2012	Regarding amendment to the credit agreement

18 October 2012	Regarding convocation of Extraordinary General Meeting of Shareholders of public limited liability company ANYKŠČIŲ VYNAS
29 October 2012	Regarding amendment to the credit agreement
9 November 2012	Decisions of extraordinary general meeting of shareholders of public limited liability company ANYKŠČIŲ VYNAS
30 November 2012	Non-audited result of AB ANYKŠČIŲ VYNAS for the 9 month of 2012 year
21 December 2012	Regarding amendment to the credit agreement
12 February 2012	Regarding reduction of the number of employees of the company
13 February 2013	AB ANYKŠČIŲ VYNAS information
28 February 2013	Unaudited activity result of AB "ANYKŠČIŲ VYNAS" of the year 2012
28 February 2013	Regarding amendment to the credit agreement

#### 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 2012 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.

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 is Litas. 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 Euro. The risk associated with operations in Euro is considered insignificant as long as the Litas is pegged to the Euro at a fixed rate. In the event of the devaluation of the Litas in respect of the Euro, the Company's expenses may increase and will have to be covered from the Company's own resources.

*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 77% 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 2012 the Company had LTL 8.6m 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 2012 Note 23.

*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 2013.

*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. Under the Board decision in separate months of 2012, due to decreased sales, the working time was shortened to four days per week.

*2.17. The main lawsuits and arbitrations*

The information about the main lawsuit and arbitrations is in the audited financial statements of 2012 Note No 28.

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

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

**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 postwar 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. In 2011 the natural wine "Voruta" was updated with a new taste – chokeberry. This product was awarded the gold medal in the competition "The Lithuanian Year Product 2011".

### *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 2012 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 departments new editions of 35 documents were approved.

On 26 June 2012 the international certification company TUV UOLEKTIS UAB made the first integrated managing system audit of ANYKŠČIŲ VYNAS AB. During the audit the compliance with ISO 9001 and ISO 14001 standards' requirements was inspected. There was no incompliance found. On 26 August 2011 the Company was issued 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 2014.

In 2012 ANYKŠČIŲ VYNAS AB carried out the environmental objectives and targets. The main source of pollution is the boiler room and apple cake stove. In 2012 pollution ration into atmosphere pointed in pollution permission No TA (2)-12 had been exceeded and the Company paid a higher rate tax for the environmental pollution from stationary sources (overall 4836 LTL, the amount of higher rate LTL 485). Following the plan of allocation of national revolving pollution permissions for the year 2008-2012, the Company was allocated 2986 RPP (revolving pollution permissions), whereas the emitted amount of GCGE (gas creating greenhouse effect) is 2648 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 2012 were executed. During 2012 the Company had used 1.583 MWh (2011 – 2.061 MWh) of electricity, 53.6 thousand m<sup>3</sup> (2011 – 54.7 thousand m<sup>3</sup>) of water, 1.390 thousand m<sup>3</sup> (2011 – 1.409 thousand m<sup>3</sup>) of natural gas.



The Company has agreements with packaging waste recyclers regarding the management of the charged packaging. During 2012 the Company had bought waste recycling services of 167.3 tonnes of glass packaging, 3 tonnes of plastic packaging, 39 tonnes of PET packaging, 24 tonnes of paper and cardboard packaging, 0.1 tonne of wooden packaging.

The special attention is paid for the quality of production. The quality of production is constantly controlled by the employees of production control laboratory, who are working in accordance with ISO 9001 and RVASVT Quality Management System methodological instructions. In the year 2012 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 2012 ANYKŠČIŲ VYNAS AB belonged to these associated structures:

- Panevėžys Chamber of Commerce, industry and crafts
- Lithuanian Association of Food Industry
- National Transportation Association "Linava"
- Engineering Ecology Association

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*

The Company's sales amount decreases because of strong competition in the local market and bad economical situation (unfavourable excise policy for fruit wines while this policy is favourable for the strong beer. While optimizing Company's activities it was concentrated on the development of wine category. In the category of fruit wines the main works were related to the revision of the pricing strategy and the assortment. The production of unpopular wines such as "Žara", "Ringas", "Rifas" was terminated. The new wines supplemented the assortment - "Agdam" and "Super". After the optimization of the assortment instead of 28 brands in fruit wines category left only 17 SKU. Special attention was paid to the category of natural fruit wines. The natural fruit wine "Voruta" together with the partners was represented during the international wine fair "Vyno dienos 2012". Also the location positioning of this wine was changed in the super markets. The applied measures have increased the sales of "Voruta".

