

NO AUDITED

AB „VILNIAUS DEGTINĖ"  
(enterprise name)

120057287, Panerių Str. 47/2, Vilnius, 852330819  
(enterprise identification number, address, other information)

## **BALANCE SHEET**

30 September 2006

**30.09.2006 year**  
(reporting period)

in litas  
(reporting currency and level of its accuracy)

	ASSETS	Note No.	Financial year 30.09.2006	Previous financial year 31.12.2005
<b>A.</b>	<b>NON-CURRENT ASSETS</b>		<b>36.098.677</b>	<b>36.042.035</b>
<b>I.</b>	<b>INTANGIBLE ASSETS</b>		<b>17.068.166</b>	<b>17.843.638</b>
I.1.	Development works			
I.2.	Goodwill			
I.3.	Licences and patents		24.133	37.671
I.4.	Computer software		100.535	153.206
I.5.	Other intangible assets		16.943.498	17.652.761
<b>II.</b>	<b>TANGIBLE ASSETS</b>		<b>18.560.429</b>	<b>17.739.764</b>
II.1.	Land			
II.2.	Buildings and constructions		8.839.398	9.136.092
II.3.	Plant and equipment		5.534.541	4.327.660
II.4.	Vehicles		412.289	292.700
II.5.	Other property, plant and equipment		644.193	697.426
II.6.	Construction in progress		3.125.616	3.265.224
II.7.	Other tangible assets		4.392	20.662
II.8.	Investment assets			
<b>III.</b>	<b>FINANCIAL ASSETS</b>		<b>22.708</b>	<b>25.872</b>
III.1.	Investments in subsidiaries and associates			
III.2.	Loans to subsidiaries and associates			
III.3.	Amounts receivable after one year		22.708	25.872
III.4.	Other financial assets			
<b>IV.</b>	<b>OTHER NON-CURRENT ASSETS</b>		<b>447.374</b>	<b>432.761</b>
IV.1.	Deferred profit tax assets		447.374	432.761
IV.2.	Other non-current assets			
<b>B.</b>	<b>CURRENT ASSETS</b>		<b>27.244.310</b>	<b>37.986.985</b>
<b>I.</b>	<b>INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS</b>		<b>7.291.482</b>	<b>5.381.919</b>
I.1.	Inventories		6.434.995	5.205.847
I.1.1.	Raw materials and components		5.176.599	4.635.604
I.1.2.	Work in progress		35.588	22.208
I.1.3.	Finished products		1.172.759	506.844
I.1.4.	Goods for resale		50.049	41.191
I.2.	Prepayments		856.487	176.072
I.3.	Contracts in progress			
<b>II.</b>	<b>AMOUNTS RECEIVABLE WITHIN ONE YEAR</b>		<b>17.358.295</b>	<b>24.822.098</b>
II.1.	Trade amounts receivable		17.083.947	24.622.916
II.2.	Receivables from subsidiaries and associates			
II.3.	Other amounts receivable		274.348	199.182
<b>III.</b>	<b>OTHER CURRENT ASSETS</b>		<b>20.662</b>	<b>0</b>
III.1.	Current investments			
III.2.	Time deposits			
III.3.	Other current assets		20.662	0
III.3.1.	Profit tax paid in advance		20.662	
III.3.2.	Other current assets			
<b>IV.</b>	<b>CASH AND CASH EQUIVALENTS</b>		<b>2.573.871</b>	<b>7.782.968</b>
	<b>TOTAL ASSETS</b>		<b>63.342.987</b>	<b>74.029.020</b>

	EQUITY AND LIABILITIES	Note No.	Financial year 30.09.2006	Previous financial year 31.12.2005
<b>C.</b>	<b>EQUITY</b>		<b>35.588.588</b>	<b>31.877.671</b>
<b>I.</b>	<b>CAPITAL</b>		<b>24.408.431</b>	<b>24.408.431</b>
I.1.	Authorised (subscribed)		24.408.431	24.408.431
I.2.	Subscribed uncalled share capital (-)			
I.3.	Share premium			
I.4.	Own shares (-)			
<b>II.</b>	<b>REVALUATION RESERVE (RESULTS)</b>			
<b>III.</b>	<b>RESERVES</b>		<b>2.440.843</b>	<b>2.440.843</b>
III.1.	Legal reserve		2.440.843	2.440.843
III.2.	Reserve for acquiring own shares			
III.3.	Other reserves			
<b>IV.</b>	<b>RETAINED EARNINGS (LOSSES)</b>		<b>8.739.314</b>	<b>5.028.397</b>
IV.1.	Profit (loss) of the reporting year		3.710.917	3.442.770
IV.2.	Profit (loss) of the previous year		5.028.397	1.585.627
<b>D.</b>	<b>GRANTS AND SUBSIDIES</b>			
<b>E.</b>	<b>AMOUNTS PAYABLE AND LIABILITIES</b>		<b>27.754.399</b>	<b>42.151.349</b>
<b>I.</b>	<b>NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES</b>		<b>12.784.543</b>	<b>15.272.665</b>
I.1.	Financial debts		11.915.613	14.468.958
I.1.1.	Leases and similar obligations			
I.1.2.	To credit institutions		11.915.613	14.468.958
I.1.3.	Other financial debts			
I.2.	Trade amounts payable			
I.3.	Amounts received in advance			
I.4.	Provisions		0	0
I.4.1.	For covering liabilities and demands			
I.4.2.	For pensions and similar obligations			
I.4.3.	Other provisions			
I.5.	Deferred profit tax liabilities		868.930	803.707
I.6.	Other amounts payable and non-current liabilities			
<b>II.</b>	<b>CURRENT AMOUNTS PAYABLE AND LIABILITIES</b>		<b>14.969.856</b>	<b>26.878.684</b>
II.1.	Current portion of non-current debts		3.404.461	2.964.186
II.2.	Financial debts		0	0
II.2.1.	To credit institutions			
II.2.2.	Other debts			
II.3.	Trade amounts payable		5.027.623	8.695.203
II.4.	Amounts received in advance		22.415	104.844
II.5.	Profit tax liabilities		366.129	21.910
II.6.	Liabilities related with labour relations		599.793	443.937
II.7.	Provisions			
II.8.	Other amounts payable and current liabilities		5.549.435	14.648.604
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>63.342.987</b>	<b>74.029.020</b>

