VILNIAUS DEGTINĖ

ANNO 1922

2008-08-14 Nr. 02-509

Į ______ Nr. ______

CONFIRMATION BY THE PERSONS IN CHARGE

Following the provisions of Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Presentation of Periodic and Supplementary Information of Securities Commission of the Republic of Lithuania, we, Director General of AB Vilniaus Degtinė Danas Kerbelis and Finance and Administration Director Audra Jauniškienė, hereby confirm that, to the best of our knowledge, the Interim Report for 6 months of 2008 includes a fair review of the development and performance of the business.

Enclosure. Interim Report of AB Vilniaus Degtinė for 6 months of 2008 (10 pages).

Director General Danas Kerbelis

Finance and Administration Director Audra Jauniškienė

Kodas 120057287, Panerių g. 47/2, LT-03202 Vilnius. Tel. +370 5 2330819. Faks. +370 5 2315052. El. p. vd@vdegtine.lt
PVM mokėtojo kodas LT200572811. Juridinių asmenų registras.

Interim Report of public stock company VILNIAUS DEGTINĖ
for 6 months of 2008

CONTENTS

1. Reporting period covered by this Report

The Report has been prepared for 6 months of 2008.

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

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 FMĮ 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

Shareholders do not have any other property-related liabilities to the company, except the obligation to pay the issue price for the subscribed shared according to the established procedure.

If the general shareholder meeting adopts decision to cover the company's losses by additional contributions of the shareholders, the shareholders who voted for this decision shall be obliged to pay such contributions. Shareholders that did not take part in the general shareholders' meeting or voted against such decision have the right to refrain from paying additional contributions.

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 he 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.

There are no restrictions to the transfer of the company's shares.

6. Shareholders

As of 30 June 2008, the total number of shareholders was 257.

Shareholders who held or managed more than 5 percent of the authorised capital of the issuer as of 30 June 2008.

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 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 2008	3.50	2.60	2.60	5,185.54	0	0	2008/03/31	14230	41,435.33
Q2 2008	2.90	2.00	2.15	11,391.49	0	0	2008/06/30	11348	24,085.07

Capitalisation of company's shares

Date of the last trading session	Capitalisation, LTL
2008/03/31	63,461,920.60
2008/06/30	52,478,126.65

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 2008	-	-	-	-	-	-	-
Q2 2008	-	-	-	-	-	11,400	1

8. Employees

Average provisory number of employees of AB Vilniaus Degtinė for 6 months of 2008 was 221 (for 6 months of 2007 – 226).

Information about the employees of the company

Employee group	Number of employees 30/06/2008	Education					Average salary for 6 months 2008, LTL	Average salary for 6 months 2007, LTL
		higher	further	special secondary	secondary	Unfinished secondary		
Managers	3	3	-	-	-	-	8,635.22 *	6,996.35
Specialists and office workers	66	31	27	2	6	-	2,980.84	2,624.64
Including: Obeliai	14	4	8	-	2	-	2,260.37	2,240.49
Workers	159	11	34	45	64	5	1,721.89	1,568.29
Including: Obeliai	38	3	9	13	10	3	1,535.31	1,505.62
Total	**228**	**45**	**61**	**47**	**70**	**5**	**2,200.07**	**1,956.48**

* Average conditional number of managers in January-June 2008 was 4.

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 tears. 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 2008)

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	04/12/200/7 – 2011
Danas Kerbelis	Board member	-	04/12/200/7 – 2011
Andrėjus Galuška	Board member	-	04/12/200/7 – 2011
Raimundas Čičirka	Board member	-	04/12/200/7 – 2011
Audra Jauniškienė	Board member	-	04/12/200/7 – 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	-
Andrėjus Galuška	UAB Belvedere Prekyba, Finance Director	-
	UAB Kamineros Grupė, Finance Director	
Raimundas Čičirka	UAB Belvedere Prekyba, Director General	-
Audra Jauniškienė	-	-

Information about the amounts accrued for the members of collegial bodies and administration of the issuer in January-June 2008

	Salary accrued, LTL
To the members of supervisory council	-
To the Board members	-
To the members of administration (Director General and Finance Director)	104,974
Average per member of administration	52,487

During 6 months of 2008, the company did not transfer any assets to the member of collegial bodies and administration or issued guarantees to them to secure their liabilities.

11. Overview of the issuer's performance

The sales revenue of the company for 6 months of 2008 amounted to LTL 30,067 thousand. Compared for the same period of 2007 (LTL 26,352 thousand) is increased by 14.1 percent.

