AB VILNIAUS DEGTINĖ

Interim Financial Statements and Interim Statement for the six-month period ended on the 30th June 2013

(unaudited)

Contents

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 Chief Financial Officer Renata Baliūnaitė of AB Vilniaus degtinė, confirm that as we know, the unaudited Interim Financial Statements of AB Vilniaus degtinė for the six-month period ended on the 30th June, 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, and Interim Statement of AB Vilniaus degtinė for the for the six-month period ended on the 30th June, 2013, provides a clear review of business development and operation, condition of the company.

Director General
Juozas Daunys

Chief Financial Officer
Renata Baliūnaitė

Vilnius,
30 August, 2013

Statement on Financial Position

As on the 30th of June

In LTL	Notes	30.06.2013	31.12.2012
ASSETS			
Non-current assets			
Tangible assets	14	31 501 006	33 009 853
Intangible assets	13	10 593 283	11 056 458
Financial assets	15	4 307 880	4 182 729
Total non-current assets		**46 402 169**	**48 249 040**
Current assets			
Inventories	16	8 274 516	9 537 895
Prepayments and future expenses	17	285 995	251 495
Trade receivables	18	21 742 411	28 351 868
Other receivables	12,19	7 009	126 567
Cash and cash equivalents	20	4 565	10 140
Total current assets		**30 314 496**	**38 277 965**
TOTAL ASSETS		**76 716 665**	**86 527 005**

Notes on pages 11-35 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Renata Baliūnaitė

Vilnius,
30 August, 2013

Statement on Financial Position (cont'd)

As on the 30th of June

In LTL	Notes	30.06.2013	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)		9 557 789	9 473 464
Total equity		**36 407 063**	**36 322 738**
Non-current liabilities			
Interest bearing loans and borrowings	23	3 878 460	5 054 678
Governmental grants	24	9 256 792	9 657 138
Trade payables		89 631	137 573
Deferred tax liability	11	784 742	724 547
Total non-current liabilities		**14 009 625**	**15 573 936**
Current liabilities			
Interest bearing loans and borrowings	23	13 416 612	13 917 230
Trade payables		4 505 766	6 100 882
Other payables	25	8 377 599	14 612 219
Total current liabilities		**26 299 977**	**34 630 331**
Total liabilities		**40 309 602**	**50 204 267**
TOTAL EQUITY AND LIABILITIES		**76 716 665**	**86 527 005**

Notes on pages 11-35 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Renata Baliūnaitė

Vilnius,
30 August, 2013

Comprehensive Income Statement

As on the 30th of June

In LTL	Notes	Jan-Jun 2013	Jan-Jun 2012
Sales revenue	4	**25 382 262**	**27 007 276**
Cost of sales		(17 829 990)	(19 330 164)
Gross profit	4	**7 552 272**	**7 677 112**
Other income	5	416 832	262 359
Sales and distribution expenses	6	(2 669 157)	(3 086 562)
Administrative expenses	7	(4 884 775)	(4 736 279)
Other expenses	5	(13 152)	(39 209)
Result from operating activities		**402 020**	**77 421**
Financial income	9	133 515	167 975
Financial expenses	9	(391 015)	(328 501)
Profit (loss) before tax		**144 520**	**(83 105)**
Corporate income tax	10	(60 195)	(9 962)
Profit (loss) for the period		**84 325**	**(93 067)**
Basic and diluted earnings (loss) per share	22	0.00	0.00
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		**84 325**	**(93 067)**

Notes on pages 11-35 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Renata Baliūnaitė

Vilnius,
30 August, 2013

Comprehensive Income Statement

As on the 30th of June

In LTL	Notes	Apr-Jun 2013	Apr-Jun 2012
Sales revenue	4	**11 425 577**	**15 553 331**
Cost of sales		(7 753 548)	(11 158 957)
Gross profit	4	**3 672 029**	**4 394 374**
Other income	5	150 863	218 974
Sales and distribution expenses	6	(1 385 548)	(1 915 513)
Administrative expenses	7	(2 356 649)	(2 318 901)
Other expenses	5	(6 576)	(29 068)
Result from operating activities		**74 119**	**349 866**
Financial income	9	67 063	82 343
Financial expenses	9	(197 441)	(141 342)
Profit (loss) before tax		**(56 259)**	**290 867**
Corporate income tax	10	(11 511)	(53 874)
Profit (loss) for the period		**(67 770)**	**236 993**
Basic and diluted earnings (loss) per share	22	0.00	0.01
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		**(67 770)**	**236 993**

Notes on pages 11-35 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Renata Baliūnaitė

Vilnius,
30 August, 2013

Statement of Changes in Equity

As on the 30th of June

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as on 1 January 2012		**24 408 431**	**2 440 843**	**0**	**9 097 191**	**35 946 465**
Profit (loss) for January-June of 2012					(93 067)	(93 067)
Capital and reserves as on 30 June 2012		**24 408 431**	**2 440 843**	**0**	**9 004 124**	**35 853 398**
Capital and reserves as on 1 January 2013		**24 408 431**	**2 440 843**	**0**	**9 473 464**	**36 322 738**
Profit (loss) for January-June of 2013					84 325	84 325
Capital and reserves as on 30 June 2013	21	**24 408 431**	**2 440 843**	**0**	**9 557 789**	**36 407 063**

Notes on pages 11-35 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Renata Baliūnaitė

Vilnius,
30 August, 2013

Cash Flows Statement

As on the 30th of June

In LTL	Jan-Jun 2013	Jan-Jun 2012
Profit (loss) for the period	84 325	(93 067)
Depreciation and amortisation	1 812 505	1 597 115
Impairment of trade receivables and other receivables	(4 343)	(10 304)
Net financial expenses	148 575	171 679
Gain (loss) on disposal of non-current assets	4	18 926
Corporate income tax expenses	60 195	9 962
Net cash flows from ordinary activities before changes in working capital	2 101 261	1 694 311
Change in inventories	1 263 379	1 992 197
Change in prepayments	(34 500)	(392 558)
Change in trade receivables and other receivables	6 732 535	(499 594)
Change in trade payables and other payables	(7 747 387)	(2 559 544)
Net cash flows from operating activities	214 027	(1 459 499)
Income tax paid	0	0
Net cash flows from operating activities	**2 315 288**	**234 812**
Interest	8 217	0
Proceeds from disposal of non-current assets	0	52 000
Acquisition of property, plant and equipment	(111 215)	(1 061 649)
Acquisition of intangible non-current assets	(17 686)	0
Net cash flows from investing activities	**(120 684)**	**(1 009 649)**
Repayment of loans	(1 263 691)	(683 371)
Loans received	0	250 996
Increase (decrease) of other financial debt	(390 960)	1 330 443
Financial lease payments	(263 585)	(156 466)
Governmental grants received	0	439 054
Interest paid	(281 943)	(419 889)
Net cash flows from financing activities	**(2 200 179)**	**760 767**
Net cash flows from operating, investing and financing activities	**(5 575)**	**(14 070)**
Cash and cash equivalents at the beginning of the period	**10 140**	**46 600**
Cash and cash equivalents at the end of the period	**4 565**	**32 530**

Notes on pages 11-35 are an integral part of these financial statements.