Director General

title of the head of enterprise  
administration

(signature)

Danas Kerbelis

(full name)

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**INCOME STATEMENT**

30 September 2006

**01.01.2006-30.09.2006**

(reporting period)

in litas

to specify – in litas or thousands of litas

No.	ITEMS	Note No.	Financial year 01.01.2006-30.09.2006	Previous financial year 01.01.2005-30.09.2005
I.	SALES INCOME		43.319.037	29.946.621
II.	COST OF SALES		20.343.179	13.133.572
<b>III.</b>	<b>GROSS PROFIT (LOSS)</b>		<b>22.975.858</b>	<b>16.813.049</b>
IV.	OPERATING COSTS		18.569.170	12.411.947
IV.1	Sales		10.786.623	6.209.186
IV.2	General and administrative		7.782.547	6.202.761
<b>V.</b>	<b>OPERATING PROFIT (LOSS)</b>		<b>4.406.688</b>	<b>4.401.102</b>
VI.	OTHER ACTIVITIES		180.232	(102.174)
VII.	FINANCING AND INVESTING ACTIVITIES		(481.173)	(460.895)
<b>VIII.</b>	<b>PROFIT (LOSS) BEFORE TAX</b>		<b>4.105.747</b>	<b>3.838.033</b>
IX.	PROFIT TAX		394.830	613.405
<b>X.</b>	<b>PROFIT (LOSS)</b>		<b>3.710.917</b>	<b>3.224.628</b>
Earnings per share			0,152	0,132

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**CASH FLOW STATEMENT**

30 September 2006

**30.09.2006**

(reporting period)

in litas

to specify – in litas or thousands of litas

No.	ITEMS	Note No.	Financial year 01.01.2006-30.09.2006	Previous financial year 01.01.2005-30.09.2005
<b>I.</b>	<b>Cash flows from operating activities</b>			
I.1.	Profit (loss)		3.710.917	3.224.628
	<i>Elimination of non-cash transactions</i>			
I.2.	Depreciation and amortization costs		2.159.948	2.323.093
I.3.	Profit (losses) from transfer and written down of non-current assets		(6.495)	(32.794)
I.4.	Non-current tangible assets impairment loss		135.765	504.938
I.5.	Inventory write-down impairment loss		(40.093)	(103.188)
I.6.	Doubtful amounts expenses		(2.615)	(36.887)
I.7.	Profit tax		394.830	613.405
I.8.	Interest income		(86.332)	(80.172)
I.9.	Interest expenses		556.452	544.360
I.10.	Other financial expenses			
	<i>Changes in assests and liabilities</i>			
I.11.	Decrease (increase) in amounts receivable after one year		3.164	(4.108)
I.12.	Decrease (increase) in inventory		(1.189.055)	566.146
I.13.	Decrease (increase) in advances received		(680.415)	(369.564)
I.14.	Decrease (increase) in trade receivables		7.541.584	(3.817.255)
I.15.	Decrease (increase) in other amounts receivable		(75.795)	60.058
I.16.	Increase (decrease) in current payables to suppliers and advances received		(3.750.009)	1.605.775
I.17.	Increase (decrease) in liabilities connected with labour relations		155.856	316.429
I.18.	Increase (decrease) in other amounts payable and liabilities		(9.063.104)	637.676
I.19.	Paid profit tax		(20.663)	(102.380)
	<b>Net cash flows from operating activities</b>		<b>(256.060)</b>	<b>5.850.160</b>
<b>II.</b>	<b>Cash flows from investing activities</b>			
II.1.	Acquisition of non-current assets (excluding investments)		(2.357.859)	(937.456)
II.2.	Transfer of non-current assets (excluding investments)		23.448	44.453
II.3.	Acquisition of long-term investments			
II.4.	Transfer of long-term investments			
II.5.	Loans granted			
II.6.	Loans recovered			
II.7.	Dividends and interest received		86.961	83.724
	<b>Net cash flows from investing activities</b>		<b>(2.247.450)</b>	<b>(809.279)</b>
<b>III.</b>	<b>Cash flows from financing activities</b>			
III.1.	Cash flows related to enterprise owners:		0	(436)
III.1.1.	Emission of shares			