Profit before fax for 6 months of 2008 amounted to LTL 38.3 thousand profit for 6 months of 2007 – LTL 612.4 thousand. Significant decrease of profit before tax in 2008 was determined by the increased cost-price (due to increased prices for raw materials, materials, fuel, energy resources) and increased operating expense (due to increased advertising, promotion, tax and other costs).

More information on the company's risk factors, related parties, operations and financial results for 6 months of 2008 is presented in the financial statements of AB Vilniaus Degtinė for the period ended 30 June 2008.

	H1 2008, LTL	H1 2007, LTL
Income	30,067,140	26,352,085
- alcoholic drinks	27,588,667	25,111,959
- rectified alcohol	1,158,298	982,179
- methylated alcohol	50,501	39,308
- other goods and services	1,269,674	218,639
Gross profit	13,967,710	12,595,406
Other activities, net	107,119	64,404
Result from operations	637,430	1,009,663
Financing activities, net	(599,140)	(397,218)
Result before tax	38,290	612,445
Net result	708	501,505
Earnings per share	0.00	0.02
Total assets	71,277,087	66,255,689
- non-current assets	37,545,439	36,628,896
- current assets	33,731,648	29,626,793
Equity	37,248,136	36,067,018
Total liabilities	34,028,951	30,188,671
- non-current liabilities	6,628,547	10,299,565
- current liabilities	27,400,404	19,889,106
Acquisitions of non-current assets	2,513,232	1,827,454
Depreciation and amortisation	1,773,716	1,645,017
Net cash flows from operating activities	5,578,546	4,410,274
Net cash flows form investing activities	(3,417,377)	(2,148,833)
Net cash flows from financing activities	(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 1 368 thousand in 6 months of 2008 (LTL 672 thousand in 6 months of 2007).

In the first half of 2008, investments into modernization of production processes and employee training was taking place. Within H1 2008, the Company's investments amounted to LTL 1,388 thousand.

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

On 13 February 2008, the Board of AB Vilniaus Degtinė decided to call the general shareholder meeting on 20 March 2008.
Agenda of the Meeting:
1. Auditor's report on the financial statements and annual report of the company
2. Comments and proposals of the supervisory council
3. Approval of the annual report for 2007
4. Approval of the financial statements of the company for 2007
5. Profit distribution for 2007
6. Election of supervisory council
7. Amendment of the Articles of Association of the company
8. Asset pledging for the purpose of securing to a third person repayment of a granted credit
9. Election of the audit firm and establishing the terms of payment for the audit services

General shareholders' meeting of AB Vilniaus Degtinė that took place on 20/03/2008 resolved:
1) to approve the auditor's report on the financial statements and annual report of the company. 2) to approve the annual report of AB Vilniaus degtine for 2007. 3) to approve the financial statements of the public stock company Vilniaus Degtinė for 2007, according to which as of 31 December 2007 the company's assets amounted to LTL 88,133,638 (EUR 25,525,266), equity – LTL 37,247,428 (EUR 10,787,601), net profit for the year – LTL 1,681,915 (EUR 487,116). 4) Not to pay out dividends, annual bonuses to the members of the board and supervisory council, bonuses to the employees. To carry the undistributed profit at the end of the reporting year to the following financial year: LTL 10,398,154 (EUR 3,011,513). 5) Elect Dariusz Wladislaw Jamiola, Tomasz Andrzej Kowalski, Ilona Šerlatienė to the new supervisory council. 6) approve the amended Articles of Association of the company. Authorise the Company's Director General Danas Kerbelis to sign the new wording of the Company's Articles of Association and carry out any and all actions related to registration of the Company's Articles of Association, with the power to re-authorise another person to carry out the aforementioned actions and sign the documents provided by normative instruments. 7) approve the decision to pledge movable and immovable assets and property rights for the purpose of securing to a third person repayment of a granted credit. Authorise the Company's Director General Danas Kerbelis to sign any and all documents related to the aforementioned pledging. 8) To elect audit company UAB KPMG Baltics to be the auditor of AB Vilniaus Degtinė and authorise Director General of the company to sign the service agreement with the auditor of the company on auditing financial statements for 2008 at the price agreed between the parties.

Shareholder meeting of Belvedere SA that took place on 8 August 2008 has decided to change the audit company by replacing KPMG with Mazars & Guerand. Such decision also results in the change of the audit company for AB Vilniaus degtinė: for the purposes of the audit for 2008, KPMG Baltic shall be replaced by UAB Rimess, which is the Lithuanian representative of Mazars & Guerand.