Director General
Juozas Daunys

Chief Financial Officer
Renata Baliūnaitė

Vilnius,
30 August, 2013

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 30th of June 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
Darius Žaromskis	3 602 498	1	3 602 498
Swedish clients Skandinaviska Enskilda Banken	2 233 476	1	2 233 476
Daiva Žaromskienė	1 220 422	1	1 220 422
Other shareholders	683 403	1	683 403
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. Here produced electric and thermal energy. Part of electric energy is sold.

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.

The Company employed 141 staff members as on the 30th of June 2013 (146 staff members as on the 30th of June 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 circumstanc6es.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 30th of June 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 chares. 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 off 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 loses 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 loses 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 – Finished 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-June 2013

In LTL	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	19 609 903	4 356 422	48 584	1 367 353	25 382 262
Gross profit	6 940 884	400 097	24 185	187 106	7 552 272

Revenue and gross profit for January-June 2012

In LTL	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	17 913 201	7 268 881	86 105	1 739 089	27 007 276
Gross profit	7 409 624	49 145	37 267	181 076	7 677 112

Notes

4 Segment reporting (cont'd)

Revenue and gross profit for April-June 2013

In LTL	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	9 961 845	709 971	48 584	705 177	11 425 577
Gross profit	3 523 925	11 709	24 185	112 210	3 672 029

Revenue and gross profit for April-June 2012

In LTL	Finished alcoholic beverages	Ethyl alcohol and its products	Denatured ethyl alcohol	Goods for resale	Total
Revenue	10 182 720	4 483 025	11 659	875 927	15 553 331
Gross profit	4 184 564	99 307	4 957	105 546	4 394 374

The Company's primary activities are carried out in the Lithuanian market, in the EU countries and other foreign markets. In January-June 2013, sales to EU and other foreign markets amounted to LTL 6,040,910 (in January-June 2012 – LTL 7,987,285), in April-June 2013, sales to EU and other foreign markets amounted to LTL 1,662,426 (in April-June 2012 – LTL 4,834,006). Considering the share of product sales in foreign markets in total revenue, no geographical segments are singled out.

In LTL	Jan-Jun 2013	Jan-Jun 2012
5 Income and expenses of other activities		
Lease of premises and utilities	54 948	55 451
Income from sales of materials and spare parts	184 621	93 402
Electricity sales profit	80 515	0
Transportation income	52 825	75 033
Other income	43 923	38 473
Total other income	416 832	262 359
Other expenses	(13 152)	(20 283)
Loss from sales of intangible asstes	0	(18 926)
Loss from sales of materials and spare parts	0	0
Total other expenses	(13 152)	(39 209)
Net income and expenses of other activities	**403 680**	**223 150**

Notes

In LTL	Apr-Jun 2013	Apr-Jun 2012
Income and expenses of other activities		
Lease of premises and utilities	27 738	27 663
Income from sales of materials and spare parts	85 672	102 110
Electricity sales profit	7 662	0
Transportation income	12 141	66 240
Other income	17 650	22 961
Total other income	150 863	218 974
Other expenses	(6 576)	(10 142)
Loss from sales of materials and spare parts	0	(18 926)
Total other expenses	(6 576)	(29 068)
Net income and expenses of other activities	**144 287**	**189 906**

	In LTL	Jan-Jun 2013	Jan-Jun 2012
6	**Sales and distribution expenses**		
	Advertising expenses	(1 580 024)	(1 739 598)
	Personnel expenses	(409 750)	(445 248)
	Transportation expenses	(358 435)	(580 999)
	Market research expenses	(69 837)	(28 606)
	Packaging expenses	(41 864)	(41 117)
	Other expenses	(209 247)	(250 994)
	Total sales and distribution expenses	**(2 669 157)**	**(3 086 562)**

In LTL	Apr-Jun 2013	Apr-Jun 2012
Sales and distribution expenses		
Advertising expenses	(931 772)	(1 189 045)
Personnel expenses	(187 103	(228 694)
Transportation expenses	(102 233)	(330 440)
Market research expenses	(15 194)	(19 071)
Packaging expenses	(21 854)	(22 564)
Other expenses	(127 392)	(125 699)
Total sales and distribution expenses	**(1 385 548)**	**(1 915 513)**

Notes

In LTL	Jan-Jun 2013	Jan-Jun 2012
7 Administrative expenses		
Personnel expenses	(1 542 040)	(1 452 900)
Operating taxes	(768 419)	(667 740)
Repairs and maintenance	(131 789)	(143 675)
Amortisation and depreciation	(894 272)	(902 152)
Consulting and training expenses	(139 345)	(263 784)
Maintenance of cargo vehicles	(286 185)	(170 071)
Security expenses	(99 774)	(124 227)
Communications and IT maintenance expenses	(76 101)	(56 434)
Utilities	(276 989)	(337 487)
Other expenses	(669 861)	(617 809)
Total administrative expenses	**(4 884 775)**	**(4 736 279)**

In LTL	Apr-Jun 2013	Apr-Jun 2012
Administrative expenses		
Personnel expenses	(754 050)	(709 950)
Operating taxes	(373 014)	(375 576)
Repairs and maintenance	(62 032)	(101 821)
Amortisation and depreciation	(463 954)	(423 997)
Consulting and training expenses	(77 270)	(152 327)
Maintenance of cargo vehicles	(129 563)	(92 692)
Security expenses	(50 700)	(50 006)
Communications and IT maintenance expenses	(40 226)	(25 366)
Utilities	(85 334)	(58 513)
Other expenses	(320 506)	(328 653)
Total administrative expenses	**(2 356 649)**	**(2 318 901)**

In LTL	Jan-Jun 2013	Jan-Jun 2012
8 Personnel expenses		
Wages and salaries	(1 717 105)	(1 620 792)
Vacation reserve	(194 197)	(237 804)
Guarantee fund contributions	(3 783)	(3 699)
Social security contributions	(594 245)	(573 567)
Total personnel expenses	**(2 509 330)**	**(2 435 862)**

Notes

In LTL	Apr-Jun 2013	Apr-Jun 2012
Personnel expenses		
Wages and salaries	(819 418)	(835 639)
Vacation reserve	(86 106)	(99 692)
Guarantee fund contributions	(1 884)	(1 879)
Social security contributions	(282 210)	(289 585)
Total personnel expenses	**(1 189 618)**	**(1 226 795)**

Redundancy pays for January-June 2013, inclusive of social security contributions and guarantee fund contributions, amounted to LTL 16,781 (in January-June 2012 - LTL 21,342), for April-June 2013, inclusive of social security contributions and guarantee fund contributions, amounted to LTL 16,781 (in April-June 2012 - LTL 20,109).

