

AB VILNIAUS DEGTINĖ

Interim Financial Statements for the
three-month period ended on the
31st March 2013
(unaudited)

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Company Information

AB Vilniaus degtinė

Telephone: + 370 5 233 08 19
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Company number: 120057287
Registered at: Panerių Str. 47/Smolensko Str. 2, Vilnius, Lithuania

Management

Juozas Daunys, Director General
Dalius Rutkauskas, Buying and selling director
Genadij Jurgelevič, Production Manager

Board

Darius Žaromskis
Juozas Daunys
Dalius Rutkauskas
Genadij Jurgelevič

Auditor

UAB Grant Thornton Rimess

Banks

AB DNB bankas
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 Bank of Lithuania, we, the Director General of Juozas Daunys and Senior Accountant Renata Baliūnaitė of AB Vilniaus degtinė, confirm that as we know, the unaudited Interim Financial Statements of AB Vilniaus degtinė for the three-month period ended on the 31st March, 2013, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, are realistic and properly show the assets, liabilities, financial condition, profit or loss, cash flows of AB Vilniaus degtinė.

Director General
Juozas Daunys

Vilnius,
30 May, 2013

Senior Accountant
Renata Baliūnaitė

Statement on Financial PositionAs on the 31st of March

In LTL	Notes	31.03.2013	31.12.2012
ASSETS			
Non-current assets			
Tangible assets	14	32,351,128	33,009,853
Intangible assets	13	10,824,559	11,056,458
Financial assets	15	4,249,034	4,182,729
Total non-current assets		47,424,721	48,249,040
Current assets			
Inventories	16	9,182,507	9,537,895
Prepayments and future expenses	17	442,202	251,495
Trade receivables	18	26,062,202	28,351,868
Other receivables	12,19	2,668	126,567
Cash and cash equivalents	20	10,613	10,140
Total current assets		35,700,192	38,277,965
TOTAL ASSETS		83,124,913	86,527,005

Notes on pages 10-32 are an integral part of these financial statements.

Director General
Juozas DaupysVilnius,
30 May, 2013Senior Accountant
Renata Baliūnaitė

Statement on Financial Position (cont'd)

As on the 31st of March

In LTL	Notes	31.03.2013	31.12.2012
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	24,408,431	24,408,431
Legal reserve	21	2,440,843	2,440,843
Retained earnings (loss)		9,625,559	9,473,464
Total equity		36,474,833	36,322,738
Non-current liabilities			
Interest bearing loans and borrowings	23	4,523,764	5,054,678
Governmental grants	24	9,456,965	9,657,138
Trade payables		89,631	137,573
Deferred tax liability	11	773,231	724,547
Total non-current liabilities		14,843,591	15,573,936
Current liabilities			
Interest bearing loans and borrowings	23	14,172,792	13,917,230
Trade payables		6,376,123	6,100,882
Other payables	25	11,257,574	14,612,219
Total current liabilities		31,806,489	34,630,331
Total liabilities		46,650,080	50,204,267
TOTAL EQUITY AND LIABILITIES		83,124,913	86,527,005

Notes on pages 10-32 are an integral part of these financial statements.

Director General
Juozas Dauvas

Vilnius,
30 May, 2013

Senior Accountant
Renata Baliūnaitė

Comprehensive Income Statement

As on the 31st of March

In LTL	Notes	Jan-Mar 2013	Jan-Mar 2012
		<hr/>	<hr/>
Sales revenue	4	13,956,685	11,453,945
Cost of sales		(10,076,442)	(8,171,207)
Gross profit	4	3,880,243	3,282,738
Other income	5	265,969	52,093
Sales and distribution expenses	6	(1,283,609)	(1,171,049)
Administrative expenses	7	(2,528,126)	(2,417,378)
Other expenses	5	(6,576)	(18,849)
Result from operating activities		327,901	(272,445)
Financial income	9	73,370	85,632
Financial expenses	9	(200,492)	(187,159)
Profit (loss) before tax		200,779	(373,972)
Corporate income tax	10	(48,684)	43,912
Profit (loss) for the period		152,095	(330,060)
		<hr/>	<hr/>
Basic and diluted earnings (loss) per share	22	0.01	(0.01)
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		152,095	(330,060)
		<hr/>	<hr/>

Notes on pages 10-32 are an integral part of these financial statements.