No.	ITEMS	Note No.	Financial year 01.01.2006-30.09.2006	Previous financial year 01.01.2005-30.09.2005
III.1.2.	Purchase of own shares			
III.1.3.	Dividends paid			(436)
III.2.	Cash flows arising from other financing sources		(2.705.587)	(1.807.799)
III.2.1.	Loans received			
III.2.2.	Loans repaid		(2.077.722)	(1.126.476)
III.2.3.	Interest paid		(592.517)	(582.408)
III.2.4.	Payments of lease (finance lease) liabilities		(35.348)	(98.915)
III.2.5.	Other increase in cash flows from financial activities			
III.2.6.	Other decrease in cash flows from financial items			
	<b><u>Net cash flows from financing activities</u></b>		<b>(2.705.587)</b>	<b>(1.808.235)</b>
IV.	<b>Net increase (decrease) in cash flows</b>		<b>(5.209.097)</b>	<b>3.232.646</b>
V.	<b>Cash and cash equivalents at the beginning of period</b>		<b>7.782.968</b>	<b>973.330</b>
VI.	<b>Cash and cash equivalents at the end of period</b>		<b>2.573.871</b>	<b>4.205.976</b>

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**STATEMENT OF CHANGES IN EQUITY**

30 September 2006

**30.09.2006 year**

(reporting period)

in litas

to specify – in litas or thousands of litas

No.	ITEMS	Paid up authorised capital	Share premium	Own shares (-)	Legal reserves		Other reserves	Retained earnings (losses)	Total
					compulsory	Acquisition of own shares			
1	<b>Balance at the beginning of previous financial year 01.01.2005</b>	24.408.431	0	0	2.440.843	0	10.040.735	(7.455.057)	29.434.952
2	Result of change in accounting policies							(1.000.051)	(1.000.051)
3	<b>Recalculated balance at the beginning of previous financial year 01.01.2005</b>	24.408.431	0	0	2.440.843	0	10.040.735	(8.455.108)	28.434.901
4	Net profit / loss of the reporting period							3.408.610	3.408.610
5	Result of change in accounting policies							(183.982)	(183.982)
6	Used reserves						(10.040.735)	10.040.735	0
7	<b>Balance at the end of previous financial year period 30.09.2005</b>	24.408.431	0	0	2.440.843	0	0	4.810.255	31.659.529
8	Acquisition / sales of own shares								0
9	Net profit / loss of the reporting period							448.698	448.698
10	Result of change in accounting policies							(230.556)	(230.556)
11	Dividends								0
12	Formed reserves								0
12	Used reserves								0
14	Increase / reduction of authorised capital								0
15	<b>Balance at the end of previous financial year 31.12.2005</b>	24.408.431	0	0	2.440.843	0	0	5.028.397	31.877.671
16	Acquisition / sales of own shares								0
17	Net profit / loss of the reporting period							3.710.917	3.710.917
18	Dividends								0
19	Formed reserves								0
20	Used reserves								0
21	Increase / reduction of authorised capital								0
22	<b>Balance at the end of reporting financial year period 30.09.2006</b>	24.408.431	0	0	2.440.843	0	0	8.739.314	35.588.588

Director General

(title of the head of enterprise administration)

(signature)

Danas Kerbelis

(full name)

## Information about business segments

Indicators	SEGMENTS (in Litas)								Total	
	Alcoholic drinks		Rect. eth. alc.		Methyl.ethyl alc.		Other goods and serv			
	9 months		9 months		9 months		9 months		9 months	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sales income	42.545.234	26.497.089	701.908	483.957	71.895	93.638		2.871.937	43.319.037	29.946.621
Cost of sales	19.808.508	12.771.467	494.409	305.783	40.262	54.053		2.269	20.343.179	13.133.572
Gross profit	22.736.726	13.725.622	207.499	178.174	31.633	39.585		2.869.668	22.975.858	16.813.049













AB VILNIAUS DEGTINĖ

## **EXPLANATORY NOTE**

### **General information about the company**

AB Vilniaus Degtinė is an independent stock registered with Vilnius City Board on 8 May 1995. The address of the Company is Panerių g. 47/2, Vilnius. The Company has a subsidiary: Obeliai distillery, Obeliai neighbourhood, Rokiškis district.

The Company is engaged in the following economic activities: produced and sells at market prices vodkas and liqueurs and other alcoholic drinks, rectified, methylated ethyl alcohol; produces distilled ethyl alcohol.

### **Basis of preparation and compliance to the standards**

AB Vilniaus Degtinė prepared the interim financial statements for 9 months of the year 2006 in accordance with the International Financial Reporting Standards (IFRS) accepted in the European Union, issued by the International Accounting Standards Board, and follows the interpretations of the Standards Committee of the International Accounting Standards Board, except the accounting of property, plant and equipment, as required by IFRS 16.

The statements were prepared on the basis of going concern. The amounts shown in the financial statements are resented in litas, in the tables of the explanatory notes – in thousands litas. The accounting principles applied are the same as those applied in the previous year.

### **Summary of accounting policies**

Below are the main accounting principles followed by the Company in preparation of the interim financial statements for 9 months of the year 2006.

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

Intangible assets are recorded in the balance sheet at cost less accumulated amortisation and impairment losses; they are amortized on a straight-line basis over a period of three to twenty years. Initially intangible assets are registered at cost.

### **Property, plant and equipment**

Initially property, plant and equipment are registered at acquisition (production) cost; they are shown in the balance sheet at acquisition (production) cost less accumulated depreciation and impairment losses.

