

AB Vilniaus Degtinė

Interim Financial Statements
for the six-month period
ended on the 30th July 2009
(Unaudited)

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Company information

AB Vilniaus Degtinė

Telephone: + 370 5 231 31 52
Fax: + 370 5 231 50 52
Company code: 120057287
Registered at: Panerių str. 47/2, Vilnius, Lithuania

Management

Danas Kerbelis, Director General
Audra Jauniškienė, Finance and Administration Director

Board

Darius Žaromskis
Danas Kerbelis
Renaldas Barauskas
Audra Jauniškienė
Dalius Rutkauskas

Auditor

UAB Rimess

Banks

AB DnB NORD bankas

Lithuanian branch of AS UniCredit Bank
AB SEB Bankas
Swedbank

Balance sheet

As of the 30th June

In LTL	Notes	30/06/2009	31/12/2008
ASSETS			
Non-current assets			
Property, plant and equipment	13	22,497,632	23,204,605
Intangible assets	14	14,401,157	14,900,842
Other non-current assets	15	307,299	0
Total non-current assets		37,206,088	38,105,447
Current assets			
Inventories	16	7,400,759	9,495,228
Prepayments and future expenses	17	1,403,764	498,436
Trade receivables	18	19,442,156	39,963,023
Other receivables	19	2,903,777	2,646,034
Other current assets		0	75,554
Cash and cash equivalents	20	115,821	52,389
Total current assets		31,266,277	52,730,664
TOTAL ASSETS		68,472,365	90,836,111

Notes on pages 9–43 are an integral part of these financial statements.

Balance sheet (cont'd)

As of the 30th June

In LTL	Notes	30/06/2009	31/12/2008
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	24,408,431	24,408,431
Legal reserve		2,440,843	2,440,843
Retained earnings (loss)		11,299,848	11,663,277
Total equity		38,149,122	38,512,551
Non-current liabilities			
Interest bearing loans and borrowings	23	17,743,471	25,047,556
Deferred income tax liability		1,119,667	1,034,500
Total non-current liabilities		18,863,138	26,082,056
Current liabilities			
Interest bearing loans and borrowings	23	2,154,550	2,417,257
Trade payables		2,707,444	6,717,108
Income tax payable		0	0
Other payables	24	6,598,111	17,107,139
Total current liabilities		11,460,105	26,241,504
Total liabilities		30,323,243	52,323,560
TOTAL EQUITY AND LIABILITIES		68,472,365	90,836,111

Notes on pages 9–43 are an integral part of these financial statements.

Income statement

As of the 30th June

In LTL	Notes	Jan-Jun 2009	Jan-Jun 2008
		<hr/>	<hr/>
Sales revenue	4	23,894,759	30,067,140
Cost of sales		(12,047,932)	(16,099,430)
Gross profit	4	11,846,827	13,967,710
Other income	5	141,247	120,623
Sales and distribution expenses	6	(5,691,380)	(7,281,221)
Administrative expenses	7	(5,898,189)	(6,156,178)
Other expenses	5	(29,036)	(13,504)
Result from operating activities		369,469	637,430
Financial income	9	70,583	28,976
Financial expenses	9	(718,314)	(628,116)
Profit before tax		(278,262)	38,290
Corporate income tax	10	(85,167)	(37,582)
Profit for the period		(363,429)	708
		<hr/>	<hr/>
Basic and diluted earnings per share	22	(0,01)	0,00

Notes on pages 9–43 are an integral part of these financial statements.

Income statement

As of the 30th June

In LTL	Notes	Apr-Jun 2009	Apr-Jun 2008
Sales revenue	4	12,758,878	16,635,427
Cost of sales		(6,183,677)	(8,756,580)
Gross profit	4	6,575,201	7,878,847
Other income	5	84,656	62,912
Sales and distribution expenses	6	(3,322,211)	(4,847,755)
Administrative expenses	7	(2,499,040)	(3,192,961)
Other expenses	5	(14,562)	(7,052)
Result from operating activities		824,044	(106,009)
Financial income	9	38,148	18,130
Financial expenses	9	(292,227)	(322,986)
Profit before tax		569,965	(410,865)
Corporate income tax	10	(58,354)	34,039
Profit for the period		511,611	(376,826)
Basic and diluted earnings per share	22	0.0	0.0

Notes on pages 9–43 are an integral part of these financial statements.