All major events related with the activities of the company were presented to the Securities Commission of the Republic of Lithuania, Vilnius Stock Exchange, daily "Lietuvos Rytas", news agency ELTA and posted on the website of the company 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 slowdown of economics, sales of the Company for 2008 are forecasted to decrease by approx.7%, compared to 2007 and should amount to approx. 10,300 thousand litres of strong drinks. Lithuania and other EU member-states will remain as the Company's major markets. The company expects to complete the year 2008 profitably.

For the purpose of stabilising sales, much attention will be paid to export markets, therefore in August 2008 the Company has started exporting its production to Estonia.

Plans of the current year also include initiation of production export to Denmark, Great Britain, Ireland and expansion of the product range already offered to the Polish and Latvian markets.

A new product developed and launched in Lithuania by the Company in 2008 is the spirit drink balsam Lumberjack. This is a products that is both, intended for the Lithuanian market and to be actively exported to other countries, in which branches, associated companies and partners of Belvedere SA Group operate.

Considering the slowdown of economics, there are plans of investment reformation by paying most attention to increasing the productivity, brand formation and export development.

VILNIAUS DEGTINĖ

ANNO 977

2008-08-14 Nr. 02-507

Į ____________ Nr. ________

CONFIRMATION BY THE PERSONS IN CHARGE

Following the provisions of Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Presentation of Periodic and Supplementary Information of Securities Commission of the Republic of Lithuania, we, Director General of AB Vilniaus Degtinė Danas Kerbelis and Finance and Administration Director Audra Jauniškienė, hereby confirm that the Interim financial statements for 6 months of 2008 prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, to the best of our knowledge, give a fair and true view of assets, liabilities, financial status and the profit for the period of AB Vilniaus Degtinė.

Enclosure. Interim financial statements of AB Vilniaus Degtinė for 6 months of 2008 (44 pages).

Director General — Danas Kerbelis

Finance and Administration Director — Audra Jauniškienė

Kodas 120057287. Panerių g. 47/2, LT-03202 Vilnius. Tel. +370 5 2330819. Faks. +370 5 2315052. El. p. vd@degtine.lt
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AB Vilniaus Degtinė

Interim Financial Statements for six months of 2008

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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
Raimundas Čičirka
Danas Kerbelis
Audra Jauniškienė
Andrejus Galuška

Auditor

UAB Rimess

Banks

Lithuanian branch of AS UniCredit Bank
AB SEB Bankas
AB bank "Hansabankas"

Balance sheet

As of the 30th June

In LTL	Notes	30/06/2008	31/12/2007
ASSETS			
Non-current assets			
Property, plant and equipment	13	21,133,481	19,956,913
Intangible assets	14	15,388,829	15,894,114
Other non-current assets	15	1,023,129	1,000
Total non-current assets		**37,545,439**	**35,852,027**
Current assets			
Inventories	16	10,919,975	12,205,381
Prepayments and future expenses	17	419,178	1,165,961
Trade receivables	18	21,153,947	37,842,407
Other receivables	19	1,064,583	995,688
Cash and cash equivalents	20	173,965	72,174
Total current assets		**33,731,648**	**52,281,611**
TOTAL ASSETS		**71,277,087**	**88,133,638**

Notes on pages 9–44 are an integral part of these financial statements.

Balance sheet (cont'd)

As of the 30th June

In LTL	Notes	30/06/2008	31/12/2007
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)		10,398,862	10,398,154
Total equity		**37,248,136**	**37,247,428**
Non-current liabilities			
Interest bearing loans and borrowings	23	5,957,806	7,660,037
Deferred income tax liability		670,741	633,159
Total non-current liabilities		**6,628,547**	**8,293,196**
Current liabilities			
Interest bearing loans and borrowings	23	12,395,636	12,097,671
Trade payables		4,822,302	9,893,056
Income tax payable		0	0
Other payables	24	10,182,466	20,602,287
Total current liabilities		**27,400,404**	**42,593,014**
Total liabilities		**34,028,951**	**50,886,210**
TOTAL EQUITY AND LIABILITIES		**71,277,087**	**88,133,638**

Notes on pages 9–44 are an integral part of these financial statements.

Income statement

As of the 30th June

In LTL	Notes	Jan-Jun 2008	Jan-Jun 2007
Sales revenue	4	**30,067,140**	**26,352,085**
Cost of sales		(16,099,430)	(13,756,679)
Gross profit	4	**13,967,710**	**12,595,406**
Other income	5	120,623	84,017
Sales and distribution expenses	6	(7,281,221)	(6,306,027)
Administrative expenses	7	(6,156,178)	(5,344,120)
Other expenses	5	(13,504)	(19,613)
Result from operating activities		**637,430**	**1,009,663**
Financial income	9	28,976	9,443
Financial expenses	9	(628,116)	(406,661)
Profit before tax		**38,290**	**612,445**
Corporate income tax	10	(37,582)	(110,940)
Profit for the period		**708**	**501,505**
Basic and diluted earnings per share	22	0.00	0.02

Notes on pages 9–44 are an integral part of these financial statements.