Personnel expenses for the management (directors) in January-June 2013 amounted to LTL 262, 093 (in January-June 2012 - LTL 238,715), 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-June 2013 was 138 (143 for January-June 2012).

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

	In LTL	Jan-Jun 2013	Jan-Jun 2012
9	**Financial income and expenses**		
	Interest income	133 368	134 116
	Foreign exchange gain	147	33 859
	Total financial income	133 515	167 975
	Interest expenses	(277 288)	(305 785)
	Other expenses	(113 727)	(22 716)
	Total financial expenses	(391 015)	(328 501)
	Financial income and expenses, net	**(257 500)**	**(160 526)**

Notes

In LTL	Apr-Jun 2013	Apr-Jun 2012
Financial income and expenses		
Interest income	67 063	67 053
Foreign exchange gain	0	15 290
Total financial income	67 063	82 343
Interest expenses	(137 970)	(128 186)
Other expenses	(52 553)	(13 156)
Foreign exchange loss	(6 918)	0
Total financial expenses	(197 441)	(141 342)
Financial income and expenses, net	**(130 378)**	**(58 999)**

	In LTL	Jan-Jun 2013	Jan-Jun 2012
10	**Corporate income tax expenses**		
	Change in deferred income tax	(60 195)	(9 962)
	Total corporate income tax expenses	**(60 195)**	**(9 962)**

11	**Deferred tax**	30.06.2013		31.12.2012	
	In LTL	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
	Deferred tax asset	5 987 283	898 092	5 872 564	880 885
	Deferred tax liability	(11 218 899)	(1 682 834)	(10 702 880)	(1 605 432)
	Net deferred tax liability		**(784 742)**		**(724 547)**

In LTL	Jan-Jun 2013	Jan-Jun 2012
Change in the deferred tax		
Deferred tax liability at the beginning of the period	(724 547)	(605 508)
Deferred tax expenses	(60 195)	(9 962)
Deferred tax liability at the end of the period	**(784 742)**	**(615 470)**

Notes

12 Corporate income tax

In LTL	Jan-Jun 2013	Jan-Jun 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 30 June 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	750	5 202	472 841	478 793
Accumulated amortisation as of 30 June 2012	42 945	530 076	7 407 854	7 980 875
Net book value as of 30 June 2012	**2 875**	**17 224**	**11 505 818**	**11 525 917**
Cost as of 1 January 2013	45 820	557 240	18 913 672	19 516 732
Additions	0	17 686	0	17 686
Cost as of 30 June 2013	45 820	574 926	18 913 672	19 534 418
Accumulated amortisation as of 1 January 2013	43 695	535 882	7 880 697	8 460 274
Amortisation	750	7 270	472 841	480 861
Accumulated amortisation as of 30 June 2013	44 445	543 152	8 353 538	8 941 135
Net book value as of 30 June 2013	**1 375**	**31 774**	**10 560 134**	**10 593 283**

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	Construction 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	442 506	590 934	0	26 664	115 650	0	1 175 754
Write-off and sale of	(105 727)	0	0	0	0	0	(105 727)
Reclassificationns	41 229	0	0	0	0	(41 229)	0
Cost as of the 30 June 2012	24 292 703	31 287 244	1 202 862	2 206 503	4 151 459	500 800	63 641 571
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 30 June 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	(34 801)	0	0	0	0	0	(34 801)
Depreciation	371 581	600 748	64 337	33 901	47 755	0	1 118 322
Accumulated depreciation as of 30 June 2012	9 449 098	15 876 844	1 028 118	2 082 994	334 288	0	28 771 342
Net book value as of 30 June 2012	**12 472 157**	**15 410 400**	**174 744**	**123 509**	**3 339 616**	**500 800**	**32 021 226**
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	16 108	199 504	7 535	0	0	223 147
Write-off and sale of	0	(4 192)	(10 924)	(743)	0	0	(15 859)
Reclassificationns	0	0	0	0	0	0	0
Cost as of 30 June 2013	36 096 406	24 237 272	1 389 042	2 148 852	1 910 219	0	65 781 791
Accumulated impairment of 1 January 2013	2 371 448	0	0	0	477 555	0	2 849 003
Accumulated impairment of 30 June 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	(4 191)	(10 922)	(742)	0	0	(15 855)
Depreciation	548 811	652 834	57 642	24 602	47 755	0	1 331 644
Depreciation (grant)	168 688	231 658	0	0	0	0	400 346
Accumulated depreciation as of 30 June 2013	10 826 002	16 970 157	1 120 801	2 085 023	429 799	0	31 431 782
Net book value as of 30 June 2013	**22 898 956**	**7 267 115**	**268 241**	**63 829**	**1 002 865**	**0**	**31 501 006**

Notes

In LTL		Jan-Jun 2013	Jan-Jun 2012
14	**Property, plant and equipment (cont'd)**		
	Distribution of depreciation costs		
	Cost of sales and write-off	(758 889)	(567 438)
	Inventories	(146 193)	(107 243)
	Administrative and other expenses	(426 562)	(443 641)
	Total distribution of depreciation cost	**(1 331 644)**	**(1 118 322)**

In LTL		30.06.2013	31.12.2012
15	**Financial assets**		
	Long-term loans granted	3 164 077	3 164 077
	Interest receivable	1 143 803	1 018 652
	Total financial assets	**4 307 880**	**4 182 729**

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

In LTL		30.06.2013	31.12.2012
16	**Inventories**		
	Raw materials	5 274 346	6 518 216
	Finished goods	2 029 194	1 846 446
	Goods for resale	905 339	1 102 115
	Work in progress	65 637	71 118
	Total inventories	**8 274 516**	**9 537 895**

As of 30th of June 2013, the remainder of grain stored at the third parties warehouses is worth of LTL 2,732.

In LTL		30.06.2013	31.12.2012
17	**Prepayments and deferred expenses**		
	Prepayments to suppliers	93 957	76 767
	Deferred advertising expenses	90 317	62 289
	Deferred insurance and subscription	38 049	102 547
	Other expenses	63 672	9 892
	Total prepayments and deferred expenses	**285 995**	**251 495**

Notes

In LTL	30.06.2013	31.12.2012
18 Trade receivables		
Trade receivables from comp. not from the group	16 361 924	23 100 782
Impairment allowance from comp. not from the group	(145 820)	(149 249)
Trade receivables from comp. from the group	5 526 307	5 400 335
Net trade receivables	**21 742 411**	**28 351 868**

In LTL	30.06.2013	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	(694)	(1 614)
Reverse of impairment allowance	4 123	40 447
Impairment allowance for bad debts at the end of the period	**(145 820)**	**(149 249)**

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

In LTL	30.06.2013	31.12.2012
19 Other receivables		
Other receivables	7 009	126 567
Doubtful receivables	488 424	489 338
Total other receivables before write-down allowance	**495 433**	**615 905**
Impairment allowance	(488 424)	(489 338)
Total other receivables, net	**7 009**	**126 567**

