

# **AB VILNIAUS DEGTINĖ**

Interim Financial Statements for  
three-month period ended on the  
31<sup>st</sup> March 2012  
(unaudited)

## **Contents**

Company Information .....	3
Confirmation of the Responsible Persons .....	4
Statement on Financial Position .....	5
Comprehensive Income Statement .....	7
Statement of Changes in Equity .....	8
Cash Flows Statement .....	9
Notes .....	10

## **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

Dalius Rutkauskas, Buying and selling director

Aistė Rasmussen, Production Manager

### **Board**

Darius Žaromskis

Juozas Daunys

Dalius Rutkauskas

Aistė Rasmussen

### **Auditor**

UAB Grant Thornton Rimess

### **Banks**

AB DNB bankas

Lithuanian branch of AS UniCredit Bank

AB SEB bankas

AB Swedbank

## **Confirmation of the Responsible Persons**

In accordance with the provisions Article 22 of Law on the Securities Market of the Republic of Lithuania and regulations for provision and preparation of periodical and additional information, confirmed by the Securities Commission of the Republic of Lithuania, we, the Director General of Juozas Daunys and Senior Accountant Renata Baliūnaitė of AB Vilniaus degtinė, confirm that as we know, the audited Interim Financial Statements of AB Vilniaus degtinė for the three-month ended on the 31st March, 2012, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, are realistic and properly show the assets, liabilities, financial condition, cash flows, profit or loss of AB Vilniaus degtinė.

Director General  
Juozas Daunys

Vilnius,  
28 May, 2012



Senior Accountant  
Renata Baliūnaitė

A handwritten signature in blue ink, likely belonging to Renata Baliūnaitė, the Senior Accountant.

## Statement on Financial Position

As on the 31<sup>st</sup> of March

In LTL	Notes	31.03.2012	31.12.2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	14	32,008,665	32,034,720
Intangible assets	13	11,765,313	12,004,710
Financial assets	15	3,986,150	3,919,097
<b>Total non-current assets</b>		<b>47,760,128</b>	<b>47,958,527</b>
<b>Current assets</b>			
Inventories	16	8,991,436	9,072,892
Prepayments and future expenses	17	332,316	285,646
Trade receivables	18	21,796,167	25,664,040
Other receivables	12,19	846,487	516,307
Cash and cash equivalents	20	44,088	46,600
<b>Total current assets</b>		<b>32,010,494</b>	<b>35,585,485</b>
<b>TOTAL ASSETS</b>		<b>79,770,622</b>	<b>83,544,012</b>

Notes on pages 10-30 are an integral part of these financial statements.

## Statement on Financial Position (cont'd)

As on the 31<sup>st</sup> of March

In LTL	Notes	31.03.2012	31.12.2011
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	21	24,408,431	24,408,431
Legal reserve	21	2,440,843	2,440,843
Retained earnings (loss)		8,940,296	9,270,356
<b>Total equity</b>		<b>35,789,570</b>	<b>36,119,630</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings			
	23	5,370,929	6,084,315
Governmental grants	24	8,202,695	8,175,209
Deferred tax liability	11	388,431	432,343
<b>Total non-current liabilities</b>		<b>13,962,055</b>	<b>14,691,867</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings			
	23	14,258,024	13,570,853
Trade payables		6,520,199	6,786,787
Other payables	25	9,240,774	12,374,875
<b>Total current liabilities</b>		<b>30,018,997</b>	<b>32,732,515</b>
<b>Total liabilities</b>		<b>43,981,052</b>	<b>47,424,382</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>79,770,622</b>	<b>83,544,012</b>

Notes on pages 10-30 are an integral part of these financial statements.

