

*Interim Report of public stock company VILNIAUS DEGTINĖ
for 6 months of 2009*

**CONTENTS**

1. Reporting period covered by this Report	3
2. The issuer and its contact information	3
3. Type of the issuer's principal activities	3
4. Information about the contracts with intermediaries of public trading in securities.....	3
5. The structure of the authorised capital of the issuer	3
6. Shareholders.....	4
7. Information about trading in the issuer's securities on the regulated markets.....	5
8. Employees.....	5
9. Procedure of amending the Articles of Association of the issuer	6
10. Bodies of the issuer.....	6
11. Overview of the issuer's performance	8
12. Major events during the first six months of the financial year	9
13. Performance plans and forecasts of the issuer	10



1. Reporting period covered by this Report

The Report has been prepared for 6 months of 2009.

2. The issuer and its contact information

Name of the issuer	Public stock company Vilniaus Degtinė, hereinafter referred to as AB Vilniaus Degtinė
Legal status	Public stock company
Date and place of registration	8 May 1995 at the Register Service of Vilnius city
Code	120057287
Company address	Panerių str. 47/2, LT-03202 Vilnius
Telephone	(8~5) 233 0819
Fax	(8~5) 231 5052
E-mail	vd@degtine.lt
Website	www.degtine.lt
Company's branch	<u>Obeliai Distillery</u>
Address of the branch	<u>Audroniai village, Obeliai local authority, Rokiškis district</u>
Telephone	(8-458) 78723
Fax	(8-458) 78723
E-mail	obeliai@degtine.lt

3. Type of the issuer's principal activities

AB Vilniaus Degtinė produces and sells vodkas and liqueurs, other alcoholic drinks, rectified, methylated grain ethyl alcohol, produces distilled ethyl alcohol, imports and sells alcoholic products from other countries.

4. Information about the contracts with intermediaries of public trading in securities

AB Vilniaus Degtinė has signed a contract with AB FMI Finasta (Konstitucijos ave. 23, LT-08105 Vilnius, tel. (8~5) 278 6833, e-mail info@finasta.lt) regarding the management of the securities account for the securities issued by the company.

5. The structure of the authorised capital of the issuer

The structure of the authorised capital of AB Vilniaus Degtinė is as follows:

Type of shares	Number of shares	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

Rights and obligations granted by the shares

No shareholder of the Company shall have any special rights of control. There are no restrictions of voting rights. There are no agreements between shareholder the Company is aware of and which may result in restriction of transfer of the shares and/or the voting right.

Since 25 March 2002, ordinary registered shares of AB Vilniaus degtinė are listed in the Secondary trading list of AB NASDAQ OMX Vilnius. All 24,408,431 pcs. of shares are traded. There are no restrictions concerning transfer of the shares.



Shareholder have the following property rights:

- 1) to receive part of the company's profit (dividend);
- 2) to receive part of company's fund, when the authorised capital of the company being reduced in order to pay part of company's funds to the shareholders;
- 3) to receive company's shares for free when the authorised capital is increased from the company's funds;
- 4) to purchase newly issued shares or convertible bonds of the company on pre-emptive right, except the case when the general shareholders meeting decides to cancel the priority right for all the shareholders according to the procedure established by the Company Law of the Republic of Lithuania;
- 5) to lend to the company in the ways provided for by the laws; however, when borrowing from its shareholders, the company has no right to pledge its assets to the shareholders;
- 6) to receive a share of the assets in case of company's liquidation;
- 7) other property rights established in the laws and Articles of Association of the company.

Shareholders have the following non-property rights:

- 1) to participate in the general shareholders' meetings;
- 2) to vote at the general shareholders' meetings according to the rights granted by the shares held;
- 3) receive information about the company specified in the Company Law of the Republic of Lithuania;
- 4) to apply to court with a claim, asking to cover the damages of the company resulting from the failure of the head of the company and members of the board to carry out or properly carry out their duties established by the laws as well as in the Articles of Association of the company, as well as in other cases provided for by the laws.
- 5) other non-property rights established by the laws and Articles of Association of the company.

6. Shareholders

As of 30 June 2009, the total number of shareholders was 239.