In LTL	30.06.2013	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	914	6 243
Impairment allowance for receivables at the end of the period	**(488 424)**	**(489 338)**

Notes

In LTL	30.06.2013	31.12.2012
20 Cash and cash equivalents		
Cash at bank and in hand	4 565	84 035
Limited use of the cash with the bank account (decision of the Council of the EU to Belarus)	0	(73 895)
Total cash and cash equivalents	**4 565**	**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 authorised 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-Jun 2013	Jan-Jun 2012
Number of shares	24 408 431	24 408 431
Profit (loss) for the period attributable to the equity holders, in LTL	84 325	(93 067)
Basic and diluted earnings (loss) per share, in LTL	**0.00**	**0.00**

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	30.06.2013	31.12.2012
23 Interest bearing loans and borrowings		
Non-current liabilities		
Bank loans	3 790 987	5 054 678
Financial lease (leasing) liabilities	87 473	0
Total non-current liabilities	**3 878 460**	**5 054 678**
Current liabilities		
Overdraft	10 753 512	11 144 472
Bank loans	2 527 383	2 527 383
Financial lease (leasing)	135 717	245 375
Total current liabilities	**13 416 612**	**13 917 230**
Total	**17 295 072**	**18 971 908**

In LTL	Total	Up to 1 year	1-5 years	Over 5 ears
Terms and repayment schedule				
Bank overdraft	10 753 512	10 753 512	0	0
Bank loans	6 318 370	2 527 383	3 790 987	
Financial lease	223 190	135 717	87 473	0
Total financial liabilities	**17 295 072**	**13 416 612**	**3 878 460**	**0**

Redemption date of long-term credits – December 2015, credit lines – 31 August 2013, extended by the bank for the period of one year. 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	30.06.2013	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	(400 346)	(333 622)
Balance value at the end of the period	**9 256 792**	**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		30.06.2013	31.12.2012
25	**Other payables**		
	Payable excise tax	5 290 647	8 896 667
	Payable VAT	2 228 470	4 875 666
	Wages, vacation reserve and social security	711 265	482 905
	Other taxes payable	65 317	189 849
	Accrued expenses	20 346	126 919
	Other payables	61 554	40 213
	Total other payables	**8 377 599**	**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 loosing 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 30th June 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
Belvedere Scandinavia A/S	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 Wieslav 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	Shareholders
Natural persons	Board members
Natural persons	Management members (directors)

Notes

27 Related party transactions (cont'd)

Sales to and purchases from related parties

	Type of transaction	Jan-Jun 2013	Jan-Jun 2012
Purchases	Inventories	403 220	307 029
Purchases	Ither expenses	0	12 555
Purchases	Services	199 521	292 607
Total purchases		**602 741**	**612 191**
Sales	Inventories incl.excise tax	22 650 271	25 510 259
Sales	Other income	133 368	134 105
Sales	Services	45 024	50 628
Total sales incl.excise tax		**22 828 663**	**25 694 992**
Excise tax		(13 892 794)	(13 859 279)
Total sales net of excise tax		**8 935 869**	**11 835 713**

Balances outstanding with related parties

	30.06.2013	31.12.2012
Trade receivables	**9 834 187**	**9 583 064**
Trade payables	**286 722**	**275 724**

Impairment loss of amounts receivable were not recognised. Information on the loans granted to the associated company and amounts of interest payeable (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	30.06.2013	31.12.2012
Carrying amount of pledged buildings and structures	22 284 482	22 969 072
Carrying amount of pledged equipments	5 865 204	6 347 275
Carrying amount of pledged trademarks	10 560 134	11 032 975
Carrying amount of pledged inventories	8 274 516	9 537 895
Cash and cash equivalents in accounts of bank	4 468	9 202
Amounts receivable from buyers (the right of claim)	21 742 411	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 defines 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 30th of June 2013 does not significantly differ from their carrying amount, except for non-current real estate, the depreciated cost-price of whuch significantly differs from its fair value.

Financial assets and financial liabilities as on the 30th of June 2013

In LTL	Carrying amount	Fair value
Granted long-term loans and other receivables	4 307 880	4 307 880
Advance payments and deferred expenditure	285 995	285 995
Trade receivables	21 742 411	21 742 411
Other receivables	7 009	7 009
Cash and cash equivalents	4 565	4 565
Total financial assets	**26 347 860**	**26 347 860**
Loan and other interest-bearing amounts	17 295 072	17 295 072
Trade payables	4 595 397	4 595 397
Other payables	8 377 599	8 377 599
Total financial liabilities	**30 268 068**	**30 268 068**

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

Chief Financial Officer
Renata Baliūnaitė

Vilnius,
30 August, 2013

Interim Statement

1 Company Information

Interim Statement prepared a for the six-month period ended 30 June 2013, unaudited.

	Public stock company Vilniaus Degtinė (hereinafter – the Company)
Legal form	Public stock company
Date and place of registration	23rd of November 1990, Vilnius branch of the State Enterprise Centre of Registers
Code	120057287
Registered office address	Panerių Str. 47/Smolensko Str. 2, Vilnius, Lithuania
Telephone	+ 370 5 233 08 19
Fax	+ 370 231 5052
E-mail	vd@degtine.lt
Website	www.degtine.lt

Branch	Obeliai distillery
Branch address	Vienožinskios Str.3, Audronių I village, Rokiškis district, Lithuania
Telephone	+ 370 458 78723
Fax	+ 370 458 78723
E-mail	obeliai@degtine.lt

„Spiritus Vilnensis" is the slogan of the company, which has been cherishing over one century's production traditions and actively implementing innovations. It expresses the company's strategy to develop beverages with every single drop filled with unique and multicultural spirit and secret of Vilnius.

The Company produces and sells vodkas, liqueurs, and other alcoholic beverages, alimentary rectified and methylated ethyl alcohol, alimentary distilled ethyl alcohol, imports and sells alcoholic products made by producers of other countries. Obeliai spirit distillery, a branch of AB Vilniaus degtinė, makes alimentary distilled grain ethyl alcohol. Here produced and electric and thermal energy. Part of electric energy is sold.

2 Authorised Capital and Securities

The structure of the authorised capital

Type of shares	Number of shares, pcs.	Nominal value in LTL	Total nominal value in LTL	Portion in the authorised capital, %
Ordinary registered shares	24,408,431	1	24,408,431	100.00

Ordinary registered shares the Company's authorised capital consists of grant equal rights to all owners of the Company's shares. All shares of AB Vilniaus degtinė are fully paid up. The Company has not issued any debt or derivative securities that would be converted into shares. The Company has not acquired and does not hold any shares of its own.

Total number of shareholders as on the 30th June 2013 was 254.