Income statement

As of the 30th June

In LTL	Notes	Apr-Jun 2008	Apr-Jun 2007
Sales revenue	4	**16,635,427**	**14,319,960**
Cost of sales		(8,756,580)	(7,522,910)
Gross profit	4	**7,878,847**	**6,797,050**
Other income	5	62,912	41,667
Sales and distribution expenses	6	(4,847,755)	(3,720,167)
Administrative expenses	7	(3,192,961)	(2,868,898)
Other expenses	5	(7,052)	(7,443)
Result from operating activities		**(106,009)**	**(242,209)**
Financial income	9	18,130	3,993
Financial expenses	9	(322,986)	(231,108)
Profit before tax		**(410,865)**	**15,094**
Corporate income tax	10	34,039	(1,393)
Profit for the period		**(376,826)**	**13,701**
Basic and diluted earnings per share	22	0.0	0.0

Notes on pages 9–44 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 2007		**24,408,431**	**2,440,843**		**8,716,239**	**35,565,513**
Profit for H1 2007					501,505	501,505
Capital and reserves as of 30 June 2007		**24,408,431**	**2,440,843**		**9,217,744**	**36,067,018**
Profit for the reporting period					**1,180,410**	**1,180,410**
Capital and reserves as of 31 December 2007		**24,408,431**	**2,440,843**	**0**	**10,398,154**	**37,247,428**
Profit for H1 2008					708	708
Capital and reserves as of 30 June 2008	21	**24,408,431**	**2,440,843**	**0**	**10,398,862**	**37,248,136**

Notes on pages 9–44 are an integral part of these financial statements.

Statement of cash flows

In LTL

	Jan-Jun 2008	Jan-Jun 2007
Profit (loss) for the period	708	501,505
Depreciation and amortisation	1,773,716	1,645,017
Impairment on construction in progress	68,228	(65,466)
Impairment of trade receivables and other receivables	(767)	(483)
Impairment of inventories		(3)
Net financial expenses	595,382	396,466
Gain (loss) on disposal of non-current assets	(14,095)	(547)
Income tax expenses	37,582	110,940
Net cash flows from ordinary activities before changes in working capital	2,460,754	2,587,429
Change in inventories	1,285,406	(1,848,367)
Change in prepayments	746,783	(63,962)
Change in trade receivables and other receivables	16,691,409	9,708,786
Change in trade payables and other payables	(15,464,992)	(5,922,779)
Net cash flows from operating activities	3,258,606)	1,873,678
Income tax paid	(140,814)	(50,833)
Net cash flows from operating activities	**5,578,546**	**4,410,274**
Interest received	200	6,855
Proceeds from disposal of non-current assets	14,100	1,370
Acquisition of property, plant and equipment	(2,502,957)	(1,764,789)
Acquisition of intangible non-current assets	(10,275)	(62,665)
Repayment of loans	103,584	
Loans granted	(1,022,029)	(329,604)
Net cash flows from investing activities	**(3,417,377)**	**(2,148,833)**
Repayment of loans	(3,804,266)	(1,702,231)
Loans received	2,400,000	
Financial lease payments		
Interest paid	(655,112)	(451,498)
Dividends paid		
Net cash flows from financing activities	**(2,059,378)**	**(2,153,729)**
Net cash flows from operating, investing and financing activities	**101,791**	**107,712**
Cash and cash equivalents at the beginning of the period	**72,174**	**384,747**
Cash and cash equivalents at the end of the period	**173,965**	**492,459**

Notes on pages 9–44 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 228 staff members as of 30 June 2008 (230 staff members as of 30 June 2007).

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 2008 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.

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 2008.

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)

Non-current intangible assets

Intangible assets that have limited useful life and that include computer software and other licences and trademarks acquired by the Company are stated at cost less accumulated amortisation and impairment.

Amortisation is charged to the income statement on a straight-line basis over the entire service life. The amortisation rates of intangible assets can be specified as follows:

- Software and licences 3 years
- Sobieski trademark 20 years

Subsequent expenses of intangible assets are capitalised only when they increase the future economic benefits from this particular asset, which relates to the expenses. All other expenses are written off when incurred.

Leased assets

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as financial leases. Assets acquired by way of financial lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. All of that is considered as operational lease.