## Comprehensive Income Statement

As on the 31<sup>st</sup> of March

In LTL	Notes	Jan-Mar 2012	Jan-Mar 2011
<b>Sales revenue</b>	4	<b>11,453,945</b>	<b>9,499,241</b>
Cost of sales		(8,171,207)	(6,631,203)
<b>Gross profit</b>	4	<b>3,282,738</b>	<b>2,868,038</b>
Other income	5	52,093	101,503
Sales and distribution expenses	6	(1,171,049)	(953,223)
Administrative expenses	7	(2,417,378)	(2,610,788)
Other expenses	5	(18,849)	(8,899)
<b>Result from operating activities</b>		<b>(272,445)</b>	<b>(603,369)</b>
Financial income	9	85,632	66,333
Financial expenses	9	(187,159)	(180,420)
<b>Profit (loss) before tax</b>		<b>(373,972)</b>	<b>(717,456)</b>
Corporate income tax	10	43,912	82,770
<b>Profit (loss) for the period</b>		<b>(330,060)</b>	<b>(634,686)</b>
Basic and diluted earnings (loss) per share	22	(0.01)	(0.03)
<b>Other general income (expenditure)</b>		0	0
<b>Total general income (expenditure), less taxes</b>		<b>(330,060)</b>	<b>(634,686)</b>

Notes on pages 10-30 are an integral part of these financial statements.

## Statement of Changes in Equity

As on the 31<sup>st</sup> of March

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
<b>Capital and reserves as on 1 January 2011</b>		<b>24,408,431</b>	<b>2,440,843</b>	<b>0</b>	<b>12,111,073</b>	<b>38,960,347</b>
Profit (loss) for January-March of 2011					(634,686)	(634,686)
<b>Capital and reserves as on 31 March 2011</b>		<b>24,408,431</b>	<b>2,440,843</b>	<b>0</b>	<b>11,476,387</b>	<b>38,325,661</b>
<b>Capital and reserves as on 1 January 2012</b>		<b>24,408,431</b>	<b>2,440,843</b>	<b>0</b>	<b>9,270,356</b>	<b>36,119,630</b>
Profit (loss) for January-March of 2012					(330,060)	(330,060)
<b>Capital and reserves as on 31 March 2012</b>	21	<b>24,408,431</b>	<b>2,440,843</b>	<b>0</b>	<b>8,940,296</b>	<b>35,789,570</b>

Notes on pages 10-30 are an integral part of these financial statements.



## Cash Flows Statement

As on the 31<sup>st</sup> of March

In LTL	Jan-Mar 2012	Jan-Mar 2011
Profit (loss) for the period	(330,060)	(634,686)
Depreciation and amortisation	817,425	968,932
Impairment of trade receivables and other receivables	(5,364)	0
Net financial expenses	110,544	87,657
Gain (loss) on disposal of non-current assets	0	0
Corporate income tax expenses	(43,912)	(82,770)
Net cash flows from ordinary activities before changes in working capital	548,633	339,133
Change in inventories	81,456	(613,918)
Change in prepayments	(46,670)	(78,465)
Change in trade receivables and other receivables	3,530,871	4,087,972
Change in trade payables and other payables	(3,390,968)	(4,220,199)
Net cash flows from operating activities	174,689	(824,610)
Income tax paid	0	0
<b>Net cash flows from operating activities</b>	<b>723,322</b>	<b>(485,477)</b>
Proceeds from disposal of non-current assets	0	0
Acquisition of property, plant and equipment	(519,525)	(993,860)
Acquisition of intangible non-current assets	0	(1,496)
<b>Net cash flows from investing activities</b>	<b>(5 19,525)</b>	<b>(995,356)</b>
Repayment of loans	(377,400)	(466,685)
Loans received	0	1,876,053
Increase (decrease) of other financial liabilities	431,354	121,153
Financial lease payments	(77,704)	(197,256)
Grants received	27,486	332,006
Interest paid	(210,045)	(169,851)
<b>Net cash flows from financing activities</b>	<b>(206,309)</b>	<b>1,495,420</b>
<b>Net cash flows from operating, investing and financing activities</b>	<b>(2,512)</b>	<b>14,587</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>46,600</b>	<b>49,528</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>44,088</b>	<b>64,115</b>

Notes on pages 10-30 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 23<sup>rd</sup> of November 1990 and it is domiciled in Vilnius, Lithuania. The Company has a subsidiary in Rokiškis district.

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

**As on the 31<sup>st</sup> of March 2012, 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
Other shareholders	7,739,799	1	7,739,799
<b>Total capital</b>	<b>24,408,431</b>	<b>1</b>	<b>24,408,431</b>

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

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

The Company employed 151 staff members as on the 31<sup>st</sup> of March 2012 (163 staff members as on the 31<sup>st</sup> of March 2011).