Interim Statement

2 Authorised Capital and Securities (cont'd)

Shareholders who held or managed more than 5 percent of the authorised capital of the issuer as of the 30th June 2013

Shareholder's name, surname or company name, registered office address, company code	Number of the shares the shareholder holds under the ownership right, pcs.	Portion of the authorised capital held, %	Portion of votes held, %
SOBIESKI DYSTRIBUCJA SP. Z 0. 0. ul. Bellottiego 1, 01-022, Warszawa, Poland, 230030460	16 668 632	68.29	68.29
DARIUS ŽAROMSKIS	3 602 498	14.76	14.76
SWEDISH CLIENTS SKANDINAVISKA ENSKILDA BANKEN Sergels Torg 2, 10640 Stockholm, Sweden, 502032908101	2 233 476	9.15	9.15
DAIVA ŽAROMSKIENĖ	1 220 422	5.00	5.00

None of the company's shareholders have any special rights of control.

There are no restrictions of the rights to vote. There are no agreements between the shareholders, which might cause the transfer of securities and (or) right of vote to be restricted.

Since the 25th of March 2002, ordinary registered shares of AB Vilniaus degtinė are listed in the Secondary trading list of AB NASDAQ OMX Vilnius. Emitent acronym is VDG1L. All 24,408,431 pcs. of shares are traded. There are no restrictions concerning transfer of the shares. The Company has signed an agreement with AB FMĮ Finasta on administration of accounting of issued securities.

Securities trading history

Indices	2010 January - December	2011 January - December	2012 January - December	2013 January – June
Opening price, LTL	1.400	1.519	1.015	0.863
Maximum price, LTL	2.000	1.519	1.015	0.925
Minimum price, LTL	1.170	0.694	0.176	0.691
Last session, LTL	1.519	0.863	0.777	0.846
Turnover, pcs.	120,659	80,571	254,231	59,080
Turnover, LTL million	0.18	0.09	0.16	0.05
Capitalisation at the end of the period, LTL million	37.08	21.07	18.96	20.65

Source: www.nasdaqomxbaltic.com/market

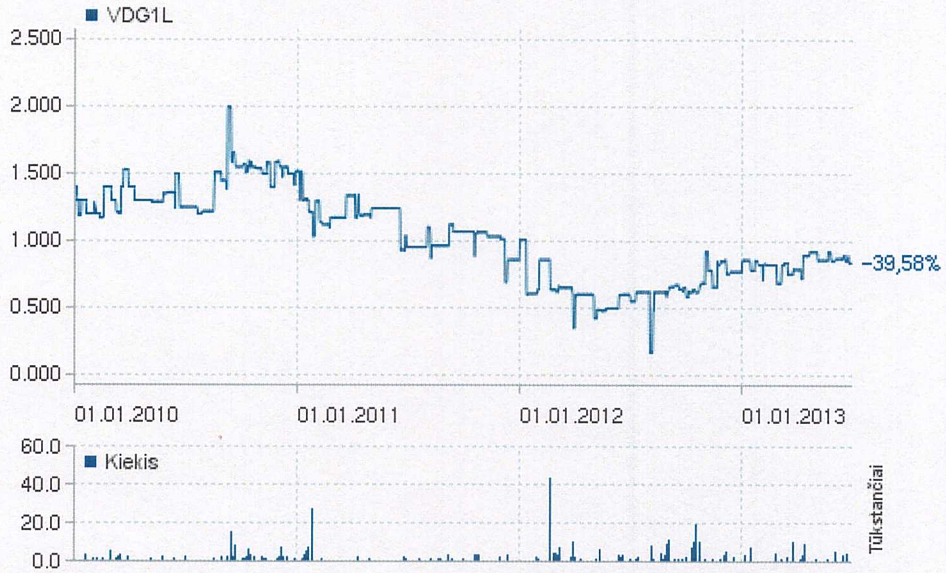
There were no OTC (over-the-counter) transactions registered in January-June of 2013 (source: http://www.csdl.lt/lt/aktualijos/statistika/uzbsanda.php).

Detailed information on trade of the shares can be found on the securities exchange NASDAQ OMX Vilnius.

Interim Statement

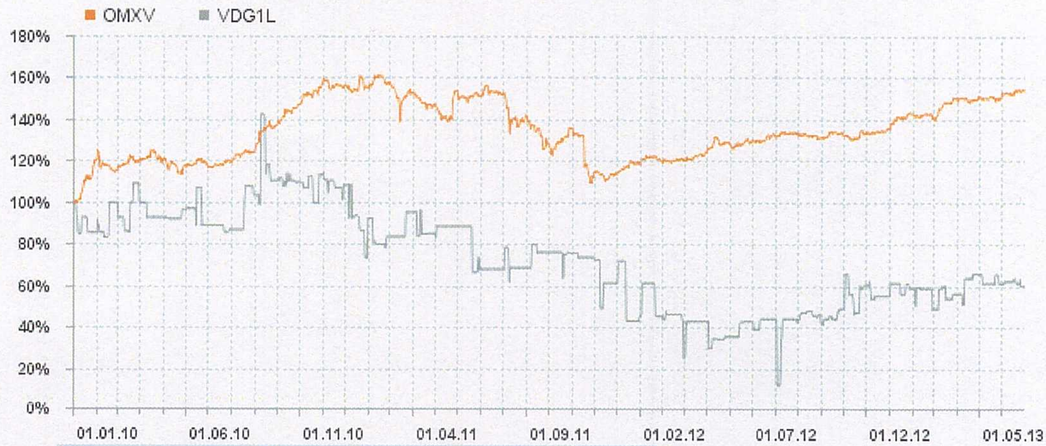
2 Authorised Capital and Securities (cont'd)

Trade in the shares of AB ,Vilniaus degtinė on, NASDAQ OMX Vilnius in 2010 - Januar-June, 2013



Source: www.nasdaqomxbaltic.com/market

Comparison of the price of the shres of AB Vilniaus degtinė (VDG1L) with OMX Vilnius (OMXV) index in 2010 – Januar-June, 2013



Indeksas/Akcijos	01.01.2010	30.06.2013	+/-%
OMX Vilnius	261,77	403,99	54,33
VDG1L	0,41 EUR	0,25 EUR	-39,58

Source: www.nasdaqomxbaltic.com/market

Interim Statement

3 Company Management

The company has the general shareholders' meeting, collegial supervisory body – the supervisory council, collegial management body – the board and one-person management body – the head of the company (Director General). The Company does not have a Committee.

The supervisory council of the company consists of 3 members. It is elected by the general shareholders' meeting for a period of four years. If individual members of the supervisory council must be elected, they are elected only for the period before the end of the term of the current supervisory council.

The board of the company consists of 4 members. Articles of Association of the company provide for 5 board members. It is elected by the supervisory council for a term of four years. The supervisory council can recall the board in corpore or individual members before the end of the term. A member of the board may resign from the duties before the end of the term by notifying the company about it in writing at least 14 days in advance. Beside the competence defined in the Law of Companies of the republic of Lithuania, on the basis of the Articles of Association of the Company, the Board passess decisions in relation to the following aspects:

1. on branch and representative offices‘ establishment or termination of their operation, and approves assignment of directors;
2. on transfer, rent or mortgage of part of its non-current assets as well as on guarantees on fulfillment of other parties duties;
3. on non-current asets purchase for the price higher than LTL 200,000;
4. on reorganisation or liquidation of its affiliates and subsidiaries;
5. on loan lending;
6. approves the procedure of representation in its affiliates and subsidiaries as well as in other companies, where the Company has its shares;
7. makes decisions on the candidatures of authorised persons who shall represent the Company in its affiliates and subsidiaries;
8. approves the list of commercial secrets;
9. approves the sules on purchasing godos, works, and services.