Inventories

Inventories, including work in progress, are valued at the lower of cost or net realisable value. Net realisable value is the selling price, less the estimated cost of completion, marketing and distribution.

The costs of inventories is determines based on FIFO principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Auxiliary materials and supplies are expensed at the time they are taken into use or booked to the cost of finished goods if used in production.

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 form 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. Dilutes EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects off all dilutive potential ordinary shares. During reporting periods there were no any dilutive potential ordinary shares issued by the Company.

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.

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.

Impairment loses on construction in progress

Construction in progress is related with the construction of soft drinks production facilities discontinued in1994 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 goss 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 goss profit for January-June 2007 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	25,111,959	982,179	39,308	218,639	26,352,085
Gross profit	12,331,527	237,302	16,824	9,753	12,595,406

Revenue and goss 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

Notes

4 Segment reporting (cont'd)

Revenue and goss profit for April-June 2007 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	13,616,732	463,061	21,528	218,639	14,319,960
Gross profit	6,681,656	96,486	9,155	9,753	6,797,050

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 2008, sales to EU and foreign markets amounted to LTL 1,368,167 (in January-June 2007 they were LTL 672,023). Sales of April-June 2008 were LTL 698,769 (in April-June 2007 they were LTL 317,240) 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 2008	Jan-Jun 2007
5 Income and expenses of other activities		
Lease of premises	43,212	43,741
Income form sales of materials and spare parts	49,858	22,701
Result of the sales of non-current assets	14,095	369
Other income	13,458	17,206
Total other income	120,623	84,017
Other expenses	13,504	19,613
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	13,504	19,613
Net income and expenses of other activities	**107,119**	**64,404**

In LTL	Apr-Jun 2008	Apr-Jun 2007
Income and expenses of other activities		
Lease of premises	21,580	22,650
Income form sales of materials and spare parts	31,223	10,082
Result of the sales of non-current assets	5,999	369
Other income	4,110	8,566
Total other income	62,912	41,667
Other expenses	7,052	8,090
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	(647)
Total other expenses	7,052	7,443
Net income and expenses of other activities	**55,860**	**34,224**

Notes

In LTL	Jan-Jun 2008	Jan-Jun 2007
6 Sales and distribution expenses		
Advertising expenses	4,296,302	3,081,041
Marketing expenses	1,927,863	2,292,010
Salaries and social security	566,842	420,322
Transportation expenses	334,823	285,495
Market research expenses	68,397	139,745
Packaging expenses	37,259	47,862
Other	49,735	39,552
Total sales and distribution expenses	**7,281,221**	**6,306,027**

In LTL	Apr-Jun 2008	Apr-Jun 2007
Sales and distribution expenses		
Advertising expenses	3,000,849	1,645,368
Marketing expenses	1,297,776	1,531,225
Salaries and social security	277,267	215,899
Transportation expenses	166,156	151,426
Market research expenses	61,122	119,974
Packaging expenses	14,667	29,338
Other	29,918	26,937
Total sales and distribution expenses	**4,847,755**	**3,720,167**

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

Notes

In LTL	Jan-Jun 2008	Jan-Jun 2007
7 **Administrative expenses**		
Salaries and social security	2,380,122	2,242,382
Repairs and maintenance	740,658	657,595
Amortisation	409,388	394,534
Operating and other taxes	515,560	520,932
Depreciation	499,029	352,438
Consulting and training expenses	255,588	151,108
Maintenance of cargo vehicles	167,245	203,337
Security expenses	164,500	146,168
Representation expenses	115,921	16,808
Sponsorship and other	12,529	80,701
Communications and IT maintenance expenses	100,774	79,420
Utilities	75,857	113,357
Impairment of construction in progress	68,228	(65,466)
Impairment of inventories	0	(3)
Other	650,779	450,809
Total administrative expenses	**6,156,178**	**5,344,120**

In LTL	Apr-Jun 2008	Apr-Jun 2007
Administrative expenses		
Salaries and social security	1,152,832	1,171,602
Repairs and maintenance	411,290	355,119
Amortisation	289,116	249,033
Operating and other taxes	251,909	262,341
Depreciation	296,098	181,855
Consulting and training expenses	118,517	78,090
Maintenance of cargo vehicles	60,405	110,247
Security expenses	87,450	71,850
Representation expenses	100,077	5,185
Sponsorship and other	1,264	31,285
Communications and IT maintenance expenses	50,059	39,054
Utilities	29,432	22,961
Impairment of construction in progress	34,114	34,114
Impairment of inventories	0	0
Other	310,398	256,162
Total administrative expenses	**3,192,961**	**2,868,898**

Notes

In LTL	Jan-Jun 2008	Jan-Jun 2007
8 Personnel expenses		
Wages and salaries	3,273,681	2,977,155
Social security contributions	1,013,474	939,793
Total personnel expenses	**4,287,155**	**3,916,948**

In LTL	Apr-Jun 2008	Apr-Jun 2007
Personnel expenses		
Wages and salaries	1,490,197	1,544,579
Social security contributions	461,156	483,385
Total personnel expenses	**1,951,353**	**2,027,964**

Personnel expenses for January-June 2008 and January-June 2007 include change in accrued vacation compensations.

