



VILNIAUS DEGTINĖ

ANNO 1923

2012-02-24 Nr. 02-73

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ACKNOWLEDGEMENT BY RESPONSIBLE PERSONS

In accordance with the provisions of Article 22 of Lithuanian Securities Law and the Rules of Development and Supply of Regular Additional Information approved by the Lithuanian Securities Commission, we, Director General for AB Vilniaus degtinė Juozas Daunys and Chief Financial Officer Renata Baliūnaitė, hereby acknowledge that to our best knowledge interim financial statement of AB Vilniaus degtinė for the twelve-month period ended on the 31th of December 2011 that were developed in accordance with the International Financial Accounting Standards adopted by the European Union are correct and fairly reflect the assets, liabilities, financial status, profit (loss) of AB Vilniaus degtinė.

Director General

Juozas Daunys

Chief Financial Officer

Renata Baliūnaitė

STOCK COMPANY
VILNIAUS DEGTINĖ

Interim Financial Statements for
twelve-month period ended on the
31th December 2011
(unaudited)

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Company Information

AB Vilniaus degtinė

Telephone: + 370 5 233 08 19

Telefax: + 370 5 231 50 52

Company number: 120057287

Registered at: Panerių Str. 47/Smolensko Str. 2, Vilnius, Lithuania

Management

Juozas Daunys, Director General

Board

Darius Žaromskis

Juozas Daunys

Dalius Rutkauskas

Aistė Rasmussen

Auditor

UAB Rimess

Banks

AB DNB bankas

Lithuanian branch of AS UniCredit Bank

AB SEB bankas

AB Swedbank

Statement on Financial Position

As on the 31st of December

In LTL	Notes	31.12.2011	31.12.2010
ASSETS			
Non-current assets			
Tangible assets	14	32,034,720	28,022,090
Intangible assets	15	12,004,710	12,956,529
Financial assets	16	3,919,097	3,615,486
Total non-current assets		47, 958,527	44,594,105
Current assets			
Inventories	17	9,072,892	7, 246,521
Prepayments and future expenses	18	285,646	228,521
Trade receivables	19	25,664,040	24,135,874
Other receivables	20,13	516,307	439,951
Cash and cash equivalents	21	46,600	49,528
Total current assets		35,585,485	32,100,395
TOTAL ASSETS		83,544,012	76,694,500

Notes on pages 10–38 are an integral part of these financial statements.

Statement on Financial Position (cont'd)

As on the 31st of December

In LTL	Notes	31.12.2011	31.12.2010
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	24,408,431	24,408,431
Legal reserve	22	2,440,843	2,440,843
Retained earnings (loss)		9,270,356	12,111,073
Total equity		36,119,630	38,960,347
Non-current liabilities			
Interest bearing loans and borrowings	24	6,084,315	5,531,318
Governmental grants	25	8,175,209	4,137,227
Deferred tax liability		432,343	785,750
Total non-current liabilities		14,691,867	10,454,295
Current liabilities			
Interest bearing loans and borrowings	24	13,570,853	13,258,187
Trade payables		6,786,787	4,553,753
Income tax payable		0	0
Other payables	26	12,374,875	9,467,918
Total current liabilities		32,732,515	27,279,858
Total liabilities		47,424,382	37,734,153
TOTAL EQUITY AND LIABILITIES		83,544,012	76,694,500

Notes on pages 10–38 are an integral part of these financial statements.

Comprehensive Income Statement

As on the 31st of December

In LTL	Notes	Jan-Dec 2011	Jan-Sep 2010
		<hr/>	<hr/>
Sales revenue	5	41,062,173	41,829,018
Cost of sales		26,714,463	25,646,721
		<hr/>	<hr/>
Gross profit	5	14,347,710	16,182,297
Other income	6	320,157	508,776
Sales and distribution expenses	7	5,264,998	6,252,281
Administrative expenses	8	12,073,437	10,283,885
Other expenses	6	72,432	35,963
		<hr/>	<hr/>
Result from operating activities		(2,743,000)	118,944
Financial income	10	273,366	245,741
Financial expenses	10	724,490	766,454
		<hr/>	<hr/>
Profit before tax		(3,194,124)	(401,769)
Corporate income tax	11,12	(353,407)	(65,848)
		<hr/>	<hr/>
Profit for the period		(2,840,717)	(335,921)
		<hr/>	<hr/>
Basic and diluted earnings per share	23	(0.12)	(0.01)
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		(2,840,717)	(335,921)
		<hr/>	<hr/>

Notes on pages 10–38 are an integral part of these financial statements.