Director General
Juožas Daunys

Vilnius,
30 May, 2013

Senior Accountant
Renata Baliūnaitė

Statement of Changes in Equity

As on the 31st of March

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as on 1 January 2012						
Profit (loss) for January-March of 2012		24,408,431	2,440,843	0	9,097,191 (330,060)	35,946,465 (330,060)
Capital and reserves as on 31 March 2012		24,408,431	2,440,843	0	8,767,131	35,616,405
Capital and reserves as on 1 January 2013						
Profit (loss) for January-March of 2013		24,408,431	2,440,843	0	9,473,464 152,095	36,322,738 152,095
Capital and reserves as on 31 March 2013	21	24,408,431	2,440,843	0	9,625,559	36,474,833

Notes on pages 10-32 are an integral part of these financial statements.

Director General
Juožas Daunys

Vilnius,
30 May, 2013

Senior Accountant
Renata Balfinaitė

Cash Flows StatementAs on the 31st of March

In LTL	Jan-Mar 2013	Jan-Mar 2012
Profit (loss) for the period	152,095	(330,060)
Depreciation and amortisation	909,918	817,425
Impairment of trade receivables and other receivables	(2,356)	(5,364)
Net financial expenses	77,668	110,544
Gain (loss) on disposal of non-current assets	2	0
Corporate income tax expenses	48,684	(43,912)
Net cash flows from ordinary activities before changes in working capital	1,186,011	548,633
Change in inventories	355,388	81,456
Change in prepayments	(190,707)	(46,670)
Change in trade receivables and other receivables	2,415,098	3,530,871
Change in trade payables and other payables	(2,997,055)	(3,390,968)
Net cash flows from operating activities	(417,276)	174,689
Income tax paid	0	0
Net cash flows from operating activities	768,735	723,322
Proceeds from disposal of non-current assets	0	0
Acquisition of property, plant and equipment	(99,251)	(519,525)
Acquisition of intangible non-current assets	(8,286)	0
Net cash flows from investing activities	(107,537)	(519,525)
Repayment of loans	(631,846)	(377,400)
Loans received	0	0
Increase (decrease) of other financial debt	283,805	431,354
Financial lease payments	(168,711)	(77,704)
Governmental grants received	0	27,486
Interest paid	(143,973)	(210,045)
Net cash flows from financing activities	(660,725)	(206,309)
Net cash flows from operating, investing and financing activities	473	(2,512)
Cash and cash equivalents at the beginning of the period	10,140	46,600
Cash and cash equivalents at the end of the period	10,613	44,088

Notes on pages 10-32 are an integral part of these financial statements.

Director General
Juozas DaujotasVilnius,
30 May, 2013Senior Accountant
Renata Baliauskaitė

Notes

1 Reporting entity

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

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

As on the 31st of March 2013, 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
Arūnas Tuma	2,382,077	1	2,382,077
Swedish clients Skandinaviska Enskilda Banken	2,233,476	1	2,233,476
Daiva Žaromskienė	1,220,422	1	1,220,422
Other shareholders	1,903,824	1	1,903,824
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 Rokiškis district.

The Company has major sales in the local market. The sales to the European Union and foreign markets are continuously increasing. Their weight in the total sales volume are increasing. In August 2012 production of electric and thermal energy commenced. Part of electric energy is sold.

The Company employed 143 staff members as on the 31st of March 2013 (151 staff members as on the 31st of March 2012).

2 Summary of significant accounting principles

Statement of compliance

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

Interim Financial Statements are unaudited.

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 EU 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 EU that have significant effect on the financial statements, and estimates of significant adjustments in the next year are discussed in separate Note.

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

Foreign currency

Translation of amounts in foreign currencies into the national currency

Transactions in foreign currencies are translated into 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 31st of March 2013.

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. Grants amortization is later reducing asset depreciation costs within the respective useful service life of the assets.