During the last years due to the lack of working capital the Company does not produce apple products for the sale. In order to exploit Company's owned equipment the Company provides apples' remaking service, makes apples' juice concentrate and apples' aroma for the other companies.

In the foreign markets the Company sales natural fruit wine, liquors, cider and apple products. In 2012 the Company continued working with export customers in Latvia, Estonia, UK, and USA. The natural fruit wine export to Bulgaria had been started. After years of correspondence it was agreed to export wines "Voruta" and "Karazlja" to Japan in 2013. Seeking to find new customers in the foreign markets the natural fruit wine "Voruta" was represented in the worldwide fair "The London International Wine Fair 2012" in England also in May-August at the worldwide exhibition "Expo 2012" in South Korea.

While implementing the measure of Growth of Economies Actions Programme "New Opportunities" under the strategy of EU structural support use the project "ANYKŠČIŲ VYNAS AB alcoholic beverages export promotion" was successfully finished in 2012.

During the implementation of the project "ANYKŠČIŲ VYNAS AB alcoholic beverages export promotion" the anticipated targets were reached: while using the strategic support the Company's production was presented in six exhibitions in the market of Great Britain, where the new possibilities of cooperation and export were found. Great Britain's alcohol market research had been bought and used at work.

More information about the Company's financial situation and general sales data is presented in audited financial statements of 2012.

#### 4. FINANCE

ANYKŠČIŲ VYNAS AB consolidated activity results for 2012 according to the International Accounting Standards is LTL 2.36 million (EUR 0.68m) loss before taxes. The consolidated audited result before taxes of 2011 was LTL 6.25 million (EUR 1.81m) of loss.

The sales revenues for 12 months of 2012 amounts to LTL 12.35 million (EUR 3.58m) and in comparing with 2011 sales revenues decreased by 38%.

Other financial information is presented in the financial statements report for the period of 2012, which ended 31 December 2012.

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.anyvynas.lv/investuotojams](http://www.anyvynas.lv/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 2012 the budget of the Republic of Lithuania received around LTL 12 million in the form of different taxes. The taxes were divided as follows (LTL thousand):

The name of the tax	2012, LTL, thousand
Excise duty	8,126.7
Value added tax	2,704.4
Social insurance fees	799.7
Income tax from the salary	258.3
The other taxes	87.8
<b>Total</b>	<b>11,976.9</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 2012, LTL 18.1 thousand were nominated for different allowances.

The Company also advertises quite much in the cultural events, and at the same time propagates and strengthens the Lithuanian culture.

## 6. THE COMPANY'S PLANS AND PROJECTIONS

Sales in 2013 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 2013 which the management shall try 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 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. All this led to the decrease of ANYKŠČIŲ VYNAS AB need for investments in 2013, which amounts to LTL 44 thousand.

Director



Audrius Zuzevičius

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 on 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 APPLICABLE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of provisions a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>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.</p>	<p>Yes</p>	<p>The Company publishes the policy of the Company development and objectives in annual activity reports, in the Company's website (www.anyvynas.lt).</p>
<p>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.</p>	<p>Yes</p>	<p>The Company works according to the approved production selling and production plans so implementing its strategic objectives.</p>
<p>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.</p>	<p>Yes</p>	<p>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 Board of the Company consists of four members. At present, 4 persons are elected to the Board, i.e. the Director of the Company, General director, Chairman of the Board and Sales Director of Company Group ALITA AB. Every month and every quarter the Company's Director makes a report about the Company's results to the Board.</p>
<p>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.</p>	<p>Yes</p>	<p>The Company respects the rights and interests of its shareholders, employees, clients, customers, and other persons related to the activity of the Company, complies with the requirements of the Labour Code, the provisions of agreements entered into with customers and suppliers. Relevant information about the Company is published in the websites of the Vilnius Stock Exchange and the Company, in the Republic press. Relevant information is put in the Company website, press. The Company takes an active 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.</p>

Principle II: The corporate governance framework

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

<p>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.</p>	<p>No</p>	<p>There is no Supervisory Council in the Company. The Company Director makes a report about the Company activity results in the Board every month and every quarter.</p>
<p>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.</p>	<p>Yes</p>	<p>These functions in the Company are performed by the Collegial Management Body - the Board.</p>
<p>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.</p>	<p>No</p>	<p>The Company does not follow this recommendation. There is only one collegial body and it is the Board.</p>
<p>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></p>	<p>Yes/No</p>	<p>There is a collegial body in the Company – the Board, which partially observes principles III and IV as it is revealed in this paper.</p>
<p>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></p>	<p>Yes</p>	<p>The Company's Board consists of four members.</p>

<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.