Statement of changes in shareholders' equity

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as of 1 January 2008		24,408,431	2,440,843		10,398,154	37 247 428
Profit for H1 2008					708	708
Capital and reserves as of 30 June 2008		24,408,431	2,440,843		10,398,862	37,248,136
Profit for the reporting period					1,264,415	1,264,415
Capital and reserves as of 31 December 2008		24,408,431	2,440,843	0	11,663,277	38,512,551
Profit for H1 2009					(363,429)	(363,429)
Capital and reserves as of 30 June 2009	21	24,408,431	2,440,843	0	11,299,848	38,149,122

Notes on pages 9–43 are an integral part of these financial statements.

Statement of cash flows

In LTL

	Jan-Jun 2009	Jan-Jun 2008
Profit (loss) for the period	(363,429)	708
Depreciation and amortisation	1,996,938	1,773,716
Impairment on construction in progress	(115,958)	68,228
Impairment of trade receivables and other receivables	0	(767)
Impairment of inventories	0	
Net financial expenses	622,251	595,382
Gain (loss) on disposal of non-current assets	(4,278)	(14,095)
Income tax expenses	85,167	37,582
Net cash flows from ordinary activities before changes in working capital	2,220,691	2,460,754
Change in inventories	2,094,469	1,285,406
Change in prepayments	(905,328)	746,783
Change in trade receivables and other receivables	20,530,624	16,691,409
Change in trade payables and other payables	(14,524,275)	(15,464,992)
Net cash flows from operating activities	7,195,490	3,258,606
Income tax paid	(123,100)	(140,814)
Net cash flows from operating activities	9,293,081	5,578,546
Interest received	1,431	200
Proceeds from disposal of non-current assets	31,779	14,100
Acquisition of property, plant and equipment	(672,241)	(2,502,957)
Acquisition of intangible non-current assets	0	(10,275)
Repayment of loans	0	103,584
Loans granted	(307,299)	(1,022,029)
Net cash flows from investing activities	(946,330)	(3,417,377)
Repayment of loans	(7,280,081)	(3,804,266)
Loans received	195	2,400,000
Financial lease payments	(316,488)	0
Interest paid	(686,945)	(655,112)
Dividends paid	0	0
Net cash flows from financing activities	(8,283,319)	(2,059,378)
Net cash flows from operating, investing and financing activities	63,432	101,791
Cash and cash equivalents at the beginning of the period	52,389	72,174
Cash and cash equivalents at the end of the period	115,821	173,965

Notes on pages 9–43 are an integral part of these financial statements.

Notes

1 Reporting entity

AB Vilniaus Degtinė (hereinafter referred to as the Company) was registered on 8 May 1995 and it is domiciled in Vilnius, Lithuania. The Company has a subsidiary in Obeliai, Rokiškis district.

AB Vilniaus Degtinė is a Lithuanian public listed company with shares traded on Vilnius Stock Exchange. Its shares are held by the following shareholders:

Shareholder	Number of shares	Nominal value in LTL	Total value in LTL
Sobieski Sp.z.o.o.	16,668,632	1	16,668,632
Darius Žaromskis	2,440,843	1	2,440,843
Arūnas Tuma	2,440,843	1	2,440,843
Other minor shareholders	2,858,113	1	2,858,113
Total capital	24,408,431	1	24,408,431

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

The Company has major sales in the local market. Although sales to the European Union and foreign markets are increasing, their weight in the total sales volume is not significant.

AB Vilniaus Degtinė employed 197 staff members as of 30 June 2009 (228 staff members as of 30 June 2008).

2 Summary of significant accounting principles

Statement of compliance

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

The financial statements for the period from January to June 2009 presented below are preliminary and unaudited.

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation

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

The preparation of the financial statements in conformity with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

Foreign currency

Translation of amounts in foreign currencies into the national currency

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

Notes

2 Summary of significant accounting principles (cont'd)

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.