Impairment

Financial asset is impaired if there are if there is objective evidence that certain event or events could have an adverse impact on asset-related cash flows in the future. Individually significant financial assets must be tested for impairment on an individual basis. The remaining financial assets are grouped according to their credit risk and the impairment for those groups is measured on a portfolio basis. An asset that is deemed impaired on an individual basis and its impairment loss is continually 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 benefits

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

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

Taking into account the share of sales of the products being sold, the segments are excluded – alcoholic beverages, nutritional ethyl alcohol (rectified and distilled) and its products, denatured ethyl alcohol are produced in the Company and goods for resale (alcoholic beverages, non-alcoholic beverages, etc.). Other income as well as the revenues and costs of financial activity are not classified to the segments; profit taxes are controlled. The revenues from electric energy sales are classified to other income.

Revenue and gross profit for January-March 2013

In LTL	Alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	9,648,058	3,646,451	0	662,176	13,956,685
Gross profit	3,416,959	388,388	0	74,896	3,880,243

Revenue and gross profit for January-March 2012

In LTL	Alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	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

Notes

4 Segment reporting (cont'd)

The Company's primary activities are carried out in the Lithuanian market, in the EU countries and other foreign markets. In January-March 2013, sales to EU and other foreign markets amounted to LTL 4,378,484 (in January-March 2012 – LTL 3,153,279). Considering the share of product sales in foreign markets in total revenue, no geographical segments are singled out.

In LTL	Jan-Mar 2013	Jan-Mar 2012
5 Income and expenses of other activities		
Lease of premises and utilities	27,210	27,788
Income from sales of materials and spare parts	98,949	0
Electricity sales profit	72,853	0
Transportation income	40,683	8,793
Other income	26,274	15,512
Total other income	265,969	52,093
Other expenses	(6,576)	(10,141)
Loss from sales of materials and spare parts	0	(8,708)
Total other expenses	(6,576)	(18,849)
Net income and expenses of other activities	259,393	33,244
In LTL	Jan-Mar 2013	Jan-Mar 2012
6 Sales and distribution expenses		
Advertising expenses	(648,252)	(550,552)
Personnel expenses	(222,647)	(216,553)
Transportation expenses	(256,203)	(250,559)
Market research expenses	(54,643)	(9,535)
Packaging expenses	(20,010)	(18,553)
Other expenses	(81,854)	(125,297)
Total sales and distribution expenses	(1,283,609)	(1,171,049)

Notes

In LTL		Jan-Mar 2013	Jan-Mar 2012
7	Administrative expenses		
	Personnel expenses	(787,990)	(742,950)
	Operating taxes	(395,405)	(292,164)
	Repairs and maintenance	(69,756)	(41,854)
	Amortisation and depreciation	(430,319)	(478,155)
	Consulting and training expenses	(62,075)	(111,457)
	Maintenance of cargo vehicles	(156,623)	(77,379)
	Security expenses	(49,074)	(74,221)
	Communications and IT maintenance expenses	(35,875)	(31,068)
	Utilities	(191,655)	(278,974)
	Other expenses	(349,354)	(289,156)
	Total administrative expenses	(2,528,126)	(2,417,378)
In LTL		Jan-Mar 2013	Jan-Mar 2012
8	Personnel expenses		
	Wages and salaries	(897,686)	(785,153)
	Vacation reserve	(108,091)	(138,112)
	Guarantee fund contributions	(1,899)	(1,820)
	Social security contributions	(312,036)	(283,982)
	Total personnel expenses	(1,319,712)	(1,209,067)

Redundancy pays for January-March 2013, inclusive of social security contributions and guarantee fund contributions, amounted to LTL 0 (in January-March 2012 - LTL 1,233).

Personnel expenses for the management (directors) in January-March 2013 amounted to LTL 131,143 (in January-March 2012 - LTL 124,582), of which were amounted to LTL 0 for redundancy pays. No loans and (or) indemnities were granted to the management (directors) and no other financial liabilities or non-financial obligations were undertaken. Other significant transactions for details to Note 27.

Average number of staff members on payroll for January-March 2013 was 138 (144 for January-March 2012).

Average number of managers (directors) for January-March 2013 was 3 (3 for January-March 2012).