<p>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.</p>	<p>No</p>	<p>There is no Supervisory Board in the Company.</p>
<p>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.</p>	<p>Yes</p>	<p>The Director of the ANYKŠČIŲ VYNAS AB is not the chairman of the Company Board.</p>
<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>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></b></p>		
<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>During the General Meeting of Shareholders, before the election of the Board, the information is given about every candidate to the Board, about his education, work experience, objective and human characteristic, current position. This allows ensuring execution of this principle.</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>3.2. 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 company's annual report.</p>	<p>Yes/No</p>	<p>The candidates to members to the Board are named to the shareholders in before the general shareholders meeting together with the project decision of the meeting. The data about the members of the Board 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 collegial body.</p>	<p>No/Yes</p>	<p>The Annual Report provides for the composition of the Board, 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 Board 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>
<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 Board 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>There are no independent members in the Board.</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> </ol>	<p>No</p>	<p>The documents governing the activity of the Board of the Company do not define the independency criteria for the Board; however, considering the provided criteria, it could be stated that the members of the Board 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>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);</p> <p>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);</p> <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) j 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>		
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<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 criteria regarding the independency of the members of the Board.
<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 practice of evaluation and announcement of the independency of the Board members is not applied in the Company.
<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>	Not applicable	There are no independent members in the Board of the Company.
<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>	Not applicable	The Board members are not remunerated from the Company funds. This provision is not applicable in the Company.

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<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.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

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.

<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>The Company's Board presents the General Meeting of Shareholders reviews and proposals on the Company's annual financial accountability, project of the profit-sharing, activity of the Company manager.</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>The Company's Board acts in good faith with regard to the Company, acts in the interest of the Company instead of its own or the third party's interests. The Company has no independent members in the Board.</p>
<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, the members of the Board perform their duties properly. No member of the Board has participated in less than half of the meetings of the Board yet.</p>

<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.

<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.

<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 Board of the Company follows this recommendation. The duties of the Board regarding the shareholders are being regulated by the Company's Articles of Association and Regulations of the Board's Work.</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 Company Board makes decisions on the long-term assets the balance value of which is more than 1/20 of the Company's authorized capital, investment, transfer, rental, pledge and mortgage, surety and guarantee, and to acquire long-term assets for the price higher than 1/20 of the authorized capital. The Company's Board makes decisions on the establishment of the Company branches or representative offices and termination of their activity, acquisition of the securities of the companies, appointment of the Company's manager, etc. It foreseen in the Company's Articles of Association and Regulations of the Board's Work.</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 members of the Board are authorised to receive the information and documents, are provided with all financial means and other conditions necessary to perform their duties. The Company has no remuneration committee.</p>

<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>	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>4.9. 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>	<p>No</p>	<p>There are no mentioned committees in the Company.</p>
<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>	<p>No</p>	<p>There are no mentioned committees in the Company.</p>
<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>	<p>No</p>	<p>There are no mentioned committees in the Company.</p>

<p>4.12. Nomination Committee</p> <p>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> </ol>	No	There is no such committee in the Company.

2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;

3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company.

4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation.

5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;

6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);

7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:

1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;

2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;

3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.

4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, 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>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.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>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);</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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 principles 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;</p>	<p>No</p>	<p>There is no such committee in the Company.</p>

6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose 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 relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal auditor'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.

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>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</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>	<p>No</p>	<p>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>
<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>	<p>Yes</p>	<p>The Board (its chairmen) implements this recommendation.</p>

<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/No</p>	<p>The Company Board organizes meetings not less than once a quarter however there is no approved schedule of the Board's meetings.</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 Board are informed about the future meeting in advance, the material for the discussion is handed in the established 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-ordinating 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>No</p>	<p>There is no Supervisory Council in the Company therefore application of this recommendation is impossible.</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.