Comprehensive Income Statement

As on the 31th of December

In LTL	Notes	Oct-Dec 2011	Oct-Dec 2010
		<hr/>	<hr/>
Sales revenue	5	12,479,872	12,509,131
Cost of sales		8,070,343	8,435,103
		<hr/>	<hr/>
Gross profit	5	4,409,529	4,074,028
Other income	6	71,497	209,213
Sales and distribution expenses	7	1,768,430	1,822,199
Administrative expenses	8	5,047,306	2,803,078
Other expenses	6	11,150	8,950
		<hr/>	<hr/>
Result from operating activities		(2,345,860)	(350,986)
Financial income	10	67,791	67,375
Financial expenses	10	183,391	180,974
		<hr/>	<hr/>
Profit before tax		(2,461,460)	(464,585)
Corporate income tax	11,12	(274,525)	(86,081)
		<hr/>	<hr/>
Profit for the period		(2,186,935)	(378,504)
		<hr/>	<hr/>
Basic and diluted earnings per share	23	(0.09)	(0.02)
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		(2,186,935)	(378,504)
		<hr/>	<hr/>

Notes on pages 10–38 are an integral part of these financial statements.

Statement of Changes in Equity

As on the 31th of December

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as on 1 January 2010		24,408,431	2,440,843	0	12,446,994	39,296,268
Profit for January-December of 2010					(335,921)	(335,921)
Capital and reserves as on 31 December 2010		24,408,431	2,440,843	0	12,111,073	38,960,347
Capital and reserves as on 1 January 2011		24,408,431	2,440,843	0	12,111,073	38,960,347
Loss January-December of 2011					(2,840,717)	(2,840,717)
Capital and reserves as on 31 December 2011	22	24,408,431	2,440,843	0	9,270,356	36,119,360

Notes on pages 10–38 are an integral part of these financial statements.

Cash Flows Statement

As on the 31th of December

In LTL	Jan-Dec 2011	Jan-Dec 2010
Profit (loss) for the period	(2,840,717)	(335,921)
Depreciation and amortisation	3,733,776	3,901,728
Impairment of tangible assets	2,371,448	0
Impairment of trade receivables and other receivables	71,753	(457,089)
Net financial expenses	357,741	318,741
Gain (loss) on disposal of non-current assets	32,363	(89,937)
Corporate income tax expenses	(353,407)	(65,848)
Net cash flows from ordinary activities before changes in working capital	3,372,957	3,271,674
Change in inventories	(1,826,371)	442,823
Change in prepayments	(57,125)	1,051,631
Change in trade receivables and other receivables	(1,784,621)	5,399,902
Change in trade payables and other payables	5,130,270	(2,417,482)
Net cash flows from operating activities	1,462,153	4,476,874
Income tax paid	72,720	144,249
Net cash flows from operating activities	4,907,830	7,892,797
Interest received	0	0
Proceeds from disposal of non-current assets	5,133	205,630
Acquisition of property, plant and equipment	(9,079,308)	(8,724,189)
Acquisition of intangible non-current assets	(5,996)	(8,715)
Loans granted	0	(511,015)
Loans regained	0	0
Net cash flows from investing activities	(9,080,171)	(9,038,289)
Repayment of loans	(1,866,739)	(1,866,739)
Loans received	4,250,813	0
Increase (decrease) of other financial liabilities	(899,722)	(223,447)
Financial lease payments	(608,007)	(367,975)
Grants received	4,037,982	4,137,227
Interest paid	(744,914)	(566,144)
Dividends paid	0	0
Net cash flows from financing activities	4,169,413	1,112,922
Net cash flows from operating, investing and financing activities	(2,928)	(32,570)
Cash and cash equivalents at the beginning of the period	49,528	82,098
Cash and cash equivalents at the end of the period	46,600	49,528

Notes on pages 10–38 are an integral part of these financial statements.

Notes

1 Reporting entity

AB Vilniaus Degtinė (hereinafter referred to as the Company) was registered on the 23rd of November 1990 and it is domiciled in Vilnius, Lithuania. The Company has a subsidiary in Obeliai, Rokiškis district.

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

As on the 31th of December 2011, its shares are held by the following shareholders:

Shareholder	Number of shares	Nominal value in LTL	Total value in LTL
Sobieski Sp.z.o.o.	16,668,632	1	16,668,632
Darius Žaromskis	2,440,843	1	2,440,843
Other shareholders	5,298,956	1	5,298,956
Total capital	24,408,431	1	24,408,431

The Company is primarily involved in the production of and trade in alcoholic beverages: vodkas, bitters, liqueurs and other alcoholic beverages. The facilities for alcoholic beverage production are located in Vilnius; however, the spirit production facilities are located with the subsidiary of the Company in Obeliai.

The Company has major sales in the local market. Although sales to the European Union and foreign markets are increasing, their weight in the total sales volume are increasing.

AB Vilniaus Degtinė employed 150 staff members as on the 31th of December 2011 (169 staff members as on the 31th of December 2010).

2 Summary of significant accounting principles

Statement of compliance

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

The financial statements for the period January-December 2011 presented below are unaudited.

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation

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

The preparation of the financial statements in conformity with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS as adopted by the European Union that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3 and 4.

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

Foreign currency

Translation of amounts in foreign currencies into the national currency

Transactions in foreign currencies are translated at foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-derivative financial instruments

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

Cash and cash equivalents include cash balances and demand deposits.

Non-derivative financial instruments are initially recognised at fair value plus (except for the instruments recognised in the income statement at fair value) any direct attributable transaction

Notes

2 Summary of significant accounting principles (cont'd)

costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of transaction. The Company no longer recognises the financial assets when the contractual rights to the cash flows from this asset has expired or when the right to receive the agreed cash flows from this financial asset has been transferred during the transaction, i.e. all risk and benefits from the ownership of the financial assets has been transferred. Financial liability is no longer recognised when it has been covered, revoked or expired.

Receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans issued and receivables are initially recognised at fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method, less impairment, if any. Current receivables are not discounted.

Loans, borrowings and other financial liabilities are stated at amortised cost on an effective interest method basis. Current liabilities are not discounted.

Financial derivatives

The Company did not use or have derivative financial instruments within the period ended on the 31th of December 2011.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of Company's assets consists of the expenses directly related to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs and other expenses incurred to produce these assets before setting them into use and expenses of disassembling, transportation and production site cleaning.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes

2 Summary of significant accounting principles (cont'd)

Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing a part of such item or major overhaul when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company and the cost of an item can be measured reliably. All other costs are recognised in the income statement as incurred.

Depreciation

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

The estimated useful lives are as follows:

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

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

Non-current intangible assets

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

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

- Software and licences 3 years
- Sobieski trademark 20 years

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

Notes

2 Summary of significant accounting principles (cont'd)

Leased assets

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as financial leases. Assets acquired by way of financial lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. All other lease is treated as operational lease.

Inventories

Inventories, including work in progress, are valued at the lower of cost or net realisable value. Net realisable value is the selling price, less the estimated cost of completion, marketing and distribution.

The costs of inventories is determines based on FIFO principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity distributed according to norms calculated considering the use of production capacities.

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

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

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

Governmental grants

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

Grants are related to assets

Grants that are related to assets encompass grants received in the form of non-current assets or allotted for acquisition of non-current assets. Grants are accounted at the fair value of the assets received and later recognised as income, reducing asset depreciation costs within the respective useful service life of the assets.

Notes

2 Summary of significant accounting principles (cont'd)

Impairment

Financial asset is impaired if there are if there is objective evidence that certain event or events could have an adverse impact on asset-related cash flows in the future. Individually significant financial assets must be tested for impairment on an individual basis. The remaining financial assets are grouped according to their credit risk and the impairment for those groups is measured on a portfolio basis. An asset that is deemed impaired on an individual basis and its impairment loss is continually recognised cannot be included in any group of assets that is tested for impairment on a portfolio basis.

The carrying amounts of the Company's assets other than inventories and deferred income tax asset are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised wherever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Cash generating unit is the smallest cash generating asset group generating cash flows independent from other assets or asset groups. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at the initial recognition of these financial assets). Receivables with short duration are not discounted.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes

2 Summary of significant accounting principles (cont'd)

Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In case of certain changes in events or circumstances, on the basis of which the recoverable value of non-financial assets was calculated, indicating that carrying value on non-financial assets can be recoverable, impairment loss is reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Employee allowances

The company has no determined allowances and inducement plans or payment schemes concerning its shares. Liabilities against retired former employees of the company are fulfilled by the State.

Provisions

Provisions are recognised in the balance sheet when it is probable that an outflow of economic benefits will be required to settle the obligation arising from a past event or fulfilment of irrevocable undertakings.

Revenue

Sales of goods

Revenue from the sale of goods is recognised in the income statement when significant risk and ownership is transferred to the buyer, when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognised net of VAT, excise tax and price discounts directly related to the sales.

Notes

2 Summary of significant accounting principles (cont'd)

Services rendered, assets disposed

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

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

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

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

Expenses

Operating lease payments

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

Financial lease payments

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

Net financing costs

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Corporate income tax

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

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

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

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

Segment reporting

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

Earnings per share

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

Notes

3 Critical accounting estimates and judgements

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

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, or national or local economic conditions that correlate with the group of receivables. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. Then methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment losses on construction in progress

Construction in progress is related with the construction of soft drinks production facilities discontinued in 1994 due to the change in strategic plans of the Company. The construction in progress is quarterly tested for impairment and based on management estimates the impairment loss is recognised for the unused equipment installed in the construction in progress. Depreciation of the construction in progress is calculated since 2009.

Impairment losses on building and land

In 2009 the building was purchased and land. Temporarily stop the company's strategic plans. In December 2011 property valuations have been carried out and recognize by LTL 2,371,448 impairment losses.

Impairment losses on trademark

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

Notes

4 Adjustments for previous periods

In 2010 the fourth quarter and 2010 revenue from the sales turnover eliminated the buyer discounts.

5 Segment reporting

The Company is primarily involved in the production of and trade in alcoholic beverages. Besides, the Company produces and distributes rectified, denaturised alcohol, has other income. Considering the share of the sales of these products in total income, only one segment can be distinguished in the Company – production of alcoholic drinks and related products.