Personnel expenses for January-June 2008 include wages and salaries for the management (including compulsory social security contributions) in the amount of LTL 298,559 (LTL 286,056 for January-June 2007). Management salaries in April-June 2008 amounted to LTL 156,215 (in April-June 2007 they were LTL 153,908).

As of 30 June 2008, the interest-free loans issued to the management amounted to LTL 52,000. (as of 30 June 2007 they were LTL 40,000).

As of 30 June 2008, 228 employees were working for the Company (as of 30 June 2007 – 230 employees).

In January-June 2008, 4 managers were working for the Company (in January-June 2007 there were 5 managers).

Notes

In LTL	Jan-June 2008	Jan-June 2007
9 Financial income and expenses		
Interest income	28,976	9,312
Other income	0	131
Total financial income	28,976	9,443
Interest on loans and lease liabilities	624,358	405,778
Foreign exchange loss	2,717	830
Other	1,041	53
Total financial expenses	628,358	406,661
Financial income and expenses, net	**(599,140)**	**(397,218)**

In LTL	Apr-June 2008	Apr-June 2007
Financial income and expenses		
Interest income	18,130	3,993
Other income	0	0
Total financial income	18,130	3,993
Interest on loans and lease liabilities	320,971	230,515
Foreign exchange loss	2,011	540
Other	4	53
Total financial expenses	322,986	231,108
Financial income and expenses, net	**(304,856)**	**(277,115)**

In LTL	Jan-Jun 2008	Jan-Jun 2007
10 Corporate income tax expenses		
Current tax	0	57,020
Change in deferred income tax	37,582	53,920
Total income tax expenses	**37,582**	**110,940**

Notes

10 Corporate income tax expenses (cont'd)

The reconciliation of the effective tax rate is as follows:

In LTL	Jan-Jun 2008		Jan-Jun 2007	
Profit before tax		38,290		612,445
Income tax using the effective tax rate	15,0%	5,744	18.0%	110,240
Charity expenses deducted twice	4.9%	1,879	(1.0%)	(5,836)
Non-deductible representation expenses	12.8%	4,893	0.1%	555
Non-deductible value added tax	8.4%	3,215	0.4%	2,501
Written-off multiple usage tare	0	0		
Other non-deductible expenses	57.1%	21,851	2.3%	14,258
Effect of change in tax rate	0.0%	0	(1.8)%	(10,778)
	98.8%	**37,852**	**18.1%**	**110,940**

Notes

11 Deferred tax

In LTL	Jan-Jun 2008 Temporary differences	Jan-Jun 2008 Deferred tax (15%)	Jan-Jun 2007 Temporary differences	Jan-Jun 2007 Deferred tax (15%)
Impairment of other receivables	885,209	132,781	885,209	132,781
Impairment of trade receivables	731,031	109,652	1,071,936	160,791
Impairment of construction in progress	614,050	92,108	477,595	71,639
Impairment of inventories	0	0	9,972	1,496
Accrued social security expenses for vacation reserve	169,439	25,416	163,450	24,517
Total deferred tax asset		**359,957**		**391,224**
Difference in depreciation of property, plant and equipment	(3,294,693)	(494,204)	(3,466,421)	(519,963)
Difference in amortisation of intangible assets	(2,727,934)	(409,190)	(1,636,760)	(245,514)
Carrying value of non-current assets that are subject to investment relief	(848,692)	(127,304)	(1,145,475)	(171,821)
Total deferred tax liability		**(1,030,698)**		**(937,298)**
Net deferred tax		**(670,741)**		**(546,074)**

The current profit tax rate for the 2008 is 15%. According to the amended Lithuanian tax legislation, for the taxable periods starting 1 January 2006 to 31 December 2007 companies' profits subject to corporate income tax will be levied by additional social tax at a rate of 4% during 2006 and at a rate of 3% during 2007. The social tax is imposed in addition to the corporate income tax of 15%. The deferred taxes in 2007 and in 2006 do not take into account the additional social tax imposed on taxable profits because it was considered to be immaterial.