### 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.

Financial Statements for the period ended on the 31<sup>st</sup> March 2012 are unaudited. The audit of Annual Financial Statements for the year ended on the 31<sup>st</sup> December 2011 was carried out by UAB Grant Thornton Rimess.

#### 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 factors that are correspond to the present circumstances. On the basis of the assumptions and estimates mentioned, the judgements about carrying values of assets and liabilities that are not readily apparent from other sources are made. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Basis of preparation (cont'd)**

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

Judgements made by Management on application of IFRS as adopted by the European Union that have significant effect on the financial statements, and estimates of significant adjustments in the next year are discussed in separate Note.

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

#### **Foreign currency**

##### **Translation of amounts in foreign currencies into the national currency**

Transactions in foreign currencies are translated into litas 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 into litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

##### **Non-derivative financial instruments**

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

Cash and cash equivalents include cash balances and demand deposits.

Non-derivative financial instruments are initially recognised at fair value plus (except for the instruments recognised in the income statement at fair value) any direct attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

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

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Non-derivative financial instruments (cont'd)**

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

#### **Financial derivatives**

The Company did not use or have derivative financial instruments within the period ended on the 31<sup>st</sup> of March 2012.

#### **Non-current tangible assets**

##### **Recognition and measurement**

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

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

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

##### **Subsequent costs**

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

##### **Depreciation**

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

The estimated useful lives are as follows:

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

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

## Notes

### 2 Summary of significant accounting principles (cont'd)

#### **Non-current intangible assets**

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

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

- Software and licences 3 years
- Sobieski trademark 20 years

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

#### **Leased assets**

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

#### **Inventories**

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

The costs of inventories is determines based on FIFO principle.

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

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.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Grants are related to assets**

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

#### **Impairment**

Financial asset is impaired 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.

#### **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.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Reversals of impairment (cont'd)**

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.

##### **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.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Expenses**

##### **Operating lease payments**

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

##### **Financial lease payments**

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

##### **Net financing costs**

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

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

##### **Corporate income tax**

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

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

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.



## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Segment reporting**

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

#### **Basic and diluted earnings (loss) per share**

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

### **3 Critical accounting estimates and judgements**

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

#### **Impairment losses on receivables**

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

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

## Notes

### 3 Critical accounting estimates and judgements (cont'd)

#### Impairment losses on construction in progress

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

#### Impairment losses on building and land

In 2009 the building with land was purchased. In 2011 property valuations have been carried out and impairment losses on property were recognised.

#### Impairment losses on trademark

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

### 4 Segment reporting

Considering the share of the sales of products in total income, only one segment can be distinguished in the Company – production of alcoholic drinks, alimentary rectified ethyl alcohol, denaturised ethyl alcohol.

#### Revenue and gross profit for January-March 2012 are presented below

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	7,730,481	2,785,856	74,446	863,162	11,453,945
Gross profit	3,225,060	(50,162)	32,310	75,530	3,282,738

#### Revenue and gross profit for January-March 2011 are presented below

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	6,660,196	1,981,622	10,093	847,330	9,499,241
Gross profit	2,577,302	160,246	7,052	123,438	2,868,038

The Company's primary activities are carried out in the Lithuanian market. A part of its production is exported to the European Union (hereinafter –EU) countries and abroad. In January-March 2012, sales to EU and other foreign markets amounted to LTL 3,153,279 (in January-March 2011 – LTL 1,945,571). Considering the share of product sales in foreign markets in total revenue, no geographical segments are singled out.