The initial value of property, plant and equipment consists of the acquisition cost, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition provided these amounts are material.



Following resolutions of the Government of the Republic of Lithuania, part of the property, plant and equipment has been indexed according to the index rates applied to different asset classes.

#### Indexation of property, plant and equipment in 1991-1995

Table 1

Indexations	Index rates
Indexation of 1 July 1991	2.2 times
Indexation of 1 March 1992	2-5 times
Indexation of 1 April 1994	1.4-14 times
Indexation of 31 December 1995	1.6-1.7 times

The property, plant and equipment of the Company acquired before 1 January 1996 is accounted at indexed acquisition cost less indexed accumulated depreciation and estimated impairment losses.

Depreciation is calculated on a straight-line basis, according to the established depreciation rates for the property, plant and equipment. Depreciation is calculated starting from the next month after the assets was set in use. The following depreciation rates are used for property, plant and equipment:

buildings and structures	12-20 years
machinery and equipment	5-20 years
transport vehicles	4-10 years
other equipment, devices and tools	5-15 years

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.

#### **Inventories**

Initially inventories are recorded at acquisition (production) cost; they are presented in the balance sheet at the lower of acquisition cost or net realisable value. Inventories are accounted on a constant basis, by the FIFO method. The cost of inventories includes acquisition cost, transportation costs and other expenses (if the amounts are material) incurred prior to the acquisition.

#### **Impairment loss**

The carrying amount of the Company's assets, except inventories and the debit balance of the deferred tax, is reviewed on the day of preparation of financial statements in order to determine any indications of impairment loss. If there are such indications, the recoverable value of the assets is estimated. Impairment



loss is recognised when the carrying amount of the asset exceeds the recoverable value. Impairment loss is included into the income statement.

### **Calculation of recoverable value**

Recoverable value is estimated as the higher of the following two values: net realisable and value in use. Value in use is estimated by discounting the future cash flows down to their current value by applying before-tax discount rate representing the actual market assumptions regarding the money value in time and the risks related to that asset.

### **Receivables**

Receivables are shown in the balance sheet at the fair value less doubtful and bad debts. Doubtful debts are recognised as such after 12 months since their occurrence. Bad debts are written off in accordance with the order of the Minister of Finance “Regarding the doubtful debts and the proof of attempts to collect such debts and the procedure of calculating the amounts of bad debts”.

### **Transactions in foreign currency**

Transactions in foreign currency are accounted according to the official exchange rate of litas and foreign currencies prevailing on the day of transaction. Positive or negative result of the change in currency exchange rates (gain or loss) is shown in the income statement as result of financial activities. Balance sheet items in foreign currencies are translated at the official exchange rates of litas and foreign currencies announced by the Bank of Lithuania on the balance sheet date.

### **Sales**

Revenue from sales is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue from sales consists of revenue from the sales of alcohol and other revenue related to the sales of alcohol. Sales are shown in the income statement net of VAT, excise tax and sales discounts.

Revenue from sales is recognised when material risks and rewards related to the ownership have been transferred to the buyer.

### **Other operating income and expenses**

Income and expenses related with other activities of the Company are accounted under other operating income and expenses.

### **Production cost**

Production cost includes direct and indirect costs, including depreciation, salaries, fuel and electricity. Indirect costs are distributed to the production cost in proportion to the volume of production.



## Cash and cash equivalents

Cash includes cash on hand and cash with banks in litas and foreign currencies. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. Amounts of cash in foreign currencies are translated at the official exchange rates of litas and foreign currencies announced by the Bank of Lithuania on the balance sheet date.

## Income tax

Income tax for the reporting period consists of the income tax payable during the reporting period and deferred taxes. Income tax is presented in the income statement, except the cases when it is related to the items directly accounted in the shareholders' equity; it is then presented in the shareholders' equity.

Income tax payable is a tax calculated on the basis of the taxable profit for the year according to the income tax rate applicable on the date of preparation of financial statements.

Deferred tax is recognised to the extent it is believed that the Company will have taxable income in the foreseeable future, which will enable realising the deferred tax asset. Debit balance of deferred income tax is reduced to the extent it is not expected to be realised. The Company review and reassess the deferred income tax asset and deferred income tax liabilities at the balance sheet date.

## Financial indicators (in thou. litas)

Table 2

Key indicators	9 months 2006	9 months 2005.
Sales (excl. excise tax)	43,319.0	29,946.6
Gross profit	22,975.9	16,813.0
Profit from operations (EBIT)	4,406.7	4,401.1
Profit before tax	4,105.7	3,838.0
9 month profit	3,710.9	3,224.6
Earnings per share	0.152	0.132
Depreciation and amortisation *	2,159.9	2,323.0
Impairment and doubtful debts	93.1	364.9
EBITDA	6659.7	7089.0
Non-current assets	36,098.7	36,488.8,
Current assets	27,244.3	25,559.0





Total assets	63,343.0	62,047.8
Share capital	24,408.4	24,408.4
Equity capital	35,588.6	32,833.6
Non-current liabilities	12,784.5	16,118.3
Current liabilities	14,969.9	13,095.9
Net cash flows from ordinary activities	(256.1)	5,850.2
Net cash flows from investment activities	(2,247.5)	(809.3)
Net cash flows from financial activities	(2,705.6)	(1,808.2)
Net profitability (%)	8.6	10.8

\*Amortisation of non-current intangible assets for 9 months of 2006 (794.0 thou. litas) is included into operating expenses, depreciation of property, plant and equipment (911.2 thou. litas) - to the cost of sales; 454.7 thou. litas - to the operating and other expenses.