Revenue and gross profit for January-December 2011 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	33,038,204	4,209,282	52,056	3,762,631	41,062,173
Gross profit	13,649,923	192,748	24,904	480,135	14,347,710

Revenue and gross profit for January-December 2010 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	34,278,206	5,214,675	108,312	2,227,825	41,829,018
Gross profit	15,551,918	387,432	42,903	200,044	16,182,297

Revenue and gross profit for October-December 2011 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	10,139,996	1,178,643	15,655	1,145,578	12,479,872
Gross profit	4,318,411	(81,008)	7,775	164,351	4,409,529

Notes

5 Segment reporting (cont'd)

Revenue and gross profit for October-December 2010 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	9,713,512	1,893,318	55,993	846,308	12,509,131
Gross profit	3,983,043	(18,355)	25,303	84,037	4,074,028

The Company's primary activities are carried out in the Lithuanian market. A part of its production is exported to European Union (hereinafter –EU) countries and abroad. In January-December 2011, sales to EU and other foreign markets amounted to LTL 5,695,489 (in January-December 2010 – LTL 3,779,335). In October-December 2011, sales to EU and other foreign markets amounted to LTL 1,599,956 (in October-December 2010 – LTL 2,049,865). Considering the share of product sales in foreign markets in total revenue, no geographical segments are singled out.

In LTL	Jan-Dec 2011	Jan-Dec 2010
6 Income and expenses of other activities		
Lease of premises and utilities	110,484	109,596
Income from sales of materials and spare parts	96,922	152,750
Result of the sales of non-current assets	0	162,890
Other income	112,751	83,540
Total other income	320,157	508,776
Other expenses	(40,101)	(35,963)
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	(32,331)	0
Total other expenses	(72,432)	(35,963)
Net income and expenses of other activities	247,725	472,813

Notes

In LTL

6 Income and expenses of other activities (cont'd)

	Oct-Dec 2011	Oct-Dec 2010
Lease of premises and utilities	27,792	27,445
Income from sales of materials and spare parts	8,464	91,451
Result of the sales of non-current assets	0	60,267
Other income	35,241	30,050
Total other income	71,497	209,213
Other expenses	(11,150)	(8,950)
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	(11,150)	(8,950)
Net income and expenses of other activities	60,347	200,263

In LTL

7 Sales and distribution expenses

	Jan-Dec 2011	Jan-Dec 2010
Advertising expenses	3,341,986	3,987,118
Salaries and social security	956,151	1,125,841
Transportation expenses	392,605	478,503
Market research expenses	84,263	115,422
Packaging expenses	88,811	67,968
Other	401,182	477,429
Total sales and distribution expenses	5,264,998	6,252,281

In LTL

Sales and distribution expenses

	Oct-Dec 2011	Oct-Dec 2010
Advertising expenses	1,183,242	1,209,480
Salaries and social security	268,704	337,909
Transportation expenses	105,335	127,758
Market research expenses	25,859	1,587
Packaging expenses	25,376	24,889
Other	159,914	120,576
Total sales and distribution expenses	1,768,430	1,822,199

Notes

In LTL	Jan-Dec 2011	Jan-Dec 2010
8 Administrative expenses		
Salaries and social security	3,145,330	3,485,553
Operating and other taxes	1,089,896	1,192,989
Repairs and maintenance	217,382	632,910
Amortisation and depreciation	2,196,272	2,103,606
Consulting and training expenses	583,145	601,821
Maintenance of cargo vehicles	232,891	352,910
Security expenses	312,000	363,340
Communications and IT maintenance expenses	145,627	140,528
Utilities	608,961	283,437
Impairment of tangible assets	2,371,448	0
Other	1,170,485	1,126,791
Total administrative expenses	12,073,437	10,283,885

In LTL	Oct-Dec 2011	Oct-Dec 2010
Administrative expenses		
Salaries and social security	695,883	948,979
Operating and other taxes	333,506	340,006
Repairs and maintenance	68,983	109,212
Amortisation and depreciation	489,796	493,563
Consulting and training expenses	171,500	227,365
Maintenance of cargo vehicles	80,986	102,468
Security expenses	78,000	78,270
Communications and IT maintenance expenses	36,266	34,257
Utilities	235,240	137,302
Impairment of tangible assets	2,371,448	0
Other	485,698	331,656
Total administration expenses	5,047,306	2,803,078

Notes

In LTL	Jan-Dec 2011	Jan-Dec 2010
9 Personnel expenses		
Wages and salaries	3,904,496	4,909,732
Guarantee fund contributions	3,997	4,933
Social security contributions	1,208,059	1,524,446
Total personnel expenses	5,116,552	6,439,111
In LTL	Oct-Dec 2011	Oct-Dec 2010
Personnel expenses		
Wages and salaries	978,354	1,389,246
Guarantee fund contributions	974	1,286
Social security contributions	302,932	430,672
Total personnel expenses	1,282,260	1,821,204

Personnel expenses include accrued vacation compensations with social security taxes.

Redundancy pays and holiday compensations for January-December 2011, inclusive of social security taxes and guarantee fund, amounted to LTL 443,406 (in January-December 2010 - LTL 339,419), and in October-December 2011 they amounted to LTL 27,397 (in October-December 2010 – LTL 86,411).

Wages and salaries for the management (directors) together with accrued vacation compensations, social security and guarantee fund contributions in January-December 2011 amounted to LTL 626,536 including redundancy pays together with social security and guarantee fund contributions amounted to LTL 122,572. In October-December 2011, wages and salaries for the management (directors) together with accrued vacation compensations, social security and guarantee fund contributions amounted to LTL 102,652. There were no redundancy pays. No loans were granted to the management (directors). The value of transferred asset transaction, other sales and receivables is insignificant. There were no other purchases and payables.