## Notes

In LTL	Jan-Mar 2012	Jan-Mar 2011
<b>5 Income and expenses of other activities</b>		
Lease of premises and utilities	27,788	27,417
Income from sales of materials and spare parts	0	55,023
Other income	24,305	19,063
Total other income	52,093	101,503
Other expenses	(10,141)	(8,899)
Loss from sales of materials and spare parts	(8,708)	0
Total other expenses	(18,849)	(8,899)
<b>Net income and expenses of other activities</b>	<b>33,244</b>	<b>92,604</b>
In LTL	Jan-Mar 2012	Jan-Mar 2011
<b>6 Sales and distribution expenses</b>		
Advertising expenses	(550,552)	(509,050)
Wages and salaries	(216,553)	(250,516)
Transportation expenses	(250,559)	(92,111)
Market research expenses	(9,535)	(16,494)
Packaging expenses	(18,553)	(17,230)
Other expenses	(125,297)	(67,822)
<b>Total sales and distribution expenses</b>	<b>(1,171,049)</b>	<b>(953,223)</b>
In LTL	Jan-Mar 2012	Jan-Mar 2011
<b>7 Administrative expenses</b>		
Wages and salaries	(742,950)	(928,181)
Operating taxes	(292,164)	(217,642)
Repairs and maintenance	(41,854)	(79,911)
Amortisation and depreciation	(478,155)	(526,245)
Consulting and training expenses	(111,457)	(128,441)
Maintenance of cargo vehicles	(77,379)	(113,141)
Security expenses	(74,221)	(78,000)
Communications and IT maintenance expenses	(31,068)	(39,675)
Utilities	(278,974)	(251,681)
Other expenses	(289,156)	(247,871)
<b>Total administrative expenses</b>	<b>(2,417,378)</b>	<b>(2,610,788)</b>

## Notes

In LTL	Jan-Mar 2012	Jan-Mar 2011
<b>8 Personnel expenses</b>		
Wages and salaries	(785,153)	(1,051,644)
Vacation compensations	(138,112)	(100,450)
Guarantee fund contributions	(1,820)	(1,156)
Social security contributions	(283,982)	(356,844)
<b>Total personnel expenses</b>	<b>(1,209,067)</b>	<b>(1,510,094)</b>

Redundancy pays for January-March 2012, inclusive of social security taxes and guarantee fund, amounted to LTL 1,233 (in January-March 2011 - LTL 167,231).

Average number of staff members on payroll for January-March 2012 was 144 (164 for January-March 2011).

In LTL	Jan-Mar 2012	Jan-Mar 2011
<b>9 Financial income and expenses</b>		
Interest income	67,063	66,333
Foreign exchange gain	18,569	0
Total financial income	85,632	66,333

Interest expenses	(177,599)	(158,713)
Other expenses	(9,560)	(21,707)
Total financial expenses	(187,159)	(180,420)
<b>Financial income and expenses, net</b>	<b>(101,527)</b>	<b>(114,087)</b>

In LTL	Jan-Mar 2012	Jan-Mar 2011
<b>10 Corporate income tax expenses</b>		
Change in deferred income tax	43,912	82,770
<b>Total corporate income tax expenses</b>	<b>43,912</b>	<b>82,770</b>

	Jan-Mar 2012		Jan-Mar 2011	
In LTL	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
Deferred tax asset	7,291,961	1,093,794	4,189,521	628,428
Deferred tax liability	9,881,503	1,482,225	8,876,053	1,331,408
<b>Net deferred tax liability</b>		<b>388,431</b>		<b>702,980</b>

## Notes

In LTL	Jan-Mar 2012	Jan-Mar 2011		
<b>11 Deferred tax (cont'd)</b>				
<b>Change in the deferred tax</b>				
Deferred tax liability at the beginning of the period	432,343	785,750		
Deferred tax change	(43,912)	(82,770)		
<b>Deferred tax liability at the end of the period</b>	<b>388,431</b>	<b>702,980</b>		
<b>12 Corporate income tax</b>				
In LTL	Jan-Mar 2012	Jan-Mar 2011		
Overpaid corpor. income tax (liability) at the beginning of the period	0	72,720		
Corporate income tax for the period	0	0		
<b>Overpaid corpor. income tax (liability) at the end of the period</b>	<b>0</b>	<b>72,720</b>		
<b>13 Non-current intangible assets</b>				
In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2011	41,320	545,804	18,913,672	19,500,796
Additions	0	1,496	0	1,496
	41,320	547,300	18,913,672	19,502,292
Cost as of 31 March 2011				
	41,320	513,618	5,989,329	6,544,267
Accumulated amortisation as of 1 January 2011				
Amortisation	0	3,391	236,421	239,812
Accumulated amortisation as of 31 March 2011	41,320	517,009	6,225,750	6,784,079
<b>Net book value as of 31 March 2011</b>	<b>0</b>	<b>30,291</b>	<b>12,687,922</b>	<b>12,718,213</b>
Cost as of 1 January 2012	45,820	547,300	18,913,672	19,506,792
Cost as of 31 March 2012	45,820	547,300	18,913,672	19,506,792
Accumulated amortisation as of 1 January 2012	42,195	524,874	6,935,013	7,502,082
Amortisation	375	2,601	236,421	239,397
Accumulated amortisation as of 31 March 2012	42,570	527,475	7,171,434	7,741,479
<b>Net book value as of 31 March 2012</b>	<b>3,250</b>	<b>19,825</b>	<b>11,742,238</b>	<b>11,765,313</b>

All amortisation expenses are included under operating expenses.