Negative net cash flows from operating activities for 9 months of 2006 (256.1 thou. litas) are due to the decrease of trade debts and increase in inventories.

Negative cash flows from investment activities (2,247.5 thou. litas) are due to the acquisition of property, plant and equipment.

Net cash flows from financial activities (2,705.6 thou. litas) resulted from the repayment of part of the loans and interest to the bank. The total decrease in cash and cash equivalents in the Company during 9 months of 2006 amounted to 5,209.1 thou. litas.

### Sales income

Income from the sales of alcoholic drinks accounts for the major part of the operating activities of the Company (98.2 percent.).

During 9 months of 2006, the Company received 43,319 thou. litas of income from the operating activities. Compared to the same period of 2005, income from the operating activities increased by 44.7 percent.

Table 3

Income items	9 moths 2006 (in thou. Lt)	9 months 2005 (in thou. Lt)
Income from sales of alcoholic drinks	42,545.2	26,497.1



Other income related to the sales of alcoholic products	-	2,870.8
Income from the sales of other alcoholic products	773.8	578.7
TOTAL	43,319.0	29,946.6

Cost of sales for 9 months of 2006 increased by 54.9 percent compared to the same period of previous year. The cost of sales per provisory bottle (0.5 litre) decreased by 3 percent compared to 9 months of 2005 due to the decrease of prices of additional materials and reduction of indirect costs per provisory bottle. The growth of gross profit by 36.7 percent resulted from the increase of sales volumes and reduction of costs per provisory bottle.

The income and results of the business segments of the Company are presented in Annex 1 of the Explanatory note.

### Selling expenses

Table 4

	9 months 2006 Amount (thou. litas)	9 months 2005 Amount (thou. litas)
Marketing services	4,026.5	2,657.0
Advertising and advertising products	4,131.7	2,345.4
Salaries, social security, guarantee fund and vacation reserve	516.0	437.9
Advertising campaigns	95.9	249.9
Transport services	419.5	184.4
Licence fee for using the trademark	23.3	200.1
Shelf maintenance	545.8	-
Market research expenses	108.8	56.1
Supervision of restaurants and cafes	827.8	-
Packing expenses	74.1	38.6
Other	17.2	39.8
Total	10,786.6	6,209.2



Selling expenses increased by 73.7 percent compared to the same period of the previous year, because the Company allocated more funds for advertising, marketing services, supervision of restaurants and cafes, maintenance of shelves, etc. in order to expand the market.

### General and administrative expenses

Table 5

	9 months 2006 Amount (thou. litas)	9 months 2005 Amount (thou. litas)
Salaries, social security, guarantee fund, vacation reserve	2,777.8	2,209.3
Amortisation of non-current tangible assets	794.0	812.0
Taxes and duties	850.3	609.9
Including: environmental taxes	612.8	266.3
Depreciation of property, plant and equipment	450.2	548.6
Impairment of construction-in-progress	135.8	316.8
Repairs and maintenance of means of production	971.9	327.2
Security expenses	193.8	192.5
Social protection and support	298.1	195.3
Maintenance of cargo vehicles	186.5	171.8
Maintenance of communications equipment and computer hardware	128.5	92.8
Consulting and audit services	316.5	50.0
Inventory, household and office supplies	102.5	55.9
Electricity, fuel, water supply	120.6	121.9
Other expenses	456.0	498.8
Total	7,782.5	6,202.8



Compared to 9 months of 2005, the general and administrative expenses increased by 25.5 percent as a result of increase of salaries, taxes, repair and other expenses.

### Other and financial activities

Table 6

	9 months 2006 (thou. litas)	9 months 2005 (thou. litas)
Result of other activities	180.2	(102.2)
Result of financial and investment activities	(481.2)	(460.9)

Note. Considering that the income from the sales of property, plant and equipment is immaterial, the result of the sales of property, plant and equipment is included into the result of other activities.

### Result of the sales of property, plant and equipment

As of 30/09/2006 income from the sales of property, plant and equipment amounted to 18.7 thou. litas:

Acquisition cost of the property, plant and equipment sold	300.3 thou. litas
Accumulated depreciation of the property, plant and equipment sold	295.6 thou. litas
Residual value of the property, plant and equipment sold	4.7 litas
Selling price	23.4 thou. litas

During 9 months of 2006 the Company allocated 2,374.1 thou. litas for investments and 621.6 thou. litas for the repairs of the buildings.

### Result of financial and investment activities (thou. litas)

Table 7

Indicators	9 months 2006	9 months 2005
<b>Income from financial and investment activities</b>	86.3	83.6
Interest income	86.3	80.2
Foreign currency exchange gain		2.0



Fine for delayed payments		1.4
<b>Expenses of financial and investment activities</b>	567.5	544.5
Foreign currency exchange loss	9.4	
Commitment charge for the credit		
Interest expenses	556.4	544.4
Fines	1.7	0.1
<b>Result of financial and investment activities</b>	(481.2)	(460.9)

Result of financial activities changed insignificantly compared to 9 months of 2005.