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 as of 30 June 2009.

Property, plant and equipment

Recognition and measurement

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

When useful service time of non-current assets' units differ, they are accounted as separate fixed assets.

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 | 12–20 | 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 the statement.

Notes

2 Summary of significant accounting principles (cont'd)

Inventories (cont'd)

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.

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.

Notes

2 Summary of significant accounting principles (cont'd)

Calculation of recoverable amount (cont'd)

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.

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

Dividends

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

Employee allowances

The company has no determined allowances and inducement plans or payment schemes concerning its 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

Notes

2 Summary of significant accounting principles (cont'd)

Sales of goods (cont'd)

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.

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. 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.

Notes

2 Summary of significant accounting principles (cont'd)

Net financing costs (cont'd)

Interest income is recognised in the 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.

Income tax

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 assets 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 reduced to the extent it is no longer probable that the related tax benefit will be realised.

Segment reporting

Segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), 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.

Notes

2 Summary of significant accounting principles (cont'd)

Earnings per share

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

Notes

3 Critical accounting estimates and judgements

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing current situation and reasonable expected future events. Management of the Company, considering forecasts and budget, borrowing need, fulfilment of obligations, products and markets, financial risk management, having performed operation continuity assessment, considers that there are no obscurities in the assessment of continuity of the Company's activities or doubts concerning its further operation.

The Company makes estimates and assumptions concerning future events. Resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment losses on receivables

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

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. Then methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Moreover, the Company has entered into Trade Credit Insurance Agreement covering debts of a part of buyers trading in alcohol beverages.

Impairment losses on construction in progress

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

Impairment losses on trademark

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

Notes

4 Segment reporting

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

Revenue and gross profit for January-June 2009 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	21,922,602	1,462,939	37,123	472,095	23,894,759
Gross profit	11,743,538	4,728	16,934	81,627	11,846,827

Revenue and gross profit for January-June 2008 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	27,588,667	1,158,298	50,501	1,269,674	30,067,140
Gross profit	13,343,373	147,527	23,139	453,671	13,967,710

Revenue and gross profit for April-June 2009 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	11,978,019	399,845	24,823	356,191	12,758,878
Gross profit	6,407,074	90,214	11,181	66,732	6,575,201

Notes

4 Segment reporting (cont'd)

Revenue and gross profit for April-June 2008 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	15,296,766	593,917	25,904	718,840	16,635,427
Gross profit	7,526,384	66,102	12,144	274,217	7,878,847

The Company's primary activities are carried out in the Lithuanian market, yet a small part of its production is exported to EU countries and abroad. In January-June 2009, sales to EU and foreign markets amounted to LTL 1,576,505 (in January-June 2008 they were LTL 1,368,167). Sales of April-June 2009 were LTL 446,072 (in April-June 2008 they were LTL 698,769). Considering the share of product sales in foreign markets in total revenue, no geographical segments are distinguished in the Company.

Notes

In LTL	Jan-Jun 2009	Jan-Jun 2008
5 Income and expenses of other activities		
Lease of premises	52,233	43,212
Income from sales of materials and spare parts	41,787	49,858
Result of the sales of non-current assets	4,284	14,095
Other income	42,943	13,458
Total other income	141,247	120,623
Other expenses	29,036	13,504
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	29,036	13,504
Net income and expenses of other activities	112,211	107,119
In LTL	Apr-Jun 2009	Apr-Jun 2008
Income and expenses of other activities		
Lease of premises	25,034	21,580
Income from sales of materials and spare parts	30,031	31,223
Result of the sales of non-current assets	1,999	5,999
Other income	27,592	4,110
Total other income	84,656	62,912
Other expenses	14,562	7,052
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	14,562	7,052
Net income and expenses of other activities	70,094	55,860