Average number of staff members on payroll for twelve months of 2011 was 149 (179 for twelve months of 2010).

Average number of managers for twelve months of 2011 was 4 (5 managers for twelve months of 2010).

Notes

In LTL	Jan-Dec 2011	Jan-Dec 2010
10 Financial income and expenses		
Interest income	268,947	245,741
Foreign exchange gain	3,219	0
Other income	1,200	0
Total financial income	273,366	245,741
Interest on loans and lease liabilities	(626,687)	(588,084)
Foreign exchange loss	0	(3,989)
Other	(97,803)	(174,381)
Total financial expenses	(724,490)	(766,454)
Financial income and expenses, net	(451,124)	(520,713)
In LTL	Oct-Dec 2011	Oct-Dec 2010
Financial income and expenses		
Interest income	67,789	67,375
Foreign exchange gain	(9)	0
Other income	11	0
Total financial income	67,791	67,375
Interest on loans and lease liabilities	(162,586)	(155,331)
Foreign exchange loss	0	(4)
Other	(20,805)	(25,639)
Total financial expenses	(183,391)	(180,974)
Financial income and expenses, net	(115,600)	(113,599)
In LTL	Jan-Dec 2011	Jan-Dec 2010
11 Corporate income tax expenses		
Current tax	0	0
Change in deferred income tax	(353,407)	(65,848)
Total corporate income tax expenses	(353,407)	(65,848)

Notes

12 Deferred tax

	Jan-Dec 2011		Jan-Dec 2010	
In LTL	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
Impairment of other receivables	0	0	496,482	74,472
Impairment of trade receivables	188,082	28,212	115,428	17,314
Impairment of construction in progress	764,088	114,613	668,577	100,287
Impairment of building and land	2,371,448	355,718	0	0
Accrued social security expenses for vacation reserve	77,724	11,659	110,404	16,561
Tax losses	3,351,122	502,668	1,891,832	283,775
Total deferred tax asset		1,012,870		492,409
Difference in depreciation of property, plant and equipment	(2,751,249)	(412,688)	(2,654,326)	(398,149)
Difference in amortisation of intangible assets	(6,547,041)	(982,056)	(5,455,867)	(818,380)
Carrying value of non-current assets that are subject to investment relief	(336,462)	(50,469)	(410,868)	(61,630)
Total deferred tax liability		(1,445,213)		(1,278,159)
Net deferred tax		(432,343)		(785,750)

Change in the deferred tax:

In LTL	Jan-Dec 2011	Jan-Dec 2010
Deferred tax liability as of January 1	(785,750)	(851,598)
Deferred tax change	353,407	65,848
Deferred tax liability as on 31 December	(432,343)	(785,750)

13 Corporate income tax

In LTL	Jan-Dec 2011	Jan-Dec 2010
Overpaid corporate income tax (liability) as of 1 January	72,720	216,969
Corporate income tax for the period	0	0
Reckoned-in to cover liability of other taxes	72,720	216,969
Corporate income tax paid	0	72,720
Overpaid corporate income tax (liability) as of 31 December	0	72,720

Notes

14 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Constructio n in progress	Other tangible assets	Total
Cost as of 1 January 2010	22,397,605	17,793,254	1,221,049	2,292,679	1,997,899	0	45,702,486
Additions	100,488	5,815,168	214,152	43,095	1,633,890	1,694,395	9,501,188
Disposals	(307,579)	(1,068,085)	(132,440)	(116,417)	0	0	(1,624,521)
Reclassificationnns	0	0	0	0	0	0	0
Cost as of the 31 Decemb 2010	22,190,514	22,540,337	1,302,761	2,219,357	3,631,789	1,694,395	53,579,153
Accumulated depreciation as of 1 January 2010	7,863,819	13,021,950	736,632	1,943,368	573,066	0	24,138,835
Depreciation	741,033	1,732,321	202,853	155,338	95,511	0	2,927,056
Impairment loss	0	0	0	0	0	0	0
Disposals	(228,617)	(1,063,710)	(100,136)	(116,365)	0	0	(1,508,828)
Accumulated depreciation as of 31 December 2010	8,376,235	13,690,561	839,349	1,982,341	668,577	0	25,557,063
Net book value as of 31 December 2010	13,814,279	8,849,776	463,412	237,016	2,963,212	1,694,395	28,022,090
Cost as of 1 January 2011	22,190,514	22,540,337	1,302,761	2,219,357	3,631,789	1,694,395	53,579,153
Additions	1,730,870	7,051,549		11,096	404,020		9,197,535
Disposals	(6,689)	(47,942)	(99,899)	(50,614)	0	0	(205,144)
Reclassificationnns	0	1,152,366	0	0	0	(1,152,366)	0
Cost as of 31 December 2011	23,914,695	30,696,310	1,202,862	2,179,839	4,035,809	542,029	62,571,544
Accumulated depreciation as of 1 January 2011	8,376,235	13,690,561	839,349	1,982,341	668,577	0	25,557,063
Depreciation	742,771	1,633,471	186,868	117,340	95,511	0	2,775,961
Impairment loss	2,371,448	0	0	0	0	0	2,371,448
Disposals	(6,688)	(47,936)	(62,436)	(50,588)	0	0	(167,648)
Accumulated depreciation as of 31 December 2011	11,483,766	15,276,096	963,781	2,049,093	764,088	0	30,536,824
Net book value as of 31 December 2011	12,430,929	15,420,214	239,081	130,746	3,271,721	542,029	32,034,720