Shareholders who held or managed more than 5 percent of the authorised capital of the issuer as of 30 June 2009.

Shareholder's name, surname (company name, legal status, company code, company address)	Number of the shares the shareholder holds by the right of ownership	Portion of the authorised capital held, %	Portion of votes held, %
SOBIESKI SP.Z.0.0. ul. Bellottiego 1, 01-022, Warszawa, Polska 230030460	16,668,632	68.3	68.3
ARŪNAS TUMA	2,440,843	10.0	10.0
DARIUS ŽAROMSKIS	2,440,843	10.0	10.0
SKANDINAVISKA ENSKILDA BANKEN CLIENTS Sergels Torg 2, 10640 Stockholm, Sweden 50203290810	2,286,750	9.4	9.4

None of the company's shareholders have any special rights of control. There are no restrictions of the rights to vote.

The issuer is not aware of any agreements between the shareholders, which might cause the transfer of securities and (or) right of vote to be restricted.



7. Information about trading in the issuer's securities on the regulated markets

Ordinary registered shares of AB Vilniaus Degtinė have been listed in the Secondary trading list of Vilnius Stock Exchange since 25 March 2002.

Key share characteristics

Type of shares	ISIN code	Abbreviation	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT0000112450	VDG1L	24,408,431	1	24,408,431

Trading in the Company's shares

Reporting period	Price, LTL			Turnover, LTL			Date of the last trading session	Total turnover	
	max.	min.	Last session	max.	min.	Last session		nr.	LTL
Q1 2009	0.85	0.55	0.55	776.50	0	0	2009/03/31	2,982	2,318.92
Q2 2009	1.20	0.50	0.92	2,600.30	0	5,362.08	2009/06/30	20,309	17,371.26

Capitalisation of company's shares

Date of the last trading session	Capitalisation, LTL
2009/03/31	13,424,637.05
2009/06/30	22,455,756.52

OTC transactions in company's shares

Reporting period	Cash settlement					Non-cash settlement	
	Price, LTL		Number of securities	Amount, LTL	Number of transactions	Number of securities	Number of transactions
	max.	min.					
Q1 2009	3.82	3.82	22,223	84,992.64	1	-	-
Q2 2009	-	-	-	-	-	-	-

8. Employees

Average provisory number of employees of AB Vilniaus Degtinė for 6 months of 2009 was 184 (for 6 months of 2008 – 221). Within 6 months of 2009, compared to the respective period in 2008, average provisory number of employees decreased by 16.7%. The number of employees was reduced due to decreased sales extents and aiming at optimising production and management processes.



Information about the employees of the company

Employee group	Number of employees 30/06/2007	Education					Average salary for 6 months 2009, LTL	Average salary for 6 months 2008, LTL
		higher	further	special secondary	secondary	Unfinished secondary		
Managers	5	5	-	-	-	-	9,656.73 *	8,635.22
Specialists and office workers	55	29	24	2		-	3,116.38	2,980.84
Including: Obeliai	15	4	6	5		-	2,584.15	2,260.37
Workers	137	8	37	43	49		1,619.39	1,721.89
Including: Obeliai	34	3	4	14	13		1,309.38	1,535.31
Total	197	42	61	45	49		2,206.23	2,200.07

* In January-June 2009, the average number of managers was 5

9. Procedure of amending the Articles of Association of the issuer

Articles of Association of AB Vilniaus Degtinė can be amended by the decision of the general shareholders' meeting adopted by more than 2/3 of the votes.

10. Bodies of the issuer

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 supervisory council of the company consists of 3 members. It is elected by the general shareholders' meeting for a period of four years. The general shareholders' meeting may recall the supervisory council *in corpore* or individual members before the end of the term. A member of the supervisory council 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. If a member of supervisory council resigns or withdraws from his/her duties for any other reason and the shareholders holding shares, which give them at least 1/20 of all the votes, are against the election of individual members of the supervisory council, the supervisory council shall lose its authority and the whole new supervisory council must be elected. 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 5 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.

The head of the company (Director General) 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 competence of the general shareholder meeting, supervisory council, the board and the head of the company, other issues related to the activities of the bodies of the company are regulated by section V of the Company Law of the Republic of Lithuania and Articles of Association of the company.