Notes

In LTL

6 Sales and distribution expenses

	Jan-Jun 2009	Jan-Jun 2008
Advertising expenses	2,336,715	4,296,302
Marketing expenses	2,106,567	1,927,863
Salaries and social security	691,073	566,842
Transportation expenses	297,625	334,823
Market research expenses	81,257	68,397
Packaging expenses	26,425	37,259
Other	151,718	49,735
Total sales and distribution expenses	5,691,380	7,281,221

In LTL

Sales and distribution expenses

	Apr-Jun 2009	Apr-Jun 2008
Advertising expenses	1,765,915	3,000,849
Marketing expenses	987,179	1,297,776
Salaries and social security	292,871	277,267
Transportation expenses	122,739	166,156
Market research expenses	55,952	61,122
Packaging expenses	12,563	14,667
Other	84,992	29,918
Total sales and distribution expenses	3,322,211	4,847,755

Advertising expenses include advertising through media, advertising in the supermarkets, restaurants, cafes and bars, and other advertising expenses.

Notes

In LTL		Jan-Jun 2009	Jan-Jun 2008
7	Administrative expenses		
	Salaries and social security	2,695,509	2,380,122
	Repairs and maintenance	656,941	740,658
	Amortisation	165,364	409,388
	Operating and other taxes	499,685	515,560
	Depreciation	611,750	499,029
	Consulting and training expenses	270,891	255,588
	Maintenance of cargo vehicles	138,952	167,245
	Security expenses	183,714	164,500
	Representation expenses	33,743	115,921
	Sponsorship and other	10,000	12,529
	Communications and IT maintenance expenses	94,388	100,774
	Utilities	192,754	75,857
	Impairment of construction in progress	(115,958)	68,228
	Impairment of inventories	0	0
	Other	460,456	650,779
	Total administrative expenses	5,898,189	6,156,178
In LTL		Apr-Jun 2009	Apr-Jun 2008
	Administrative expenses		
	Salaries and social security	933,239	1,152,832
	Repairs and maintenance	381,819	411,290
	Amortisation	100,221	289,116
	Operating and other taxes	249,585	251,909
	Depreciation	295,194	296,098
	Consulting and training expenses	163,341	118,517
	Maintenance of cargo vehicles	71,008	60,405
	Security expenses	95,214	87,450
	Representation expenses	14,989	100,077
	Sponsorship and other	10,000	1,264
	Communications and IT maintenance expenses	45,914	50,059
	Utilities	27,272	29,432
	Impairment of construction in progress	(115,958)	34,114
	Impairment of inventories	0	0
	Other	227,202	310,398
	Total administrative expenses	2,499,040	3,192,961

Notes

In LTL	Jan-Jun 2009	Jan-Jun 2008
8 Personnel expenses		
Wages and salaries	3,419,252	3,273,681
Social security contributions	1,059,385	1,013,474
Total personnel expenses	4,478,637	4,287,155
In LTL	Apr-Jun 2009	Apr-Jun 2008
Personnel expenses		
Wages and salaries	1,338,568	1,490,197
Social security contributions	414,377	461,156
Total personnel expenses	1,752,945	1,951,353

Personnel expenses for January-June 2009 and January-June 2008 include change in accrued vacation compensations. Redundancy pays and holiday compensations for January-June 2009, inclusive of social security taxes, amounted to LTL 726,321. Their payment mostly determined formation of losses in January-June 2009

Personnel expenses for January-June 2009 include wages and salaries for the management (including compulsory social security contributions) in the amount of LTL 443,667 (LTL 298,559 for January-June 2008). Management salaries in April-June 2009 amounted to LTL 154,626 (in April-June 2008 they were LTL 156,215).

As of 30 June 2009, there were no interest-free loans issued to the management (as of 30 June 2008 they were LTL 52,000).

As of 30 June 2009, 197 employees were working for the Company (as of 30 June 2008 – 228 employees).

In January-June 2009, 5 managers were working for the Company (in January-June 2008 there were 4 managers).