The movement of deferred income tax is as follows:

In LTL	Jan-Jun 2008	Jan-2007
Deferred income tax liability as of 1 January	(633,159)	(492,154)
Change in deferred income tax	(37,582)	(53,920)
Deferred income tax liability as of 30 June	**(670,741)**	**(546,074)**

Notes

12 Income tax

In LTL	Jan-Jun 2008	Jan-Jun 2007
Overpaid income tax (liability) as of 1 January	1,327	(259,481)
Income tax for the period	0	(57,020)
Income tax paid	140,814	50,833
Overpaid income tax (liability) as of 30 June	**142,141**	**(265,668)**

Notes

13 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Constructio n in progress	Other tangible assets	Total
Cost as of 1 January 2007	14,837,599	14,326,427	1,207,609	2,378,212	3,635,421	131,014	36,525,282
Additions	346,338	886,699	36,314	137,996	232,623	124,819	1,764,789
Disporals	0	(50,840)	(5,500)	(1,396)	0	0	(57,736)
Transfer from inventories	1,175,506	75,441	0	5,000	(1,124,933)	(131,014)	0
Cost as of 30 June 2007	16,359,443	15,237,727	1,238,423	2,528,812	2,743,111	124,819	38,232,335
Accumulated depreciation as of 1 January 2007	5,898,769	8,901,575	654,852	1,704,832	543,060	0	17,703,088
Depreciation for the H1	294,729	639,926	64,969	124,461	0	0	1,124,085
Impairment loss	0	0	0	0	(65,466)	0	(65,466)
Disposals	0	(50,837)	(4,683)	(1,393)	0	0	(56,913)
Accumulated depreciation as of 30 June 2007	6,193,498	9,490,664	715,138	1,827,900	477,594	0	18,704,794
Net book value as of 30 June 2007	**10,165,945**	**5,747,063**	**523,285**	**700,912**	**2,265,517**	**124,819**	**19,527,541**
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)
Reclassificationns	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**

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. 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.

The depreciation was distributed as follows:

In LTL	30/06/2008	30/06/2007
Cost of sales	616,577	600,211
Inventories	130,366	159,252
Administrative and other expenses	511,213	364,622
Total	**1,258,156**	**1,124,085**

Notes

14 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2007	214,515	447,889	18,913,672	19,576,076
Additions during the H1	0	62,665	0	29,790
Disposals	0	0	0	0
Cost as of 30 June 2007	214,515	510,554	18,913,672	19,605,866
Accumulated amortisation as of 1 January 2007	194,768	335,919	2,206,595	2,737,282
Amortisation for the H1	8,601	39,489	472,842	520,932
Disposals	0	0	0	0
Accumulated amortisation as of 30 June 2007	203,369	375,408	2,679,437	3,258,214
Net book value as of 30 June 2007	**11,146**	**135,146**	**16,234,235**	**16,380,527**
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	19,665,280
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**

All amortisation expenses are included under operating expenses.

15 Financial assets

In LTL	30/06/2008	31/12/2007
Non-current loans granted	1,022,029	0
Non-current guarantees granted	1,100	1,000
Total financial assets	**1,023,129**	**1,000**

Non-current loans granted: EUR 296,000 (LTL 1,022,029) loan to an related company (6.0% and 6.5% fixed interest rate, term of repayment of the granted loan: December 2009).

Notes

	In LTL	30/06/2008	31/12/2007
16	**Inventories**		
	Raw materials	8,544,464	10,827,494
	Finished goods	1,687,638	869,364
	Goods for resale	630,675	467,415
	Work in progress	57,198	41,108
	Total inventories	**10,919,975**	**12,205,381**

	In LTL	30/06/2008	31/12/2007
17	**Prepayments and deferred expenses**		
	Prepayments to suppliers	88,674	574,745
	Deferred advertising expenses	240,636	457,623
	Deferred insurance and subscription	56,533	105,797
	Other	33,335	27,796
	Total prepayments and deferred expenses	**419,178**	**1,165,961**

	In LTL	30/06/2008	31/12/2007
18	**Trade receivables**		
	Trade receivables	21,884,962	38,574,189
	Impairment allowance for bad debts	(731,015)	(731,782)
	Net trade receivables	**21,153,947**	**37,842,407**

Notes

18 Trade receivables (cont'd)

Impairment of receivables for bad debts in January-June 2008 decreased when the Company has written-off bad debts. Change in impairment of receivables can be presented as follows:

In LTL	30/06/2008	31/12/2007
Impairment allowance for bad debts as of 1 January	(731,782)	(1,072,419)
Reverse of impairment allowance for bad debts	767	340,637
Impairment allowance for bad debts at the end of the period	**(731,015)**	**(731,782)**