### Income and social tax

Table 8

	9 months 2006 (thou. litas)	9 months 2005 (thou. litas)
Current income tax	344.2	144.2
Deferred income tax expense / (income)	50.6	469.2
Total income tax	394.8	613.4
Social tax	91.8	-
Total	485.0	613.4

### Property, plant and equipment

Movement of property, plant and equipment (thou. litas)

Table 9

	Buildings and structures	Machinery and equipment	Transport vehicles	Other equipm ent	Constru ction- in- progress	Other property, plant and equipment	Total
Balance as of 31/12/2005	9,136.1	4,327.7	292.7	697.4	3,265.2	20.7	17,739.8



1. Acquisition cost of property, plant and equipment							
Acquisition cost as of 31/12/2005	3,820.5	10,806.4	1,076.8	2,052.8	70.3	20.7	17,847.5
Changes for the year:							
- additions in 2006	109.1	1,957.7	160.2	107.9		4.4	2,339.3
- disposals in 2006 (-)		-23.1	-200	-1.1	-3.5		-227.7
- retirements in 2006 (-)		-20.3		-9.1	-03		-29.7
- reclassifications +/-		9.9	10	0.8		-20.7	0
Acquisition cost as of 30/06/2006	3,929.5	12,730.7	1,047.0	2,151.3	66.5	4.4	19,929.4
2. Revaluation of property, plant and equipment							
Revaluation as of 31/12/2005	10,810.8	1,483.7	112.9	254.4	3,557.0		16,218.8
Change for the year:							
- appreciation (impairment) -/+							
- reversals (-)							
- revaluations of disposals in 2006 (-)		-10.5	-62.1				-72.6
- revaluation of retirements in 2006 (-)		24.5					-24.5
- reclassifications +/-							
Revaluation as of 30/09/2006	10,810.8	1,448.7	50.8	254.4	3,556.9		16,121.6
	14,740.4	14,179.3	1,097.9	2,405.7	3,623.4	4.4	36,051.1
3. Depreciation of property, plant and equipment							
Accumulated depreciation as of 31/12/2005	5,495.2	7,962.4	897.1	1,609.7			15,964.4
Financial changes:							
- accumulated depreciation for the year 2006	405.8	747.7	50.6	161.9			1,366.0



- reversals (-)							
- depreciation of disposals in 2006 (-)		-32.4	-262.2	-1.0			-295.6
- depreciation of retirements in 2006 (-)		-32.8		-9.1			-41.9
- reclassifications +/-							
Accumulated depreciation as of 30/09/2006	5,901.0	8,644.8	685.5	1,761.5			16,992.8
4. Impairment							
Impairment as of 31/12/2005					362,1		362,1
Change for the year:							
- impairment in 2006					135,7		135,7
- reversals (-)							
- impairment of disposals in 2005 (-)							
- impairment of retirements in 2005 (-)							
- reclassifications +/-							
Impairment as of 30/09/2006					497,8		497,8
Balance as of 30/06/2006							
(1) – (2) – (3) – (4)	8839,4	5534,5	412,3	644,2	3125,6	4,4	18560,4
Useful life in years	12-20	5-20	4-10	5-15	-		

As of 30 June 2006 the Company had unused or only partially used non-current assets (construction-in-progress) with the balance value of 3,125.6 thousand litas. Construction-in-progress was related with the construction of soft drink production facilities in Vilnius. Strategic plans of the Company have changed and this construction was terminated in 1994. The completion of the building is 96 percent. In 2005, the Company finished part of the construction-in-progress and set it into use. At the end of the year, the value of the remaining part of the construction-in-progress was reduced by 362.1 thousand litas. During 9 months of 2006 the value of construction-in-progress was reduced by 135.7 thousand litas.



### Depreciated assets still in use

Table 10

Asset group	Acquisition cost (in thou. litas)
Structures	483.5
Machinery and equipment	2,553.3
Transport vehicles	558.9
Other equipment, devices, tools and plants	689.8
Total	4,285.4

### Movement of non-current intangible assets

Table 11

Non-current intangible assets (in thou. litas)	Development work	Patents, Licences, etc.	Software	Other	Total
Balance as of 2005-12-31		37.7	153.2	17,652.7	17,843.6
1. Acquisition cost of non-current intangible assets					
Acquisition cost 2005-12-31		236.9	532.6	18,913.6	19,683.1
Change for the year:					
- additions 2006			18.5		18.5
- disposals 2006 (-)					
- retirements 2006 (-)					
Acquisition cost as of 2006-09-30		236.9	551.1	18,913.6	19,701.6
2. Amortisation of non-current intangible assets					
Accumulated amortisation as of 31/12/2005		199.2	379.4	1,260.9	1,839.5
Change for the year:					
- accumulated amortisation in 2006		13.5	71.2	709.3	794.0
- reversals (-)					
- amortisation of disposals in 2006					





- amortisation retirements in 2006					
- reclassifications +/-					
Accumulated amortisation as of 30/09/2006		212.7	450.5	1,970.2	2,633.4
<b>3. Impairment</b>					
Impairment as of 31/12/2005					
Change for the year:					
- impairment for 2006					
- reversals (-)					
- impairment of disposals in 2006 (-)					
- impairment of retirements in 2006 (-)					
- reclassifications +/-					
Impairment in 2006					
Balance as of 2006-09-30		24.1	100.5	16,943.5	17,068.1
Useful life in years		3	3	20	

Non-current intangible assets of the Company decreased because the additions to non-current assets were smaller than the depreciation.