The head of the company is elected and recalled or dismissed from his/her duties, his/her salary is determined, job regulations are approved, incentives are awarded and penalties imposed by the board of the company.

The head of the company solely acts on behalf of the company in company's relations with other persons.

1 meeting of the board, 2 meetings of supervisory board, and 1 meeting of shareholders took place in January-June 2013. The compendium of financial statements of the last year was approved, the audit company was selected, and the plans of the company's activities were discussed during the course of the meetings.

Articles of Association of the Company are amended in accordance with the Company Law of the Republic of Lithuania. The most recent working of the articles of association was registered at the Register of Legal Entities of the Republic of Lithuania on the 11th of August 2008.

Interim Statement

3 Company Management (cont'd)

Members of the collegial supervision, management bodies as on the 30th of June 2013

Name, surname	Position	Participation in the authorised capital of the issuer, percent	Term
Dariusz Jamiola	Chairman of supervisory council	-	04-2012 – 04-2016
Tomasz Kowalski	Member of supervisory council	-	04-2012 – 04-2016
Darius Šiaudinis	Member of superv. council, Head of Marketing	-	04-2012 – 04-2016
Darius Žaromskis	Chairman of the Board	14.76	12-2011 – 12-2015
Juozas Daunys	Board member, Director General	-	12-2011 – 12-2015
Dalius Rutkauskas	Board member, Director of Commerce	-	12-2011 – 12-2015
Genadij Jurgelevič	Board member, Director of Production	-	10-2012 – 12-2015
Juozas Daunys	Director General	-	from 07-07-2011
Renata Baliūnaitė	Chief Financial Officer	-	from 31-03-2011

The members of collegial supervisory and management bodies were not remunerated for their work in supervisory council and board. The Company has not granted any loans or guarantees, and did not pay out any dividends to these persons. Services purchased from them in Januar-June 2013 amounted to LTL 26,000 (exclusive of VAT).

In Januar-June 2013 the job-related payoffs amounting to LTL 99,000 including taxes were calcualted for admnistration members. Average a LTL 49,000 for each member. To those individuals the company had not transfered any property, provide loans or guarantees, and pay dividends.

Information on the transactions of related parties was given in the Note 27 of interim financial statements for the period of six months as of 30 June 2013.

Over the reporting period, there were no harmful transactions concluded on behalf of the Company or conflicts of interests incurred.

There are no significant agreements the Company is a party to that would come into force, change or be terminated in case of change in the Company's control. There are no agreements between the Company and members of its collegial management and supervision bodies or employees providing for payment of compensation in case of their resignation or dismissal without a good reason or in case if their employment is discontinued due to a change in the Company's control.

The company, in pursuance of its duties in accordance with the legal acts governing the securities market, published the information on the essential events in the issuer's activities:

- 28.02.2013 – Publication of interim operating result for 12 months of 2012;
- 28.03.2013 – Convening of the annual general meeting of shareholders;
- 28.03.2013 – Publication of draft decisions of the annual general meeting of shareholders;
- 10.04.2013 – Notice of transaction of the chairman of the board;
- 10.04.2013 – Notice of acquisition of voting rights;
- 18.04.2013 – Publication of decisions of the annual general meeting of shareholders;
- 31.05.2013 – Publication of interim operating result for 3 months of 2013.

Interim Statement

3 Company Management (cont'd)

Detailed information in major events can be found on the Company's website www.degtine.ltor the website of ,NASDAQ OMX Baltic www.nasdaqomxbaltic.com.

The Company is a member of the Lithuanian Food Exporters Association (LitMEA).

4 Production Activities

Key activity of the Company is production of vodka, flavoured vodka, bitter, liqueur and other alcoholic beverages. Purified water, natural ingredients, such as nuts and berries, fruit juices, honey, and herbs are used in production. The products of the Company have been received many awards for high quality and the uniqueness of recipes. In January-June 2013 the company's technologists and marketing specialists developed seven new products.

Production produced

Name	Measurement unit	January-June, 2013	January-June, 2012	Change (+,-), %
Alcoholic beverages	000s litres	4 032.3	3 506.6	+15.0

In Januar-June 2013 alcoholic beverages production increased by 15.0 percent.

The efficiency of work was achieved through improvement of bottling plant's equipment and reduction of headcount in production subdivisions by 12.0 percent in January-June of 2013, as compared to the same period of the last year.

The branch produces distilled food grade ethanol from rye and triticale. 1 691.0 thousand liters of absolute alcohol was produced in January-June of 2013.

Cogeneration plant is powered with biogas to generate electricity and heat using the internal combustion engines. Steam is used in generation process. Excess electric power is sold to AB. This project reduced the costs of energy resources of the branch as well as environmental pollution. Installed power is 1.5 MW. 2 303.0 MWh of electric power was generated in January-June of 2013.

The management of the company aims at successful management of ISO 9001:2000 quality management and LEAN production management systems, continuous improvement of quality and formula of the products, efficiency of production processes, reduction of factory costs, as well as security of safe methods of work.

The purpose of LEAN system is to create a higher value for the customer and increase competitive advantage through using fewer resources. This system includes three stages: assessment of activities, training and education, as well as implementation and coordination. Almost all employees were trained including training in seven different LEAN methods. Workstations undergo standardization. Self-control and audits take place in such workstations. Production efficiency is under regular control and currently it reaches 80 percent.

Interim Statement

4 Production Activities (cont'd)

The Company has successfully operated and serviced the quality management system ISO 9001:2000. Implementation of the ISO standard has ensured constant efficiency of management, regular development of the Company and its competitive advantage.

5 Commercial activities

In January-June of 2013 sales revenue totaled 25 382 thousand litas (in January-June of 2012 - 27 007 thous. LTL). Revenue decreased by 6.0 percent, as compared to the same period of the last year. Decrease was mostly affected by the sales of ethanol and its products, which decreased by 40.1 percent or 2,950.0 thous. LTL. Main reasons: demand exceeding supply and high grain procurement prices.

Production sold

Name	Measurement unit	January-June, 2013	January-June, 2012	Change (+,-), %
Alcoholic beverages	000s litres	4 111.9	3 855.0	+6.7

In Januar-June 2013, sales increased by 6.7 percent. The greatest comparative weight was by vodkas, i.e. 74.5 percent of alcohol sale in litres. In Januar-June 2013, sales of alcoholic beverages continuously grew: by 9.2 percent of vodkas, 22.1 percent of bitters, 70.6 percent brandy.