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

Management bodies of the company must act in the interests of the company and its shareholders, observe the laws and regulations and follow the Articles of Association of the company.



Members of the collegial bodies, head of the company and Finance Director of AB Vilniaus Degtinė (30 June 2009)

Name, surname	Position	Participation in the authorised capital of the issuer, percent	Term
Dariusz Jamiola	Chairman of supervisory council	-	20/04/2008 – 2012
Tomasz Kowalski	Member of supervisory council	-	20/04/2008 – 2012
Ilona Šerlatienė	Member of supervisory council	-	20/04/2008 – 2012
Darius Žaromskis	Chairman of the Board	10.0	12/04/2008 – 2011
Danas Kerbelis	Board member	-	12/04/2008 – 2011
Renaldas Barauskas	Board member	-	27/03/2009 – 2011
Dalius Rutkauskas	Board member	-	27/03/2009 – 2011
Audra Jauniškienė	Board member	-	12/04/2008 – 2011
Danas Kerbelis	Director General	-	18/07/2005
Audra Jauniškienė	Director for Finance and Administration	-	01/03/2005

Participation of the collegial bodies and administration members of the company in the activities of other companies, institutions and organisations, percentage share held in other companies exceeding 5 percent of authorised capital

Name, surname	Name of the company, institution, organisation, position	Share of authorised capital exceeding 5 percent
Ilona Šerlatienė	UAB.Kaminera, Chief Financier	-
Tomasz Kowalski	Sobieski Sp.z.o.o., Commercial Director	
Dariusz Jamiola	Sobieski Sp.z.o.o., Finance Director	
Darius Žaromskis	UAB Kamineros Grupė	50.0
	AB printing house Spindulys, Board member	8.10
	UAB Svilita	100.0
	AB Biržų Agroservisas	20.0
	UAB Bagem	25.0
	AB Sanitas, Board member	-
	AB Umega, Board member	-
	UAB Jungtinis Turto Centras	25.0
	UAB Urbino Investment	19.0
Danas Kerbelis	Lithuanian-French UAB Belvedere Baltic, Director	-
Renaldas Barauskas	UAB Belvedere Prekyba, Director General	-
Dalius Rutkauskas		
Audra Jauniškienė	-	-

Information about the amounts accrued for the members of collegial bodies and administration of the issuer in January-June 2009

	Salary accrued, LTL
To the members of administration (Director General and Finance Director)	89,040
Average per member of administration	44,520



Within H1 2009, gross remuneration paid to members of collegial bodies of the Company amounted to LTL 154,800. No assets were assigned to members of collegial bodies or the administration, as well as no guarantees and securities were issued to secure fulfilment of their obligations.

11. Overview of the issuer's performance

The sales revenue of the company for 6 months of 2009 amounted to LTL 23,895 thousand. Compared for the same period of 2008 (LTL 30,067 thousand) it dropped down by 20.5 percent.

Loss before tax for 6 months of 2009 amounted to LTL 278.3 thousand, meanwhile profit before tax for 6 months of 2009 – LTL 38.3 thousand.

Key factor influencing the drop down of sales and loss-bearing activities is the increased excise duty on strong alcohol in Lithuania valid for the second year in turn and resulting sales of illegal alcohol in the “shadow” market. Management of the Company has taken measures to increase the effectiveness of operations and optimise production and management processes. Implementation of such means required additional costs (during January-June of this month alone, redundancy pays paid to fired employees, compared to H1 2008, increased by LTL 697.8 thousand). The management expects to get a positive result of such means in the second half of the current year.

More information on the company's risk factors, related parties, operations and financial results for 6 months of 2009 is presented in the financial statements of AB Vilniaus Deginė for the period ended 30 June 2009.