**Inventories (in thou. litas)**

Table 12

Indicators	Raw materials and assembly items	Work-in-progress	Finished products	Goods for resale	Total
a) Acquisition cost of inventories					
At the end of the previous year	4,760.0	22.2	506.8	41.2	5,330.2
At the end of reporting period	5,260.9	35.6	1,172.8	50.0	6,519.3
b) Write-down to net realisable value (reversal)	124.4				124.4



At the end of the previous year					
At the end of the year	84.3				84.3
c) Net realisable value at the end of the year (a) - (b)	5,176.6	35.6	1,172.8	50.0	6,435.0
Value of pledged inventories (in net realisable value)	5,176.6	35.6	1,172.8	50.0	6,435.0
Inventories with third persons	509.6				509.6

During the reporting period, amount of inventories discounted to net realisable value decreased because part of them was used for production and part was sold.

Compared to the previous reporting year, amount of inventories increased by 23.6 percent due to the increase in finished products and grain stock.

### Current receivables (1)

Table 13

Trade receivables	30/09/2006 (thou. litas)	31/12/2005 d. (thou. litas)
Trade receivables, gross	18,499.5	26,041.1
Doubtful trade receivables in the beginning of the year (-)	(1,418.2)	(1,696.5)
Change in doubtful receivables (+,-)	2.6	278.3
Doubtful trade receivables at the end of the period (-)	(1,415.6)	(1,418.2)
Trade receivables, net, at the end of the period	17,083.9	24,622.9

As of 30/09/2006 net trade receivables, overdue for more than 30 days amounted to 43.8 thousand litas.

**Current receivables (2)**

Table 14

Other receivables	30/09/2006 (thou. litas)	31/12/2005 (thou. litas)
Other receivables, gross	4,789.5	4,714.4
Doubtful receivables in the beginning of the year (-)	(4,515.2)	(4,552.1)
Change in doubtful receivables (+,-)		36.9
Doubtful receivables at the end of the year (-)	(4,515.2)	(4,515.2)
Other receivables, net, at the end of the year	274.3	199.2

There were no overdue other receivables, net.

**Cash and cash equivalents**

Table 15

	30/09/2006 (thou. litas)	31/12/2005 (thou. litas)
Cash on hand and with banks	2,573.9	7,783.0
Term deposits with maturity of up to three months	-	-
Total	2,573.9	7,783.0



### Structure of the share capital

Table 16

Indicators	Number of shares	Amount (in thou. litas)
Structure of the share capital at the end of 9 months of 2006		
1. By types of shares		
1.1. Ordinary shares	24,408,431	24,408.4
1.2. Preferred shares		
1.3. Employee shares		
1.4. Special shares		
1.5. Other shares		
<b>TOTAL:</b>	24,408,431	24,408.4

As of 30 September 2006 the share capital of the Company was 24,408.4 thousand litas. The nominal value per share is one litas. As of 30 September 2006 Sobieski Dystrybucja Sp. Z. o. o owned 16,668,632 ordinary registered shares (68.3 percent.). The remaining 31.7 percent of the share capital belonged to natural and legal persons.

### INFORMATION ABOUT THE BALANCE OF LOANS GRANTED TO AB VILNIAUS DEGTINĖ BY VILNIUS BRANCH OF BAYERISCHE HYPO-UND VEREINS BANK AG

Table 18

TYPE OF LOAN	CURRENCY	BALANCE VALUE (30/09/2006) (thou. litas)	MATURITY OF THE LOAN
Long-term credit	EUR	15,320.1	15/03/2011
Overdraft	LTL	-	
Total			



As of 30 September 2006 financial liabilities to the credit institution amounted to 15,320.1 thousand litas

In 9 months of 2006 AB Vilniaus Degtinė repaid 375.5 thousand litas of medium term credit and 1,702.2 thousand litas of long-term credit.

During the reporting period the whole amount of 35.3 thousand litas debt according to the financial lease contract was repaid to UAB SEB VB Lizingas.

### Status of Company's liabilities (in thou. litas)

Table 19

Indicators	Payable debts or portions thereof		
	Within one financial year	In one year but no later than within five years	Within five years
Financial debts: (including those to subsidiaries and associated companies)	3,404.5	11,915.6	
1. Leasing (financial lease) or similar liabilities			
2. To credit institutions	3,404.5	11,915.6	
3. Other financial debts			
Trade debts	5,027.6		
Prepayments received	22.4		
Income tax liabilities	366.1		
Labour-related liabilities	599.8		
Deferred income tax liabilities		868.9	
Other payables and current liabilities	5,549.4		
<b>TOTAL</b>	<b>14,969.9</b>	<b>12,784.5</b>	



Trade debts decreased by 42.2 percent compared to the previous reporting year. The Company has no overdue trade debts.