Notes

In LTL		Jan-Mar 2013	Jan-Mar 2012		
9	Financial income and expenses				
	Interest income	66,305	67,063		
	Foreign exchange gain	7,065	18,569		
	Total financial income	73,370	85,632		
	Interest expenses	(143,973)	(177,599)		
	Other expenses	(56,519)	(9,560)		
	Total financial expenses	(200,492)	(187,159)		
	Financial income and expenses, net	(127,122)	(101,527)		
In LTL		Jan-Mar 2013	Jan-Mar 2012		
10	Corporate income tax expenses				
	Change in deferred income tax	(48,684)	43,912		
	Total corporate income tax expenses	(48,684)	43,912		
11	Deferred tax	Jan-Mar 2013	Jan-Mar 2012		
	In LTL	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
	Deferred tax asset	5,806,012	870,901	5,872,564	880,885
	Deferred tax liability	(10,960,880)	(1,644,132)	(10,702,880)	(1,605,432)
	Net deferred tax liability		(773,231)		(724,547)
In LTL		Jan-Mar 2013	Jan-Mar 2012		
	Change in the deferred tax				
	Deferred tax liability at the beginning of the period	(724,547)	(605,508)		
	Deferred tax expenses	(48,684)	43,912		
	Deferred tax liability at the end of the period	(773,231)	(561,596)		

Notes

12 Corporate income tax

In LTL

	Jan-Mar 2013	Jan-Mar 2012
Overpaid corpor. income tax (liability) at the beginning of the period	0	0
Current income tax for the period	0	0
Overpaid corpor. income tax (liability) at the end of the period	0	0

13 Intangible assets

In LTL

	Patents, licences	Software	Other	Total
Cost as of 1 January 2012	45,820	547,300	18,913,672	19,506,792
Additions	0	0	0	0
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
Net book value as of 31 March 2012	3,250	19,825	11,742,238	11,765,313
Cost as of 1 January 2013	45,820	557,240	18,913,672	19,516,732
Additions	0	8,286	0	8,286
Cost as of 31 March 2013	45,820	565,526	18,913,672	19,525,018
Accumulated amortisation as of 1 January 2013	43,695	535,882	7,880,697	8,460,274
Amortisation	375	3,390	236,420	240,185
Accumulated amortisation as of 31 March 2013	44,070	539,272	8,117,117	8,700,459
Net book value as of 31 March 2013	1,750	26,254	10,796,555	10,824,559

All amortisation expenses are included under administrative expenses.

Notes

14 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Constructi on in progress	Other	Total
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
Write-off and sale of	0	0	0	0	0	0	0
Reclassificationns	50,400	490,829	0	0	0	(541,229)	0
Cost as of the 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
Loss of impairment	0	0	0	0	0	0	0
Accumulated impairment of 31 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
Write-off and sale of	0	0	0	0	0	0	0
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
Net book value as of 31 March 2012	12,728,874	15,617,497	200,707	114,734	3,346,053	800	32,008,665
Cost as of 1 January 2013	36,096,406	24,225,356	1,200,462	2,142,060	1,910,219	0	65,574,503
Additions	0	4,144	199,504	7,535	0	0	211,183
Write-off and sale of	0	0	(10,924)	0	0	0	(10,924)
Reclassificationns	0	0	0	0	0	0	0
Cost as of 31 March 2013	36,096,406	24,229,500	1,389,042	2,149,595	1,910,219	0	65,774,762
Accumulated impairment of 1 January 2013	2,371,448	0	0	0	477,555	0	2,849,003
Accumulated impairment of 31 March 2013	2,371,448	0	0	0	477,555	0	2,849,003
Accumulated depreciation as of 1 January 2013	10,108,503	16,089,856	1,074,081	2,061,163	382,044	0	29,715,647
Write-off and sale of	0	0	(10,922)	0	0	0	(10,922)
Depreciation	274,406	330,255	27,939	13,255	23,878	0	669,733
Depreciation (grant)	84,344	115,829	0	0	0	0	200,173
Accumulated depreciation as of 31 March 2013	10,467,253	16,535,940	1,091,098	2,074,418	405,922	0	30,574,631
Net book value as of 31 March 2013	23,257,705	7,693,560	297,944	75,177	1,026,742	0	32,351,128

Notes

In LTL		Jan-Mar 2013	Jan-Mar 2012
14	Property, plant and equipment (cont'd)		
	Distribution of depreciation costs		
	Cost of sales	(355,263)	(196,538)
	Inventories	(117,760)	(132,591)
	Administrative and other expenses	(196,710)	(248,899)
	Total distribution of depreciation cost	(669,733)	(578,028)
In LTL		31.03.2013	31.12.2012
15	Financial assets		
	Long-term loans granted	3,164,077	3,164,077
	Interest receivable	1,084,957	1,018,652
	Total financial assets	4,249,034	4,182,729

Term of repayment of the loan and interest – August 2015. The loan was issued in Euros.