Notes

In LTL

9 Financial income and expenses

	Jan-June 2009	Jan-June 2008
Interest income	70,277	28,976
Other income	306	0
Total financial income	70,583	28,976
Interest on loans and lease liabilities	692,527	624,358
Foreign exchange loss	0	2,717
Other	25,787	1,041
Total financial expenses	718,314	628,358
Financial income and expenses, net	(647,731)	(599,140)

In LTL

Financial income and expenses

	Apr-June 2009	Apr-June 2008
Interest income	38,116	18,130
Other income	32	0
Total financial income	38,148	18,130
Interest on loans and lease liabilities	275,448	320,971
Foreign exchange loss	0	2,011
Other	16,779	4
Total financial expenses	292,227	322,986
Financial income and expenses, net	(254,079)	(304,856)

In LTL

10 Corporate income tax expenses

	Jan-Jun 2009	Jan-Jun 2008
Current tax	0	0
Change in deferred income tax	85,167	37,582
Total income tax expenses	85,167	37,582

Notes

11 Deferred tax

	Jan-Jun 2009		Jan-Jun 2008	
In LTL	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (15%)
Impairment of other receivables	885,209	177,042	885,209	132,781
Impairment of trade receivables	378,728	75,745	731,031	109,652
Impairment of construction in progress	525,310	105,062	614,050	92,108
Impairment of inventories	0	0	0	0
Accrued social security expenses for vacation reserve	160,807	32,161	169,439	25,416
Total deferred tax asset		390,010		359,957
Difference in depreciation of property, plant and equipment	(3,122,966)	(624,593)	(3,294,693)	(494,204)
Difference in amortisation of intangible assets	(3,819,107)	(763,821)	(2,727,934)	(409,190)
Carrying value of non-current assets that are subject to investment relief	(606,314)	(121,263)	(848,692)	(127,304)
Total deferred tax liability		(1,509,677)		(1,030,698)
Net deferred tax		(1,119,667)		(670,741)

Starting from 2009, current income tax rate has increased to 20%. (In 2008 it amounted to 15%)
The movement of deferred income tax is as follows:

In LTL	Jan-Jun 2009	Jan-2008
Deferred income tax liability as of 1 January	(1,034,500)	(633,159)
Change in deferred income tax	(85,167)	(37,582)
Deferred income tax liability as of 30 June	(1,119,667)	(670,741)

Notes

12 Income tax

In LTL

	Jan-Jun 2009	Jan-Jun 2008
	<hr/>	<hr/>
Overpaid income tax (liability) as of 1 January	103,019	1,327
Income tax for the period	0	0
Income tax paid	123,100	140,814
	<hr/>	<hr/>
Overpaid income tax (liability) as of 30 June	226,119	142,141
	<hr/> <hr/>	<hr/> <hr/>

Notes

13 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other tangible assets	Total
Cost as of 1 January 2008	16,359,819	15,758,949	1,631,089	2,421,980	2,911,846	530,520	39,614,203
Additions	367,587	357,324	44,025	77,959	0	1,656,062	2,502,957
Disposals	0	(35,666)	(81,510)	0	0	0	(117,176)
Transfer from inventories	500,000	30,520	0	0	0	(530,520)	0
Cost as of 30 June 2008	17,227,406	16,111,127	1,593,604	2,499,939	2,911,846	1,656,062	41,999,984
Accumulated depreciation as of 1 January 2008	6,508,290	10,014,405	790,517	1,798,256	545,822	0	19,657,290
Depreciation for the H1	320,576	709,758	98,151	129,671	0	0	1,258,156
Impairment loss	0	0	0	0	68,228	0	68,228
Disposals	0	(35,662)	(81,509)	0	0	0	(117,171)
Accumulated depreciation as of 30 June 2008	6,828,866	10,688,501	807,159	1,927,927	614,050	0	20,866,503
Net book value as of 30 June 2008	10,398,540	5,422,626	786,445	572,012	2,297,796	1,656,062	21,133,481
Cost as of 1 January 2009	17,854,268	17,381,057	1,576,707	2,380,695	2,395,792	3,510,030	45,098,549
Additions		456,494	33,500	34,054	166,465	11,310	701,823
Disposals	0	(2,206)	(144,595)	(6,605)	(652,039)	0	(153,406)
Reclassificationns	655,622	6,447	0	0	0	(10,030)	0
Cost as of 30 June 2009	18,509,890	17,841,792	1,465,612	2,408,144	1,910,218	3,511,310	45,646,966
Accumulated depreciation as of 1 January 2009	7,132,540	11,408,026	900,823	1,859,042	593,513	0	21,893,944
Depreciation for the H1	356,363	868,988	99,135	117,252	55,515	0	1,497,253
Impairment loss	0	0	0	0	(115,958)	0	(115,958)
Disposals	7,760	(2,203)	(119,463)	(4,239)	(7,760)	0	(125,905)
Accumulated depreciation as of 30 June 2009	7,496,663	12,274,811	880,495	1,972,055	525,310	0	23,149,334
Net book value as of 30 June 2009	11,013,227	5,566,981	585,117	436,089	1,384,908	3,511,310	22,497,632