Table 20

Other payables and liabilities	30/09/2006 Thou. litas	31/12/2005 Thou. litas
Excise tax	3,200.4	11,877.3
VAT	1,862.2	2,405.2
Other taxes	440.3	37.5
Other payables	46.5	328.6
Total	5,549.4	14,648.6

As of 30 September 2006, the following assets were pledged in order to ensure the repayment of credits granted by Vilnius branch of Bayerische Hypo- und Vereinsbank AG:

#### **Pledged assets of the Company**

Table 21

Pledge assets	Balance (fair) value 30/09/2006 (thou. litas)
1. Buildings and structures	11,046.2
2. Equipment	2,161.7
3. Property right - (rights of claim from the licence agreement on trademarks, indicated balance value of the trademarks)	16,943.5
4. Property right – right to lease lad plots	-
5. Cash in the bank account at Vilnius branch of Bayerische Hypo- und Vereinsbank AG	2,498.0
6. Inventories	6,435.0
Total	39,084.3



In order to secure the repayment of the overdraft and long-term credit from Vilnius branch of Bayerisch Hypo- und Vereinsbank AG the Company transferred the right of claim to the amounts receivable according to the selling-buying contracts with UAB Belvedere Prekyba, UAB Aibės Logistika and UAB Palink amounting to 13,523.7 thousand litas in total.

### **Other liabilities and guarantees**

1. A written obligation has been issued to the State Tax Inspectorate in order to secure the execution of tax liabilities of the owner of excise warehouse (amount of liability – 7.100 thousand litas).

2. Long-term guarantee issued to LINAVA and cash deposited with AB SEB Vilniaus Bankas (deposited amount – 21.7 thousand litas (8 thousand USD)) in relation to the admission to the TIR customs system.

3. Three long-term guarantees were issued to the National payments agency under the Ministry of Agriculture of the Republic of Lithuania and money deposited with Vilnius branch of Bayerische Hypo- und Vereinsbank AG (deposited amount –1 thousand litas) for obtaining imports licence.

4. A collateral has been paid to the account of the State Tax Inspectorate of Vilnius County in order to secure the execution of export-related tax liabilities (amount of the collateral – 172.5 thousand litas).

### **RELATED PARTY TRANSACTIONS**

Table 22

	9 MONTHS 2006 (thou. litas)
Purchase from relates parties	7,293.3
Sales to related parties *	26,733.7
Amounts receivable from related parties	9,972.9
Amounts payable to related parties	880.9

\*The presented amount is excluding excise tax and VAT. Sales to related parties with excise tax amounted to 83,791.6 thousand litas.

### **Employees**

Average number of employees on the payroll for 9 months of 2006 was 235. Average number of employees on the payroll (193 employees) increased by 21.8 percent compared to 9 months of 2005 due to the increase in production volumes.



## Personnel expenses

Table 23

	9 months 2006 (thou. litas)	9 months 2005 (thou. litas)
Salaries	3,380.5	2,514.0
Social security and guarantee fund costs	1,063.4	802.6
Total:	4,443.9	3,316.6
Average number of employees	230.5	188.2
Average monthly expenses per employee	2.14	1.96

Personnel expenses increased in 9 months of 2006 by 1,127.3 thousand litas due to the increased number of employees and increase of salaries.

Information about the education and average salary of employees is presented in Annex 2.

## Financial relations with the management of the Company and other related persons

Table 24

Indicators	9 months 2006 (thou. litas)
A. Labour-related amounts accrued during 9 months of 2006 for:	283.5
1. the management	
2. other related persons	
B. Loans granted by the Company to:	
1. the management	
2. other related persons	
C. Loans received from:	
1. the management	
2. other related persons	
D. Assets and gifts granted for free to:	
1. the management	





2. other related persons	
E. Various guarantees granted in the name of the Company to:	
1. the management	
2. other related persons	
F. Other material amounts accrued during 9 months of 2006:	
1. the management	
2. other related persons	142.2
G. Other material liabilities to the Company by:	
1. the management	
2. other related persons	
H. Assets sold to:	
1. the management	-
2. other related persons	
Average number of management in 9 months of 2006	4

After implementing new accounting management system in AB Vilniaus Degtinė, presentation of certain items in the financial statements for 2006 has changed. Therefore, all comparative information was recalculated.

Since 2006, following the principle of carefulness, the Company changed its accounting policy and registers plastic crates as current assets, i.e. they are recorded as expenses when they are started to be used in the operations. Therefore, on 01/01/2006 the plastic boxes were written off. Since according to IAS, the changes in accounting policies must be shown retrospectively, the Company adjusted the unrealised profit for the years 2004 and 2005 by the value of written-off crates. Due to this change in accounting policy the unrealised profit in the balance sheet of 2004 decreased by 1,000.1 thousand litas, 2005 – by 414.5 thousand litas. At the same time, the value of inventories decreased by 1,414.6 thousand litas in the balance sheet as of 31/12/2005.

Danas Kerbelis, Director General

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AB "Vilniaus degtinė"

Information about the education of the employees and a 9 months 2006

Annex 2

Group of employees	No. of empl 30/09/2006	Education					Average salary (in litas) for 9 months 2006	Average salary (in litas) for 9 months 2005
		higher	further	vocational	secondary	incompleted secondary		
1. Management	4	4					5.984,61	6.394,98
2. Specialists and office staff	56	28	20	2	6		2.454,36	2.117,23
2.1. Thereof: in Obeliai	12	3	7		2		2.012,84	1.672,15
3. Workers	176	12	34	48	72	10	1.490,85	1.304,17
3.1. Thereof: in Obeliai	39	3	7	15	11	3	1.388,18	1.212,27
<b>Total:</b>	<b>236</b>	<b>44</b>	<b>54</b>	<b>50</b>	<b>78</b>	<b>10</b>	<b>1.796,41</b>	<b>1.635,18</b>