## Notes

### 14 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other	Total
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	0	967,930	0	5,560	36,249	0	1,009,739
Reclassificationns	0	377,596	0	0	0	(377,596)	0
Cost as of the 31 March 2011	22,190,514	23,885,863	1,302,761	2,224,917	3,668,038	1,316,799	54,588,892
Accumulated impairment of 1 January 2011	0	0	0	0	477,555	0	477,555
Accumulated impairment of 1 March 2011	0	0	0	0	477,555	0	477,555
Accumulated depreciation as of 1 January 2011	8,376,235	13,690,561	839,349	1,982,341	191,022	0	25,079,508
Depreciation	185,692	435,948	49,742	33,860	23,878	0	729,120
Accumulated depreciation as of 31 March 2011	8,561,927	14,126,509	889,091	2,016,201	214,900	0	25,808,628
<b>Net book value as of 31 March 2011</b>	<b>13,628,587</b>	<b>9,759,354</b>	<b>413,670</b>	<b>208,716</b>	<b>2,975,583</b>	<b>1,316,799</b>	<b>28,302,709</b>
Cost as of 1 January 2012	23,914,695	30,696,310	1,202,862	2,179,839	4,035,809	542,029	62,571,544
Additions	433,335	18,449	0	1,980	98,209	0	551,973
Reclassificationns	50,400	490,829	0	0	0	(541,229)	0
Cost as of 31 March 2012	24,398,430	31,205,588	1,202,862	2,181,819	4,134,018	800	63,123,517
Accumulated impairment of 1 January 2012	2,371,448	0	0	0	477,555	0	2,849,003
Accumulated impairment of 1 March 2012	2,371,448	0	0	0	477,555	0	2,849,003
Accumulated depreciation as of 1 January 2012	9,112,318	15,276,096	963,781	2,049,093	286,533	0	27,687,821
Depreciation	185,790	311,995	38,374	17,992	23,877	0	578,028
Accumulated depreciation as of 31 March 2012	9,298,108	15,588,091	1,002,155	2,067,085	310,410	0	28,265,849
<b>Net book value as of 31 March 2012</b>	<b>12,728,874</b>	<b>15,617,497</b>	<b>200,707</b>	<b>114,734</b>	<b>3,346,053</b>	<b>800</b>	<b>32,008,665</b>
In LTL					Jan-Mar 2012	Jan-Mar 2011	
<b>Distribution of depreciation costs</b>							
Cost of sales					196,538	220,879	
Inventories					132,591	212,846	
Administrative and other expenses					248,899	295,395	
<b>Total distribution of depreciation cost</b>					<b>578,028</b>	<b>729,120</b>	

## Notes

	In LTL	31.03.2012	31.12.2011
<b>15</b>	<b>Financial assets</b>		
	Long-term loans granted	3,164,077	3,164,077
	Interest receivable	822,073	755,020
	<b>Total financial assets</b>	<b>3,986,150</b>	<b>3,919,097</b>
	Term of repayment of the loan and interest – August 2015.		
	In LTL	31.03.2012	31.12.2011
<b>16</b>	<b>Inventories</b>		
	Raw materials	5,724,928	5,980,409
	Finished goods	2,216,676	2,009,400
	Goods for resale	996,456	1,000,432
	Work in progress	53,376	82,651
	<b>Total inventories</b>	<b>8,991,436</b>	<b>9,072,892</b>
	In LTL	31.03.2012	31.12.2011
<b>17</b>	<b>Prepayments and deferred expenses</b>		
	Prepayments to suppliers	175,296	52,767
	Deferred advertising expenses	58,205	59,228
	Deferred insurance and subscription	66,216	96,945
	Other expenses	32,599	76,706
	<b>Total prepayments and deferred expenses</b>	<b>332 316</b>	<b>285,646</b>
	In LTL	31.03.2012	31.12.2011
<b>18</b>	<b>Trade receivables</b>		
	Trade receivables	21,979,274	25,852,122
	Impairment allowance for bad debts	(183,107)	(188,082)
	<b>Net trade receivables</b>	<b>21,796,167</b>	<b>25,664,040</b>
	In LTL	31.03.2012	31.12.2011
	<b>Change in impairment of receivables for bad debts</b>		
	Impairment allow. for bad debts at the beginning of the period	(188,082)	(115,428)
	Impairment allowance for bad debts	0	(106,757)
	Reverse of impairment allowance for bad debts	4,975	34,103
	<b>Impairment allowance for bad debts at the end of the period</b>	<b>(183,107)</b>	<b>(188,082)</b>