Notes

14 Property, plant and equipment (cont'd)

Since 2009, as the requirements of accounting standards have changed, depreciation shall apply on the construction in progress. Before 2009, depreciation was applied on the construction in progress and, accordingly, on quarterly basis, based on assessments by the management, the amount of depreciation was recognised as a loss of impairment.

In December 2011 property valuations have been carried out and recognize by LTL 2,371,448 impairment losses.

Distribution of depreciation costs:

In LTL	Jan-Dec 2011	Jan-Dec 2010
Cost of sales	1,324,235	1,604,865
Inventories	173,170	157,661
Administrative and other expenses	1,278,556	1,164,530
Total	2,775,961	2,927,056

15 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2010	173,096	549,135	18,913,672	19,635,903
Additions	0	8,715	0	8,715
Disposals	(131,776)	(12,046)	0	(143,822)
Cost as of 31 December 2010	41,320	545,804	18,913,672	19,500,796
Accumulated amortisation as of 1 January 2010	173,096	496,675	5,043,646	5,713,417
Amortisation	0	28,989	945,683	974,672
Disposals	(131,776)	(12,046)	0	(143,822)
Accumulated amortisation as of 31 Dec 2010	41,320	513,618	5,989,329	6,544,267
Net book value as of 31 December 2010	0	32,186	12,924,343	12,956,529
Cost as of 1 January 2011	41,320	545,804	18,913,672	19,500,796
Additions	4,500	1,496	0	5,996
Disposals				
Cost as of 31 December 2011	45,820	547,300	18,913,672	19,506,792
Accumulated amortisation as of 1 January 2011	41,320	513,618	5,989,329	6,544,267
Amortisation	875	11,256	945,684	957,815
Disposals	0	0	0	0
Accumulated amortisation as of 31 Dec 2011	42,195	524,874	6,935,013	7,502,082
Net book value as of 31 December 2011	3,625	22,426	11,978,659	12,004,710

All amortisation expenses are included under operating expenses.

Notes

	In LTL	31.12.2011	31.12.2010
16	Financial assets		
	Long-term loans granted	3,919,097	3,615,486
	Total financial assets	3,919,097	3,615,486

Long-term loans granted: LTL 3,164,077 (EUR 916,380) and interest thereon amounting to LTL 755,020 (EUR 218,669) loan to an associated company. Term of repayment of the loan – August 2015. Including short-term loans LTL 34,528 (EUR 10,000) and interest associated company prolonged till August 2015. The loan was reclassified to long-term loan.

	In LTL	31.12.2011	31.12.2010
17	Inventories		
	Raw materials	5,980,409	4,472,447
	Finished goods	2,009,400	1,790,775
	Goods for resale	1,000,432	921,474
	Work in progress	82,651	61,825
	Total inventories	9,072,892	7,246,521

	In LTL	31.12.2011	31.12.2010
18	Prepayments and deferred expenses		
	Prepayments to suppliers	52,767	28,518
	Deferred advertising expenses	59,228	67,535
	Deferred insurance and subscription	96,945	71,929
	Other	76,706	60,539
	Total prepayments and deferred expenses	285,646	228,521

	In LTL	31.12.2011	31.12.2010
19	Trade receivables		
	Trade receivables	25,852,122	24,251,302
	Impairment allowance for bad debts	(188,082)	(115,428)
	Net trade receivables	25,664,040	24,135,874

Notes

19 Trade receivables (cont'd)

Change in impairment of receivables for bad debts:

In LTL	31.12.2011	31.12.2010
Impairment allowance for bad debts as of 1 January	(115,428)	(236,076)
Reverse of impairment allowance for bad debts	(106,757)	0
Impairment allowance for bad debts	34,103	120,648
Impairment allowance for bad debts at the end of the period	(188,082)	(115,428)

20 Other receivables

In LTL	31.12.2011	31.12.2010
Loans granted	0	34,528
Amounts deposited for the guarantee to the Tax Inspectorate	300,480	302,480
Overpaid income tax	0	72,720
Up to 1 year deposited the amount of bank guarantee	41,230	0
Other receivables	174,597	30,223
Doubtful receivables	495,581	496,482
Total other receivables before write-down allowance	1,011,888	936,433
Impairment	(495,581)	(496,482)
Total other receivables, net	516,307	439,951

The amount deposited for guarantee to the Tax Inspectorate is a guarantee for payment of excise tax, value added tax, and imported (exported) production payments.

Interpretation of short-term loans granted and interest in note 16.