In LTL		31.03.2013	31.12.2012
16	Inventories		
	Raw materials	5,982,088	6,518,216
	Finished goods	2,207,599	1,846,446
	Goods for resale	920,938	1,102,115
	Work in progress	71,882	71,118
	Total inventories	9,182,507	9,537,895

As of 31st of March 2013, the remainder of grain stored at the third parties warehouses is worth of LTL 84,064.

In LTL		31.03.2013	31.12.2012
17	Prepayments and deferred expenses		
	Prepayments to suppliers	236,813	76,767
	Deferred advertising expenses	47,527	62,289
	Deferred insurance and subscription	73,701	102,547
	Other expenses	84,161	9,892
	Total prepayments and deferred expenses	442,202	251,495

Notes

In LTL		31.03.2013	31.12.2012
18	Trade receivables		
	Trade receivables from comp. not from the group	20,434,366	23,100,782
	Impairment allowance from comp. not from the group	(147,350)	(149,249)
	Trade receivables from comp. from the group	5,775,186	5,400,335
	Net trade receivables	26,062,202	28,351,868
In LTL		31.03.2013	31.12.2012
	Change in impairment of receivables for bad debts		
	Impairment allow. for bad debts at the beginning of the period	(149,249)	(188,082)
	Impairment allowance	0	(1,614)
	Reverse of impairment allowance	1,899	40,447
	Impairment allowance for bad debts at the end of the period	(147,350)	(149,249)
Impairment losses are recognized to pay overdue for 1 year or more.			
In LTL		31.03.2013	31.12.2012
19	Other receivables		
	Other receivables	2,668	126,567
	Doubtful receivables	488,881	489,338
	Total other receivables before write-down allowance	491,549	615,905
	Impairment allowance	(488,881)	(489,338)
	Total other receivables, net	2,668	126,567
In LTL		31.03.2013	31.12.2012
	Change in impairment allowance of receivables		
	Impairment allow. for receivables at the beginning of the period	(489,338)	(495,581)
	Reverse of impairment allowance	457	6,243
	Impairment allowance for receivables at the end of the period	(488,881)	(489,338)

Notes

In LTL		31.03.2013	31.12.2012
20	Cash and cash equivalents		
	Cash at bank and in hand	92,725	84,035
	Limited use of the cash with the bank account (decision of the Council of the EU to Belarus)	(82,112)	(73,895)
	Total cash and cash equivalents	10,613	10,140

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 percent of the retained earnings available for distribution are required until legal reserve and the share premium reach 10 percent of the authorized capital. This reserve cannot be distributed.

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 2013	Jan-Mar 2012
Number of shares	24,408,431	24,408,431
Profit (loss) for the period attributable to the equity holders, in LTL	152,095	(330,060)
Basic and diluted earnings (loss) per share, in LTL	0.01	(0.01)

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

Notes

In LTL	31.03.2013	31.12.2012
23 Interest bearing loans and borrowings		
Non-current liabilities		
Bank loans	4,422,832	5,054,678
Financial lease (leasing) liabilities	100,932	0
Total non-current liabilities	4,523,764	5,054,678
Current liabilities		
Overdraft	11,428,277	11,144,472
Bank loans	2,527,383	2,527,383
Financial lease (leasing)	217,132	245,375
Total current liabilities	14,172,792	13,917,230
Total	18,696,556	18,971,908

In LTL	Total	Up to 1 year	1-5 years	Over 5 years
Terms and repayment schedule				
Bank overdraft	11,428,277	11,428,277	0	0
Bank loans	6,950,215	2,527,383	4,422,832	0
Financial lease	318,064	217,132	100,932	0
Total financial liabilities	18,696,556	14,172,792	4,523,764	0

Term of repayment of the long-term loan is December 2015, of overdraft – 31 August 2013. 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.