Impairment losses are recognized to pay overdue for 1 year or more.

## Notes

In LTL	31.03.2012	31.12.2011
<b>19 Other receivables</b>		
Amounts deposited for the guarantee to the Tax Inspectorate	700,480	300,480
Up to 1 year deposited the amount of bank guarantee	0	41,230
Other receivables	146,007	174,597
Doubtful receivables	495,192	495,581
<b>Total other receivables before write-down allowance</b>	<b>1,341,679</b>	<b>1,011,888</b>
Impairment	(495,192)	(495,581)
<b>Total other receivables, net</b>	<b>846,487</b>	<b>516,307</b>

The amount deposited for guarantee to the Tax Inspectorate is a guarantee for payment of excise tax for alcohol products exported to the countries of the European Union.

In LTL	31.03.2012	31.12.2011
<b>Change in impairment allowance of receivables</b>		
Impairment allow.for bad debts and other receivables at the beginning of the period	(495,581)	(496,482)
Reverse of impairment allowance for bad debts	389	901
<b>Impairment allowance for bad debts and other receivables at the end of the period</b>	<b>(495,192)</b>	<b>(495,581)</b>

In LTL	31.03.2012	31.12.2011
<b>20 Cash and cash equivalents</b>		
Cash at bank and in hand	44,088	46,600
<b>Total cash and cash equivalents</b>	<b>44,088</b>	<b>46,600</b>

## 21 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 they are declared and to capital repayment in case of reduction of capital. One ordinary share gives a right to one vote at the shareholders' meeting.

### Legal reserve

Legal reserve is compulsory reserve under Lithuanian legislation. Annual contributions of at least 5% 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.



## Notes

### 22 Basic and diluted earnings (loss) per share

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

	Jan-Mar 2012	Jan-Mar 2011
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	(330,060)	(634,686)
<b>Basic and diluted earnings (loss) per share, in LTL</b>	<b>(0.01)</b>	<b>(0.03)</b>

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

In LTL	31.03.2012	31.12.2011
--------	------------	------------

### 23 Interest bearing loans and borrowings

#### Non-current liabilities

Bank loans	5,206,114	5,837,959
Financial lease (leasing) liabilities	164,815	246,356
<b>Total non-current liabilities</b>	<b>5,370,929</b>	<b>6,084,315</b>

#### Current liabilities

Overdraft	10,303,500	9,872,145
Bank loans	3,634,258	3,379,813
Financial lease (leasing)	320,266	318,895
<b>Total current liabilities</b>	<b>14,258,024</b>	<b>13,570,853</b>
<b>Total</b>	<b>19,628,953</b>	<b>19,655,168</b>

In LTL	Total	Up to 1 year	1-5 years	Over 5 years
<b>Terms and repayment schedule</b>				
Bank loans and overdraft	19,143,872	13,937,758	5,206,114	0
Financial lease	485,081	320,266	164,815	0
<b>Total financial liabilities</b>	<b>19,628,953</b>	<b>14,258,024</b>	<b>5,370,929</b>	<b>0</b>

Term of repayment of the long-term loan is December 2015, of overdraft – 31 August 2012. Long-term credit is intended for financing of the Project “Using distillery refuse (brogas) for the production of electric power“. In order to secure the bank loans, the Company has pledged its assets. For further comments refer to Note 28.

Under financial lease agreements, the Company’s assets consist of plant and equipment and vehicles. Financial lease terms are up to 3 years.