Notes

13 Property, plant and equipment (cont'd)

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. Since 2009, after amendment of the requirements applied on the accounting standards, depreciation shall be calculated for construction in progress. Before 2009, the Company was calculating depreciation of the construction in progress and, accordingly, the construction in progress is quarterly tested for impairment based on management estimates.

The depreciation was distributed as follows:

In LTL	30/06/2009	30/06/2008
Cost of sales	672,702	616,577
Inventories	183,917	130,366
Administrative and other expenses	640,634	511,213
Total	1,497,253	1,258,156

Notes

14 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2008	202,384	528,949	18,913,672	19,645,005
Additions during the H1	0	10,275	0	10,275
Disposals	0	0	0	0
Cost as of 30 June 2008	202,384	539,224	18,913,672	19,655,280
Accumulated amortisation as of 1 January 2008	196,860	401,752	3,152,279	3,750,891
Amortisation for the H1	4,053	38,666	472,841	515,560
Disposals	0	0	0	0
Accumulated amortisation as of 30 June 2008	200,913	440,418	3,625,120	4,266,451
Net book value as of 30 June 2008	1,471	98,806	15,288,552	15,388,829
Cost as of 1 January 2009	181,206	529,371	18,913,672	19,624,249
Additions during the H1	0	0	0	0
Disposals	0	0	0	0
Cost as of 30 June 2009	181,206	529,371	18,913,672	19,624,249
Accumulated amortisation as of 1 January 2009	181,206	444,239	4,097,962	4,723,407
Amortisation for the H1	0	26,843	472,842	499,685
Disposals	0	0	0	0
Accumulated amortisation as of 30 June 2009	181,206	471,082	4,570,804	5,223,092
Net book value as of 30 June 2009	0	58,289	14,342,868	14,401,157

All amortisation expenses are included under operating expenses.

In LTL	30/06/2009	31/12/2008
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15 Financial assets

Non-current loans granted	307,299	0
Non-current guarantees granted	0	0
Total financial assets	307,299	0

Non-current loans granted: EUR 89,000 (LTL 307,299) loan to an related company (7.5% and 8.5% fixed interest rate, term of repayment of the granted loan: December 2010).

Notes

	In LTL	30/06/2009	31/12/2008
16 Inventories			
Raw materials		5,593,019	8,164,498
Finished goods		1,333,815	1,004,413
Goods for resale		385,277	305,355
Work in progress		88,648	20,962
Total inventories		7,400,759	9,495,228
	In LTL	30/06/2009	31/12/2008
17 Prepayments and deferred expenses			
Prepayments to suppliers		1,016,854	93,280
Deferred advertising expenses		205,513	263,914
Deferred insurance and subscription		111,904	73,614
Other		69,493	67,628
Total prepayments and deferred expenses		1,403,764	498,436
	In LTL	30/06/2009	31/12/2008
18 Trade receivables			
Trade receivables		19,820,884	40,341,751
Impairment allowance for bad debts		(378,728)	(378,728)
Net trade receivables		19,442,156	39,963,023

Notes

18 Trade receivables (cont'd)

Change in impairment of receivables for bad debts in January-June 2009 can be presented as follows:

In LTL	30/06/2009	31/12/2008
Impairment allowance for bad debts as of 1 January	(378,728)	(731,782)
Reverse of impairment allowance for bad debts	0	353,054
Impairment allowance for bad debts at the end of the period	(378,728)	(378,728)