In LTL	31.03.2013	31.12.2012
24 Governmental grants		
Balance value at the beginning of the period	9,657,138	8,175,209
Grants received	0	1,815,551
Amortization	(200,173)	(333,622)
Balance value at the end of the period	9,456,965	9,657,138

The support was granted of the Project "Using distillery refuse (broga) for the production of electric power" for acquisition of non-current assets. The Project was finished in 2012. Part of the produced electric power is sold, and another part is used in the industrial activities of the Company. The amortization of the grant is accounted in the items of the „cost of sales" of the Comprehensive Income Statement. The amortization of the grant decreases the cost of depreciation of the related non-current tangible assets.

Notes

In LTL		31.03.2013	31.12.2012
25	Other payables		
	Payable excise tax	6,742,501	8,896,667
	Payable VAT	3,347,422	4,875,666
	Wages, vacation reserve and social security	796,814	482,905
	Taxes payable	43,115	189,849
	Accrued expenses	190,832	126,919
	Other payables	136,890	40,213
	Total other payables	11,257,574	14,612,219

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.

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.

Notes

26 Financial risk management (cont;d)

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 31st March 2013, 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 3.4528. The Company did 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 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. Equity makes at least 50 percent of authorised capital with share premium.

The Company's capital management policy did not change.

Notes

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
Belvedere Distribution SIA	Belvedere group company
Natural persons	Belvedere group company
Natural persons	Shareholders
Natural persons	Board members
	Management members (directors)

Notes

27 Related party transactions (cont'd)

Sales to and purchases from related parties

	Type of transaction	Jan-Mar 2013	Jan-Mar 2012
Purchases	Inventories	186,669	138,498
Purchases	Other expenses	0	12,555
Purchases	Services	113,262	148,917
Total purchases		299,931	299,970
Sales	Inventories incl. excise tax	12,572,464	10,636,915
Sales	Other income	66,305	67,052
Sales	Services	21,213	25,314
Total sales incl. excise tax		12,659,982	10,729,281
Excise tax		(6,834,159)	(6,022,075)
Total sales net of excise tax		5,825,823	4,707,206

Balances outstanding with related parties

	31.03.2013	31.12.2012
Trade receivables	10,024,220	9,583,064
Trade payables	285,962	275,724

Impairment loss of amounts receivable were not recognised. Information on the loans granted to the associated company and amounts of interest payable (in this note provided as amounts receivable) is provided in Note 15. Raw materials for alcoholic beverages production as well as alcoholic beverages are purchased from Belvedere group companies. Alcoholic beverages and rectified ethyl alcohol are sold to Belvedere group companies. Interest rates and all outstanding related party transactions are priced at market prices.

Personnel expenses to the Company's management (directors) is enclosed in the Note 8.

28 Off-balance liabilities

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

In LTL	31.03.2013	31.12.2012
Carrying amount of pledged buildings and structures	22,597,891	22,969,072
Carrying amount of pledged equipments	6,106,239	6,347,275
Carrying amount of pledged trademarks	10,796,555	11,032,975
Carrying amount of pledged inventories	9,182,507	9,537,895
Cash and cash equivalents in accounts of bank	10,256	9,202
Amounts receivable from buyers (the right of claim)	26,062,202	27,000,000
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 31st of March 2013 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 31st of March 2013

In LTL	Carrying amount	Fair value
Granted long-term loans and other receivables	4,249,034	4,249,034
Advance payments and deferred expenditure	442,202	442,202
Trade receivables	26,062,202	26,062,202
Other receivables	2,668	2,668
Cash and cash equivalents	10,613	10,613
Total financial assets	30,766,719	30,766,719
Loan and other interest-bearing amounts	18,696,556	18,696,556
Trade payables	6,465,754	6,465,754
Other payables	11,257,574	11,257,574
Total financial liabilities	36,419,884	36,419,884

30 Events after the reporting period

After the reporting period there were no events which influence the financial results of the Company.

Director General
Juozas Daunys

Vilnius,
30 May, 2013

Senior Accountant
Renata Baliūnaite