## Notes

In LTL	31.03.2012	31.12.2011
<b>24 Governmental grants</b>		
Balance value at the beginning of the period	8,175,209	4,137,227
Grants received	27,486	4,037,982
<b>Balance value at the end of the period</b>	<b>8,202,695</b>	<b>8,175,209</b>

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 of the Project “Using distillery refuse (broga) for the production of electric power“for acquisition of non-current assets. The project is planned to be finished this year.

In LTL	31.03.2012	31.12.2011
<b>25 Other payables</b>		
Payable excise tax	6,627,104	8,584,426
Payable VAT	1,594,425	2,894,271
Vacation reserve and social security	703,199	481,807
Taxes payable	180,320	197,791
Accrued expenses	38,437	134,078
Other payables	97,289	82,502
<b>Total other payables</b>	<b>9,240,774</b>	<b>12,374,875</b>

## 26 Financial risk management

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

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

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

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

## **Notes**

### **26 Financial risk management (cont'd)**

#### **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<sup>st</sup> March 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.

#### **Foreign exchange risk**

The functional currency of the Company is Litas (LTL). The Company does not face 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 did not have any material exposure in other foreign currencies.

## Notes

### 26 Financial risk management (cont'd)

#### Capital management

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

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

The Company's capital management policy did not change.

### 27 Related party transactions

#### Related parties of the Company are:

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

#### Parent and ultimate parent companies are as follows:

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

#### Other main related parties are:

Company, person	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
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
Person	Shareholder, chairman of the board
Other related party	Member of the board, member of management

## Notes

### 27 Related party transactions (cont'd)

#### Sales to and purchases from related parties

	Type of transaction	Jan-Mar 2012	Jan-Mar 2011
Purchases	Inventories	138,498	267,221
Purchases	Interest	12,555	0
Purchases	Services	148,917	214,896
<b>Total purchases</b>		<b>299,970</b>	<b>482,117</b>
Sales	Inventories incl.excise tax	10,636,915	9,526,418
Sales	Interest	67,052	66,316
Sales	Services	25,314	87,576
Total sales incl.excise tax		10,729,281	9,680,310
Excise tax		6,022,075	5,856,960
<b>Total sales net of excise tax</b>		<b>4,707,206</b>	<b>3,823,350</b>

#### Balances outstanding with related parties

	31.03.2012	31.12.2011
<b>Trade receivables</b>	<b>7,210,769</b>	<b>7,083,035</b>
<b>Trade payables</b>	<b>146,862</b>	<b>192,399</b>

Information on the loans granted to the associated company is provided in Note 15.

### 28 Off-balance liabilities

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

In LTL	31.03.2012	31.12.2011
Carrying amount of pledged buildings and structures	9,904,200	10,102,429
Carrying amount of pledged trademarks	11,742,238	11,978,659
Carrying amount of pledged inventories	8,991,436	9,072,892
Cash and cash equivalents in accounts of bank	21,214	28,202
Amounts receivable from its buyers	21,796,167	25,664,040
Rights of land lease	0	0

The Company controls and executes the financial liabilities, indices set by the bank and additional requirements.

## Notes

### 29 Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties at market prices but not in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Fair value of assets and liabilities provided in the balance sheet as on the 31<sup>st</sup> of March 2012 does not significantly differ from their carrying amount, except for non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

#### Financial assets and financial liabilities as on the 31<sup>st</sup> of March 2012

In LTL	Carrying amount	Fair value
Granted long-term loans and other receivables	3,986,150	3,986,150
Advance payments and deferred expenditure	332,316	332,316
Trade debtors	21,796,167	21,796,167
Other amounts receivable	846,487	846,487
Cash and cash equivalents	44,088	44,088
<b>Total financial assets</b>	<b>27,005,208</b>	<b>27,005,208</b>
Loan and other interest-bearing amounts	19,628,953	19,628,953
Trade creditors	6,520,199	6,520,199
Other amounts payable	9,240,774	9,240,774
<b>Total financial liabilities</b>	<b>35,389,926</b>	<b>35,389,926</b>

### 30 Events after the reporting period

After the Company clarifies profit tax declarations for the previous periods, deferred tax liability and retained earnings (loss) for the previous periods will be recalculated.