19 Other receivables

In LTL	30/06/2009	31/12/2008
Loans granted	1,996,815	2,057,608
Prepayments to the Tax Inspectorate	521,480	247,480
Overpaid income tax	226,119	103,019
Other receivables	159,363	237,927
Doubtful receivables	885,209	885,209
Total other receivables before write-down allowance	3,788,986	3,531,243
Write-down allowance	(885,209)	(885,209)
Total other receivables, net	2,903,777	2,646,034

The prepayment to the Tax Inspectorate is a guarantee for payment of excise tax and exported production payments. Loans granted: loan of EUR 571,380 (LTL 1,972,861) to a related company (7.5 % fixed annual interest rate, maturity of the loans granted – December 2009) and loan of LTL 23,954 to employees of the Company.

Change in impairment allowance of receivables was as follows:

In LTL	30/06/2009	31/12/2008
Impairment allowance for bad debts and other receivables as of 1 January	(885,209)	(885,209)
Reverse of impairment allowance for bad debts	0	0
Impairment allowance for bad debts and other receivables at the end of the period	(885,209)	(885,209)

Notes

In LTL	30/06/2009	31/12/2008
20 Cash and cash equivalents		
Cash at bank and in hand	115,821	52,389
Total cash and cash equivalents	115,821	52,389

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 declared from time to time and to capital repayment in case of and a share of residual assets. One ordinary share gives a right to one vote at the shareholders' meeting.

Legal reserve

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

Notes

22 Earnings per share

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

	Jan-Jun 2009	Jan-Jun 2008
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	(363,429)	708
Earnings per share, in LTL	(0.01)	0.00

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

In LTL	30/06/2009	31/12/2008
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23 Interest bearing loans and borrowings

Non-current liabilities

Bank loans	17,329,182	24,504,574
Financial lease	414,289	542,982
Total non-current liabilities	17,743,471	25,047,556

Current liabilities

Overdraft	0	0
Bank and other loans	2,154,550	2,417,257
Total current liabilities	2,154,550	2,417,257
Total	19,898,021	27,464,813

Notes

23 Interest bearing loans and borrowings (cont'd)

Terms and repayment schedule:

In LTL	Total	Up to 1 year	1-2 years	2-5 years	Over 5 years
Long-term overdraft of LTL 2,000,000 – variable at the rate of 3 month's Vilibor + 2.5%	564,928		564,928		
Loan of EUR 3,015,412 (LTL 10,41,615) – variable at the rate of 3 months' EUR LIBOR + 2.9%	9,633,807	1,866,739	7,155,126	611,942	0
Long-term overdraft of EUR 2,606,580 (LTL 9,000,000) – variable at the rate of 3 month's EURIBOR + 2.5%	8,997,186		8,997,186		
Financial lease (leasing) – variable at the rate of 6 month's EURIBOR + 1%	701,905	287,616	414,289		
Other financial debts	195	195			
Total financial liabilities	19,898,021	2,154,550	17,131,529	611,942	0

The term of repayment of the long-term loan is 31 December 2015., of long-term overdrafts (LTL 2,000,000 and EUR 2,606,580) – 31 August 2010.

In order to secure the bank loans, the Company has pledged tangible and intangible non-current assets, inventories, cash and cash inflows to the bank accounts and trade receivables. For further comments refer to Note 27.

In LTL	30/06/2009	31/12/2008
24 Other payables		
Payable excise tax	3,108,893	9,206,118
Payable VAT	2,283,124	5,187,727
Accrued vacation expenditure and social security	672,468	722,553
Taxes payable	39,733	1,351,413
Accrued expenses	24,350	147,930
Other payables	469,543	491,398
Total other payables	6,598,111	17,107,139

Notes

25 Financial instruments

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

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

Notes

25 Financial instruments (cont'd)

Liquidity risk (cont'd)

majeure (such as natural calamities). Moreover, the Company has concluded a contract for overdraft limited to LTL 9,000,000.