Change in impairment allowance of receivables:

In LTL	31.12.2011	31.12.2010
Impairment allowance for bad debts and other receivables as of 1 January	(496,482)	(832,923)
Reverse of impairment allowance for bad debts	901	336,441
Impairment allowance for bad debts and other receivables at the end of the period	(495,581)	(496,482)

Notes

In LTL	31.12.2011	31.12.2010
21 Cash and cash equivalents		
Cash at bank and in hand	46,600	49,528
Total cash and cash equivalents	46,600	49,528

22 Capital and reserves

Share capital

The share capital is made of 24,408,431 ordinary shares with the nominal value of LTL 1 each and the total share capital is LTL 24,408,431, fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to dividends as declared from time to time and to capital repayment in case of and a share of residual assets. One ordinary share gives a right to one vote at the shareholders' meeting.

Legal reserve

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

23 Earnings per share

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

	Jan-Dec 2011	Jan-Dec 2010
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	(2,840,717)	(335,921)
Earnings per share, in LTL	(0.12)	(0.01)
	Oct-Dec 2011	Oct-Dec 2010
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	(2,186,935)	(378,504)
Earnings per share, in LTL	(0.09)	(0.02)

The Company has not issued other securities potentially convertible into shares. Therefore, the diluted earnings per share are the same as the basic earnings per share.

Notes

In LTL	31.12.2011	31.12.2010
24 Interest bearing loans and borrowings		
Non-current liabilities		
Bank loans	5,837,959	4,966,959
Financial lease (leasing) liabilities	246,356	564,359
Total non-current liabilities	6,084,315	5,531,318
Current liabilities		
Overdraft	9,872,145	10,771,867
Bank and other loans	3,379,813	1,866,739
Financial lease (leasing)	318,895	619,581
Total current liabilities	13,570,853	13,258,187
Total	19,655,168	18,789,505

Terms and repayment schedule:

In LTL	Total	Up to 1 year	1-5 years	Over 5 years
LTL 7,000,000 overdraft – fluctuating interest rate: 3-month VILIBOR+margin	4,872,145	4,872,145		
Loan of EUR 3,015,412 (LTL 10,411,615) – 3-month fluctuating LIBOR EUR + margin	4,966,959	1,295,312	3,671,647	
EUR 1,448,100 (LTL 5,000,000) overdraft – fluctuating interest rate: 3-month EURIBOR + margin	5,000,000	5,000,000		
EUR 1,736,272 (LTL 5,995,000) credit – fluctuating interest rate: 3-month EURIBOR + margin	4,250,813	2,084,501	2,166,312	
Financial lease (leasing) – 3-month variable EURIBOR+margin	565,251	318,895	246,356	
Total financial liabilities	19,655,168	13,570,853	6,084,315	0

Term of repayment of the long-term loan is December 2015, of overdraft (LTL 7,000,000 and EUR 1,448,100) – 31 August 2012. Under financial lease agreements, the Company's assets consist of plant and equipment and vehicles. Financial lease terms are up to 3 years.

In 2009, the Company and the bank signed long-term crediting contract for the amount of EUR 1,736,272 and long-term financial liability limit contract for EUR 879,865.62. Long-term credit and financial liability limit are intended for financing of the Project “Using distillery refuse (brogā) for the production of electric power“. Long-term credit repayment deadline – December 2015, financial liability limit deadline – December 2011.

In order to secure the bank loans, the Company has pledged its assets. For further comments refer to Note 29.

Notes

In LTL	31.12.2011	31.12.2010
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25 Governmental grants

Balance value at the beginning of the period	4,137,227	0
Grants received	4,037,982	4,137,227
Used within the period	0	0
Balance value at the end of the period	8,175,209	4,137,227

The Company has received funds from EU Structural Funds under Priority 3 of the Cohesion Growth Action Program “Increasing the Effectiveness of Energy Production”. The support was granted for acquisition of non-current assets.

In LTL	31.12.2011	31.12.2010
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26 Other payables

Payable excise tax	8,584,426	5,938,245
Payable VAT	2,894,271	2,657,368
Vacation reserve and social security	481,807	665,968
Taxes payable	197,791	75,254
Accrued expenses	134,078	71,645
Other payables	82,502	59,438
Total other payables	12,374,875	9,467,918

27 Financial risk management

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

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

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

The Board is completely responsible for development and supervision of the company’s risk management structure. The Company’s risk management policy is devoted to identification and analysis of the risks the Company faces, determination of respective risk limits and controls, and monitoring of the observance of risks and limits. Risk management policy and risk management system are regularly revised to match the changes of market conditions and the Company’s activities. With the help of

Notes

27 Financial risk management (cont'd)

trainings, procedures of management standards, the Company aims to develop a disciplined and constructive management environment, where every employee knows his/her functions and duties.

Credit risk

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

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

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

Liquidity risk

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

The Company's policy is to maintain sufficient cash to cover planned operating expenditure, including financial liabilities; such security does not cover the influence unforecastable force majeure (such as natural calamities). Moreover, the Company has concluded a contracts for bank overdrafts in LTL and EUR.

Market risk

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

Interest rate risk

The Company's borrowings are subject to variable interest rates related to EURIBOR, LIBOR EUR and VILIBOR. As of 31 December 2011, 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.