Principle VI: The equitable treatment of shareholders and shareholder rights

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

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The authorized capital of the Company consists of the ordinary registered shares that grant equal rights to all the shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	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.
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.	No	It is not foreseen in the Company's Articles of Association. The Articles of Association of the Company do not provide for any criteria of the important transactions according to which the transactions would be selected as requiring approval in the the shareholders' meeting.
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.	Yes	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.  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.

<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-term assets accounting for more than 1/20 of the company's authorized 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.

<p>6.5. If it 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>	<p>Yes</p>	<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>	<p>Yes</p>	<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>	<p>No</p>	<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>

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

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

<p>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.</p>	<p>Yes</p>	<p>The members of the Company Board follow these recommendations.</p>
<p>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.</p>	<p>Yes</p>	<p>There were no such cases.</p>
<p>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.</p>	<p>Yes/No</p>	<p>There were no such cases, however recommendation 4.5 is not observed.</p>
<p>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.</p>	<p>Yes</p>	<p>The members of the Board of the Company are familiar with these provisions and have to comply with them.</p>

Principle VIII: Company's remuneration policy

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

<p>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.</p>	<p>No</p>	<p>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.</p>
<p>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.</p>	<p>No</p>	<p>See item 8.1.</p>
<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> </ol>	<p>No</p>	<p>See item 8.1.</p>



<p>12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;</p> <p>13) Remuneration statement should not include commercially sensitive information.</p>		
<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 executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ol> <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>	No	See item 8.1.

<p>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</p> <p>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;</p> <p>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;</p> <p>4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>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.</p> <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.

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.	No	The Company does not apply this regulation in practice.
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.	Not applicable	There is no such practice in the Company.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	There is no such practice in the Company.
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 such practice in the Company.
8.13. Shares should not vest for at least three years after their award.	Not applicable	There is no such practice in the Company.
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	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 such practice in the Company.

<p>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.</p>	No	There is no such practice in the Company.
<p>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.</p>	Not applicable	The Company does not apply these regulations.
<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	There is no such practice in the Company.
<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>	<p>Not applicable</p>	<p>There is no such practice in the Company.</p>
<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>	<p>Not applicable</p>	<p>There is no such practice in the Company.</p>
<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>		
<p>9.1 The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The Company's Board and Director collaborate with the trade unions of the Company in solving actual working and rest problems of the workers, work payment and other questions. A part of the workers are the Company shareholders, thus they are taking part in the Company share capital. The regular collaboration takes place between the Company and creditors and debtors.</p>

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	Recommendation is being observed
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.

**Principle X: Information disclosure and transparency**

**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.**

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> <li>1) The financial and operating results of the company;</li> <li>2) Company objectives;</li> <li>3) Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>5) Material foreseeable risk factors;</li> <li>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7) Material issues regarding employees and other stakeholders;</li> <li>8) Governance structures and strategy.</li> <li>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.</li> </ol>	Yes	<ol style="list-style-type: none"> <li>1) in the NASDAQ OMX AB Vilnius website: <a href="http://www.nasdaq OMX.com">www.nasdaq OMX.com</a> ;</li> <li>2) in the ANYKŠČIŲ VYNAS AB website: <a href="http://www.anyksciu.lt">www.anyksciu.lt</a>.</li> <li>3) In the annual report.</li> <li>4) In the annual report.</li> <li>5) In the annual report.</li> <li>6) In the annual report</li> <li>7) In the annual report.</li> <li>8) In the annual report.</li> </ol>
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.

<p>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.</p>	<p>Yes</p>	<p>The Company observes this recommendation.</p>
<p>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.</p>	<p>No</p>	<p>There is no such practice in the Company</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>The vital information is published on the website of the Company in Lithuanian and English.</p>

<p>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.</p>	<p>Yes</p>	<p>The Company observes this recommendation.</p>
<p><b>Principle XI: The selection of the company's auditor</b></p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>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.</p>	<p>Yes</p>	<p>The Company follows this recommendation – an independent auditor carries out the audit of the Company annual financial accountability and the annual report.</p>
<p>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.</p>	<p>Yes</p>	<p>The Company follows this recommendation – the Company's Board proposes a candidate firm of auditors to the General Meeting.</p>
<p>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.</p>	<p>Not applicable</p>	<p>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.</p>