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 and VILIBOR. As of 30 June 2009, 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 faces foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas or Euro. The risk related to the transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to Euro at a fixed rate. The Company does not have any material exposure in other foreign currencies as of 30 June 2009 and 31 December 2008.

Capital management

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

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

The Company's capital management policy did not change in January-June 2009.

Notes

26 Related party transactions

Related parties of the Company are:

- parties that control, is controlled by or is 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	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 Lancut	Belvedere group company
Gemaco	Belvedere group company
PHP Wieslaw Wawrzyniak	Belvedere group company
I000 Galiart	Belvedere group company
Chais Beaucairois SAS	Belvedere group company
Domain Menada Sp.Z.o.o.	Belvedere group company
Darius Žaromskis	Shareholder
Arūnas Tuma	Shareholder

Notes

26 Related party transaction (cont'd)

Sales to and purchases from related parties during the reporting periods ended 30 June 2008 and 30 June 2007 are as follows:

Company	Type of transaction	Jan-Jun 2009	Jan-Jun 2008
Purchases from:			
Belvedere group companies	Purchase of services	1,306,834	1,781,934
Belvedere group companies	Purchase of raw materials	345,239	676,585
Shareholder	Purchase of services	154,800	154,800
Belvedere group companies	Purchase of non-current assets	35,506	0
Parent company	Purchase of inventories	0	91,838
Total purchases		1,842,379	2,705,157
Sales to:			
Belvedere group companies	Sales of production including excise tax	22,874,888	41,254,738
	Sales of production including excise tax	198,227	231,582
Parent company	Other income	0	0
Ultimate parent company	Sales of production including excise tax	0	0
	Sales of services	124,446	170,072
Total sales		23,197,561	41,656,392
Excise tax		15,785,279	27,783,243
Total sales net of excise tax		7,412,282	13,873,149

Notes

26 Related party transactions (cont'd)

Balances outstanding with identified related parties at the end of the reporting period:

Company	30/06/2009	31/12/2008
Trade receivables		
From Belvedere group companies	4,716,755	16,353,557
From ultimate parent company	875,651	12,451
From parent company	198,227	0
Total trade receivables	5,790,633	16,366,008
Trade payables		
To Belvedere group companies	326,764	242,131
Total trade payables	326,764	242,131

Remuneration to the Company's management is enclosed in Note 8 to the Financial Statements. Information on loans granted to related parties is enclosed in Notes 15 and 19.

All outstanding related party transactions are priced on arm's length basis.

Notes

27 Off-balance and other liabilities

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

In LTL	30/06/2009	31/12/2008
Carrying amount of pledged buildings and structures	9,191,325	9,198,192
Carrying amount of pledged trademarks	14,342,868	14,815,710
Carrying amount of pledged inventories	7,400,759	9,495,228

The Company, under the Agreement on Assignment of Claiming Rights, for the purpose of securing the fulfilment of its obligations under the Crediting Agreement, has assigned to the Bank the existing and future monetary funds kept in the accounts opened with AB DnB Nord bank and trade receivables, which as of 30 June 2009 amounted to LTL 19,422,156 (LTL 39,963,023 as of 31 December 2008).

28 Fair value of financial instruments

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

Notes

28 Fair value of financial instruments (cont'd)

Carrying amount of assets and liabilities provided in the balance sheet as of 30 June 2009 does not significantly differ from their balance sheet value, except non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets as of 30 June 2009:

In LTL	Balance-sheet value	Fair value
Granted non-current loans and guarantees	307,299	307,299
Advance payments and expenditure of future periods	1,403,764	1,403,764
Trade debtors	19,442,156	19,442,156
Other amounts receivable	2,903,777	2,903,777
Cash and cash equivalents	115,821	115,821
Total	24,172,817	24,172,817

Financial liabilities as of 30 June 2009:

In LTL	Balance-sheet value	Fair value
Loan and other amounts exposed to calculation of interest rate	19,898,021	19,898,021
Amounts payable to suppliers	2,707,444	2,707,444
Other amounts payable	6,598,111	6,598,111
Total	29,203,576	29,203,576