Key indices	H1 2009, LTL	H1 2008, LTL	H1 2007, LTL
Sales income (excl. excise duty)	23,894,759	30,067,140	26,352,085
- alcoholic drinks	21,922,602	27,588,667	25,111,959
- rectified alcohol	1,462,939	1,158,298	982,179
- methylated alcohol	37,123	50,501	39,308
- other goods and services	472,095	1,269,674	218,639
Gross profit	11,846,827	13,967,710	12,595,406
Other activities, net	112,211	107,119	64,404
Result from operations (EBIT)	369,469	637,430	1,009,663
Depreciation, amortisation and impairment	1,880,980	1,841,944	1,579,551
EBITDA	2,250,449	2,479,374	2,589,214
Financing activities, net	(647,731)	(599,140)	(397,218)
Result before tax	(278,262)	38,290	612,445
Net result	(363,429)	708	501,505
Earnings per share	(0.01)	0.00	0.02
Total assets	68,472,365	71,277,087	66,255,689
- non-current assets	37,206,088	37,545,439	36,628,896
- current assets	31,266,277	33,731,648	29,626,793
Equity	38,149,122	37,248,136	36,067,018
Total liabilities	30,323,243	34,028,951	30,188,671
- non-current liabilities	18,863,138	6,628,547	10,299,565
- current liabilities	11,460,105	27,400,404	19,889,106
Acquisitions of non-current assets	701,823	2,513,232	1,827,454
Depreciation, amortisation and impairment	1,880,980	1,841,944	1,579,551
Net cash flows from operating activities	9,293,081	5,578,546	4,410,274
Net cash flows from investing activities	(946,330)	(3,417,377)	(2,148,833)
Net cash flows from financing activities	(8,283,319)	(2,059,378)	(2,153,729)



Sales on Lithuanian market account for the major part of the company's sales. Sales to the European Union and foreign market amounted to LTL 1,577 thousand in H1 2009 (LTL 1,368 thousand in H1 2008).

In H1 2009, investments into modernisation of production processes and employee training were made. In H1 2009, the Company's investments amounted to LTL 702 thousand.

Key risk factors related to activities of AB Vilniaus degtinė:

- Amendments of Lithuanian laws and legal instruments directly related to activities of the Company.
- Factors resulting from difficult economic situation.
- Technological risk factors.
- Ecologic risk factors.
- Social risk factors.

In the course of its activities, the Company pays much attention to control and management of risk factors.

12. Major events during the first six months of the financial year

The Company, in the course of implementation of its duties and in conformity with legal statements regulating the securities market, in January-June 2009 publicly announced the information on major events in the activities of the issuer.

2009/01/27 Announcement that AB Vilniaus degtinė is not going to suspend production process.

2009/02/27 Preliminary operating result of the Company for 2008 was announced.

2009/03/16 Announcement that ordinary General Shareholder Meeting will be held on 17 April 2009, and its agenda was announced.

2009/03/23 Announcement of information of the plans of Belvedere SA Group.

2009/04/03 Announcement on supplemented agenda of the General Shareholder Meeting.

2009/04/07 Announcement on recalling of members of the board and election of new members of the board.

2009/04/17 Announcement of resolutions of the ordinary General Shareholder Meeting of AB Vilniaus degtinė.

2009/04/24 Announcement on the plans of Belvedere S.A.

2009/05/20 Announcement on modernisation of the production process at AB Vilniaus degtinė.

2009/05/28 Announcement on performance results of the Company in January-March 2009.

2009/07/23 Announcement of granting EU structural fund financing to the project "Using distillery refuse (broga) for the production of electric power" developed by AB Vilniaus degtinė.

All major events related to operations of the Company were presented to the Securities Commission of the Republic of Lithuania, AB NASDAQ OMX Vilnius, the daily "Lietuvos rytas", news agency ELTA, as well as announced on the Company's website www.degtine.lt.



13. Performance plans and forecasts of the issuer

Given considerable changes in the strong drink market, which are related to both, increased rate of the excise duty for alcohol and general economic situation in Lithuania, sales of the Company for 2009 are forecasted to decrease by approx. 20%, compared to 2008. Lithuania and other EU member-states will remain as the Company's major markets. The company expects to complete the year 2009 profitably.

In H2 2009, the Company will be further striving to achieve the goals it has set: continuous improvement of the products it makes, increasing the effectiveness of operations and optimisation of costs, trademark development and increasing of competitiveness, optimisation of logistic processes, and increasing of working efficiency.