Sales of premium vodka have significantly increased in January-June of 2013, as compared to the same period of the last year. Sales of “Bajorų Premium”, “Sobieski Superior”, and “Gediminas Premium” in liters have increased by 66.0 percent. The company has strengthened its position in brandy category - “Renaissance” brandy demonstrated sales, increased by 67.0 percent.

The company is successful to form the “import” portfolio of alcoholic beverages, which includes Old World and New World wine, tequila, rum, vodka, cognac, and globally accepted whiskey (Scottish, Irish, Bourbon). The range of strong drinks includes a well-known vodka trademark “Danzka”, “Agavita” with a great status in Lithuania, rum “Mulata”, a wide spectrum of world famous “Marie Brizard” cocktail liquors, currently popular Alsace wine, which constitutes the major part of French wine sales, as well as “Arthur Metz”. New World wine constitutes approximately 45.0 percent of total wine stock. In view of New World wine sales upturn tendencies in the world, in February of 2013 wine from Chile, Australia, and South Africa was added to the stock.

Interim Statement

5 Commercial activities (cont'd)

Marketing and sales experts have been developing the image of new trademarks and sales strategies as well as have been consistently working in the field of marketing formation. With a view to increase the competitiveness of bitter and to achieve ambitious goals in sales increase, the packaging of products of this category was refurbished in April-June of 2013. Renewal of packaging of the product family of trademark "Čepkelių trauktinė", which is very famous and popular in Lithuania, was also strengthened with a new TV image commercial.

Advertising of alcohol in Lithuania is limited by two Laws - Republic of Lithuania Law on Advertising and Law on Alcohol Control.

Resources, required for production, are purchased from reliable Lithuanian and foreign suppliers at a market price. In January-June of 2013 28.4 percent of all main raw materials and other production materials were acquired from Lithuanian suppliers, 17.3 percent – from Poland suppliers, and 33.5 percent – from Latvian suppliers.

6 Economic-Financial Ratios

Detailed information on the results of the Company's activities is presented in interim financial statements for the six-month period ended on the 30th of June 2013. Financial statements were developed in accordance with International Financial Reporting Standards adopted for application in the EU.

Economic-financial indices

Indices	January – June, 2013 / 2013 06 30	January – June, 2012 / 2012 12 31	Change (+,-), %
Sales revenue (loss), excl. excise tax, LTL	25 382 262	27 007 276	-6.0
Result from operations (EBIT), LTL	402 020	77 421	+5.2 k.
EBITDA, LTL	2 214 525	1 674 536	+32.2
Profit (loss) before taxes, LTL	144 520	(83 105)	+2.7 k.
Profit (loss) of the period, LTL	84 325	(93 067)	+190.6
Depreciation, amortisation and impairment, LTL	1 812 505	1 597 115	+13.5
Non-current assets, LTL	46 402 169	48 249 040	-3.8
Current assets, LTL	30 314 496	38 277 965	-20.8
Total assets, LTL	76 716 665	86 527 005	-11.3
Share capital, LTL	24 408 431	24 408 431	0.0
Owner's equity , LTL	36 407 063	36 322 738	+0.2
Non-current liabilities, LTL	14 009 625	15 573 936	-10.0
Current liabilities, LTL	26 299 977	34 630 331	-24.1
Net cash flows from operating activities, LTL	2 315 288	234 812	+9.9 k.
Net cash flows form investing activities, LTL	(120 684)	(1 009 649)	-88.0
Net cash flows from financing activities, LTL	(2 200 179)	760 767	-2.9 k.
Gross profit margin ratio, %	29,75	28,43	+1.3
Operating (net) profit margin ratio, %	0,33	-0,34	+0.67

Interim Statement

6 Economic-Financial Ratios (cont'd)

Indices	January – June, 2013 / 2013 06 30	January – June, 2012 / 2012 12 31	Change (+,-), %
EBIT profit margin ratio, %	1,58	0,29	+1.3
EBITDA profit margin ratio, %	8,72	6,20	+2.5
ROE (return on equity), LTL	0,002	-0,003	-166.7
ROA (return on assets), LTL	0,005	0,004	+25.0
Quick ratio	0,827	0,853	-3.0
Net working capital turnover ratio	7,071	7,930	-10.8
Profit per share, LTL	0,003	-0,004	-175.0
Debt to equity ratio	1,107	1,289	-14.1

Though sales revenue in January-June of 2013 decreased by 6.0 percent, the company earned 84,325 litas profit (in January-June of 2012 the company incurred 93,067 litas loss).

Reduced price of raw materials and other production materials affected the increase in gross margin of alcoholic beverages, sold by the company, by 1.3 percent.

Investment in January-June of 2013 totaled 240,833 litas, including the property in the amount of 199,504 litas, acquired by leasing.

In six months the company's asset value decreased by 11.3 percent. Accounts receivable decreased by 23.3 percent and inventories decreased by 13.3 percent (mainly due to the inventories of grain and goods for resale).

Management was able to increase the company's return on assets by 25.0 percent and EBITDA profitability by 2.5 times.

Major part of liabilities as of 30 June 2013 was 9,256,792 litas of subsidy, granted by the state for the implementation of construction project of co-generation power plant, 17,295,072 litas of financial obligations to the bank, as well as 7,519,117 litas excise and value added taxes payable to the state budget.

7 Risk Factors

Economic Risk Factors

Key risk factors are: unstable economic situation, large concentration within domestic alcohol market, competition, the extent of sales of alcohol in the shadow economy, the probability of increase of the taxes, increasing restrictions of alcohol advertising and trade. As the competition is getting more intense, much attention and many funds are allotted to production of new products and development of brand images, strengthening of selling positions in the domestic market and development of sales in foreign markets.

The Company did not find it difficult to procure itself with necessary raw materials and materials for production. The supply agreements which were signed ensure supply of materials, raw materials and energy resources. Production sales agreements with buyers are entered into for a period of one calendar year. The intended terms for delay of payments allow to plan and balance the cash flows. Debt handling is performed by employees who are competent and responsible for debt management.

Interim Statement

7 Risk Factors

Financial Risk Factors

To secure repayment of bank loans, the Company has pledged a part of its assets. Information on pledged assets and financial risk is presented in Note 28 and Note 26 to the interim financial statements. The Company controls and fulfils the bank's requirements on index sizes as well as the additional requirements.

Environmental Risk Factors

There were no limitation or suspension of production activities due to damage to the environment. There were no other ecologic risk factors or accidents. Recyclng materials the Company sorts and sends for recycling or disposal. Waste in the branch office are collected and treated in own biologic treatment facilities. Every year the Company executes an agreement on management of package waste.

Technical –Technological Risk Factors

Since a part of the Company's technologic machinery is depreciated, particular attention is paid to renewal of the machinery, development of technological processes and improvement of product quality for the purpose of eliminating technical risk factors.