Notes

27 Financial risk management (cont'd)

Foreign exchange risk

The functional currency of the Company is Litas (LTL). The Company faces foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas or Euro. The risk related to the transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to Euro at a fixed rate. The Company does not have any material exposure in other foreign currencies.

Capital management

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

The Board also strives for maintaining the balance between higher return, which could be achieved through a higher level of borrowed funds, and safety, which is provided by a higher level of owner's equity.

The Company's capital management policy did not change.

28 Related party transactions

Related parties of the Company are:

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

Parent and ultimate parent companies are as follows:

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

Notes

28 Related party transactions (cont'd)

Other main related parties are:

Company	Relationship
UAB Belvedere prekyba	Belvedere group company
Sobieski Destylarnia S.A.	Belvedere group company
Vinimpex PLC	Belvedere group company
UAB Belvedere Baltic	Belvedere group company
Fabryka Wodek Polmos Landut	Belvedere group company
Gemaco	Belvedere group company
PHP Wiesław Wawrzyniak	Belvedere group company
Moncigale S.A.S.	Belvedere group company
Gognac Gautier	Belvedere group company
Marie Brizard&Roger Inten.	Belvedere group company
Marie Brizard Espagne	Belvedere group company
IOOO Galiart	Belvedere group company
Chais Beaucairois SAS	Belvedere group company
Domain Menada Sp. Z.o.o.	Belvedere group company
Darius Žaromskis	Shareholder, chairman of the board
Other related party	Management (directors)

Sales to and purchases from related parties:

Company	Type of transaction	Jan-Dec 2011	Jan-Dec 2010
Purchases from:			
Belvedere group companies	Purchase of services and other	477,516	640,348
Belvedere group companies	Purchase of inventories	657,569	803,805
Shareholder	Purchase of services	309,600	309,600
Parent company	Purchase of inventories	63,206	0
Ultimate parent company	Purchase of inventories	0	24,070
Total purchases		1,507,891	1,777,823
Sales to:			
Belvedere group companies	Sales of production incl.excise tax	42,026,550	42,198,657
Belvedere group companies	Sales of services and other	211,595	147,505
Shareholder	Sales of inventories	316	58
Parent company	Sales of production incl.excise tax	0	131,308
Ultimate parent company	Other income	266,261	243,025
Other related party	Sales of tangible asset	1,000	0
Other related party	Sales of services	6,010	6,160
Total sales		42,511,732	42,726,713
Excise tax		27,816,444	30,967,736
Total sales net of excise tax		14,695,288	11,758,977

Notes

28 Related party transactions (cont'd)

Balances outstanding with related parties:

Company	31.12.2011	31.12.2010
Trade receivables		
From Belvedere group companies	3,126,723	3,155,343
From ultimate parent company	3,919,097	3,650,151
From parent company	36,273	99,479
Other related party	942	524
Total trade receivables	7,083,035	6,905,497
Trade payables		
To ultimate parent company	45,242	45,242
To Belvedere group companies	147,157	243,769
Total trade payables	192,399	289,011

Information on the loans granted to the associated company is provided in Note 16 and Note 20. Remuneration to the Company's management is enclosed in Note 9.

Interest rates and all outstanding related party transactions are priced on arm's length basis.

29 Off-balance liabilities

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

In LTL	31.12.2011	31.12.2010
Carrying amount of pledged buildings and structures	10,102,429	10,894,956
Carrying amount of pledged trademarks	11,978,659	12,924,343
Carrying amount of pledged inventories	9,072,892	7,246,521

The Company has transferred to the Bank the existing and further monetary funds deposited on the accounts with bank which were equal to LTL 28,202 as on the 31st of December 2011 (LTL 13,650 as on the 31st of December 2010) and amounts receivable from its buyers that were equal to LTL 25,664,040 on the 31st December 2011 (LTL 24,135,874 as on the 31st December 2010), under the Claiming Right Transfer Agreement in order to secure fulfilment of its liabilities under the Crediting Contract.

Short-term guarantee related to implementation of the Project "Using distillery refuse (broga) for the production of electric power" has been granted to Lithuanian Business Support Agency. The amount of the bank has been granted using the funds of financial liabilities limit, expired in 31 December 2011.

Notes

30 Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties 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.

Fair value of assets and liabilities provided in the balance sheet as on the 31st of December 2011 does not significantly differ from their carrying amount, except non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets as on the 31th of December 2011:

In LTL	Carrying amount	Fair value
Granted long-term loans and other receivables	3,919,097	3,919,097
Advance payments and deferred expenditure	285,646	285,646
Trade debtors	25,664,040	25,664,040
Other amounts receivable	516,307	516,307
Cash and cash equivalents	46,600	46,600
Total	30,431,690	30,431,690

Financial liabilities as on the 31th of December 2011:

In LTL	Carrying amount	Fair value
Loan and other interest-bearing amounts	19,655,168	19,655,168
Trade creditors	6,786,787	6,786,787
Other amounts payable	12,374,875	12,374,875
Total	38,816,830	38,816,830

31 Events after the reporting period

There were not events occurred after the reporting period that would influence financial results of the Company.