Social Risk Factors

Employees of the Company constantly keep on improving their qualification at different courses, workshops, and study at higher schools. In the labour market there is lack of qualified employees and skilled specialists which would match the Company's requirements. At the moment there are no vacancies in the Company. The Company pays salaries and wages in timely manner. Proper and safe working conditions are ensured for the employees.

Information on other risk factors is presented in Note 26 to the interim financial statements.

8 Employees

Average number of employees

Indices	January-June, 2013	January-June, 2012
Number of employees	138	143

Average number of employees decreased by 3.5 percent after achieving higher efficiency of manufacturing processes and administrative employees' performance.

Average monthly salary of employees

Employees	January-June, 2013		January-June, 2012	
	Number as on 30.06.2013	Average monthly salary (in LTL)	Number as on 30.06.2012	Average monthly salary (in LTL)
Managers (directors)	3	15 697	3	14 880
Specialists and white-collar workers	56	3 357	55	3 340
Blue-collar workers	82	1 684	88	1 594
Total	141	2 495	146	2 390

Interim Statement

8 Employees (cont'd)

The Company pays salaries and wages in timely manner. Salaries vary depending on employee position, responsibility, work quality and job offer and demand in the market. The applied financial encourgement system evaluates the contribution of every employee on the Company Performance Results. Social guarantees of the employees are provide in Collective Agreement. In employment contracts or collective agreement there are no special rights or obligations intended for the employees of the Company or a part of them.

Employee distribution by education

Employees	Number as on 30.06.2013	Number as on 30.06.2012
With higher education	53	59
With post-secondary education	38	36
With higher secondary or vocational secondary education	50	43
No secondary	0	8
Total	141	146

The basis of successfull operation of the company are creative, constantly developing employees, who are not afraid of responsibility and look for new work methods and efficient solutions. Personnel are constantlyimproving their qualification at different courses and workshops, designated for raising employeequalification and knowledge in the areas of finance, marketing, exports, etc.

Aiming to create greater value to the client and increase the competitive advantage the Company has started implementing LEAN production management system. Efficent process management can be only ensured by continuously developing individuals. During training and education process, the the emplyees are certified for education and development programs they have completed, and are rewarded for suggestions and ideas which bring economic benefit to the Company.

9 Research and Development Activities

Development of new products (beverages and recipes) is a continuous part of the Company's activities. The Company regularly carries out experimental development projects involving experimental tests based on internal studies and experience of its employees. It keeps on further developing the production of flavoured vodkas and bitters. Most attention is paid to the development of traditional vodka and improvement of its taste. The products of the Company, which hold deep Lithuanian traditions of production, have received numerous awards for exceptional quality and recipes. Significant achievements in development of new products are rewarded with medals gained at different fairs and exhibitions.

10 Environmental Protection

The Company carries out its production activities in accordance with the Integrated Pollution Prevention and Control Permit. The Company tries to reduce negative impact on the environment, implements pollution prevention means, which assure that performed activities have no negative impact on the air, water, and soil. The Company always monitors its activity indices, plans and implements investments to enable reducing production and operating costs, energy consumption, and improving the environmental condition.

Interim Statement

10 Environmental Protection (cont'd)

Key sources of pollution at the Company's branch Obeliai distillery are boiler-room and ethyl alcohol production shop. The boiler-room produces steam needed for the technological process, provides thermal power to production and domestic facilities. Waste and sewage that is formed during the production process are collected and purified in the Company's own purification facilities. To improve the control over the work of sewage purification facilities, regularly carries out control tests. The program of monitoring underground waters of the water body is carried out.

Natural gas is used in the technological process of production facilities in Vilnius. Production, domestic and surface sewage gets into sewerage networks of UAB Vilniaus vandenys. Waste of all kinds that is formed in the Company (glass, metal, paper, cardboard, plastic and etc.) are sorted and delivered to waste management companies.

Hazard and risk analysis has been carried out, accident prevention means and accident liquidation plan have been prepared. The Company's buildings have been assessed and marked in accordance with the general fire-prevention rules.

The company declares the amount of natural water resources used and pollutants emitted from mobile and static sources of pollution.

11 Internal control and quality system

The purpose of the Company's control system is ensuring the implementation of the Company's aims and objectives in a way that the Company could reach long-term profitability and would create reliable financial and management accountability system.

The internal control of the Company is a dynamic process the purpose of which is to guarantee that the Laws, Legal instruments and rules accepted by the Company are followed, proper methods of protecting the Company's property are implemented, mistakes are avoided and any abuse is revealed. The process has three stages:

- setting standards and norms;
- comparison of factual and estimated data;
- making decisions after having analysed the data.

The organisational structure clearly defines the functions of the employees and their accountability for the quality of work. The current accounting management system ensures right accounting of the data and the control. Systemic and instantaneous inventory performed at the Company ensures protection of assets from unauthorised use or embezzlement. The management ensures that the employees of financial division have appropriate expertise, experience and most recent knowledge relevant for preparation of reliable financial accounts.

The management always aims that the internal control system would accelerate the management processes and would help manage the business risk.

The Company has implemented the quality management system ISO 9001:2000. After the implementation of ISO 9001:2000 standard, the Company is a solid and reliable partner in the foreign markets. The Company is oriented to the long-term goals and quality. The clients are trusting the products and quality of work more. The employees clearly understand the aims and tasks that are assigned to them, and their set positions.

Production management system LEAN facilitates creating greater value to the client and increase the competitive advantage by using fewer resources. Having eliminated the exisitng losses, timely execution of orders, better usage of current assets has been ensured, and the employees are involved in constant process of improvement and efficiency increase.

Interim Statement

12 Business Plans and Forecasts

In January-June of 2013, sales of alcoholic beverages, produced by the company, in liters increased by 6.7 percent and amounted to 4.1 million liters. The main reason of growth was the export of alcoholic beverages to the third countries.

The company has business partners in China, Vietnam, Israel, Morocco, Georgia, and USA. Such trademarks as “Shotka” vodka, “Litvak” vodka, “Renaissance” brandy, “Rock Crystal” vodka, etc. successfully establish on the export markets. The growth of export and sales of alcoholic beverages on the EU market by 90.0 percent is planned in 2013.

The growth of vodka sales on the Lithuanian market was mainly affected by successful introduction of “Gedimino Crystal” vodka trademark on the market, growth of sales of “Bajorų” vodka, as well as growth of sales of the products within the category of brandy.

In 2013 the company is planning to renew most of the company’s range of products for the domestic market.

Slowly recovering domestic consumption, improving economic situation of the country, price decrease tendency on the grain market, swelling export, as well as investment into the trademarks are the main prerequisites for successful operating results of the second six months of 2013.

Main indicators of activities planned in 2013:

- Profit before tax – 1.5 million litas;
- Sales of alcoholic beverages - 9 million liters, which will be 11.5 percent more than in 2012;
- Growth export and sales of alcoholic beverages on the EU market by 90.0 percent.

13 Events after the Reporting Period

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

Director General
Juozas Daunys

Vilnius,
30 August, 2013