19 Other receivables

In LTL	30/06/2008	31/12/2007
Loans granted	624,899	730,375
Prepayments to the Tax Inspectorate	248,807	248,807
Overpaid income tax	140,814	0
Other receivables	50,063	16,506
Doubtful receivables	885,209	885,209
Total other receivables before write-down allowance	**1,949,792**	**1,880,897**
Write-down allowance	(885,209)	(885,209)
Total other receivables, net	**1,064,583**	**995,688**

The prepayment to the Tax Inspectorate is a guarantee for payment of excise tax and exported production payments. Loans granted: loan of EUR 155,760 (LTL 537,808) to two related companies (5.5 % fixed annual interest rate, maturity of the loans granted – December 2008) and interest-free loan of LTL 87,091 to employees of the Company.

Change in impairment allowance of receivables was as follows:

In LTL	30/06/2008	31/12/2007
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	30/06/2008	31/12/2007
20 Cash and cash equivalents		
Cash at bank and in hand	173,965	72,174
Total cash and cash equivalents	**173,965**	**72,174**

Cash in the bank (LTL 51,071 as of 30 June 2008 and LTL 1,148 as of 31 December 2007) and the current and futures cash inflows to the bank accounts are pledged to secure the repayment of bank loans (Note 27).

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 maybe 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 2008	Jan-Jun 2007
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	708	501,505
Earnings per share, in LTL	**0.00**	**0.02**

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.

23 Interest bearing loans and borrowings

In LTL	30/06/2008	31/12/2007
Non-current liabilities		
Bank loans	5,957,806	7,660,037
Total non-current liabilities	**5,957,806**	**7,660,037**
Current liabilities		
Overdraft	6,591,175	8,693,210
Bank and other loans	5,804,461	3,404,461
Total current liabilities	**12,395,636**	**12,097,671**
Total	**18,353,442**	**19,757,708**

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
Overdraft of LTL 9,000,000 – variable at the rate of 1 month's Vilibor + 1.05%	6,591,175	6,591,175			
Loan of EUR 4,930,000 (LTL 17,022,304) – variable at the rate of 3 months' EURIBOR + 1.30%	9,362,267	3,404,461	3,404,461	2,553,345	0
Short-term loan of LTL 2,400,000 – fixed rate of 6.5%	2,400,000	2,400,000			
Total financial liabilities	**18,353,442**	**12,395,636**	**3,404,461**	**2,553,345**	**0**

The effective annual interest rates of the loan and overdraft of the Company as of 30 June 2008 were 6.3% and 5.8%, respectively. The interest rate of financial liabilities has been established on the basis of the market interest rates; therefore, the carrying amount of the loans is the same as their fair value.

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. Fore further comments refer to Note 27.

In LTL	30/06/2008	31/12/2007
24 Other payables		
Payable excise tax	5,376,140	14,866,664
Payable VAT	2,970,025	4,143,887
Vacation reserve	714,383	736,586
Taxes payable	629,559	34,377
Accrued expenses	50,975	95,022
Other payables	441,384	725,751
Total other payables	**10,182,466**	**20,602,287**

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. Riska 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 loosing its good reputation.

The Company's policy is to maintain sufficient cash to cover planned operating expenditure, including financial liabilities; such security does not cover the influence unforecastable force

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 2008, 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 2008 and 31 December 2007.

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 2008.

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
I CH PTUP Vuador	Belvedere group company
IOOO 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 2008	Jan-Jun 2007
Purchases from:			
Belvedere group companies	Purchase of services	1,781,934	1,861,587
Belvedere group companies	Purchase of raw materials	676,585	540,323
Shareholder	Purchase of services	154,800	94,800
Belvedere group companies	Purchase of non-current assets	0	0
Parent company	Purchase of inventories	91,838	0
Total purchases		**2,705,157**	**2,496,710**
Sales to:			
Belvedere group companies	Sales of production including excise tax	41,254,738	50,945,007
Parent company	Sales of production including excise tax	231,582	176,533
Parent company	Other income	0	0
Ultimate parent company	Sales of production including excise tax	0	0
Belvedere group companies	Sales of services	170,072	426,261
Total sales		**41,656,392**	**51,547,801**
Excise tax		27,783,243	34,954,260
Total sales net of excise tax		**13,873,149**	**16,593,541**

Notes

26 Related party transactions (cont'd)

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

Company	30/06/2008	31/12/2007
Trade receivables		
From Belvedere group companies	7,307,425	17,427,768
From ultimate parent company	12,451	73,676
From parent company	285,528	53,947
Total trade receivables	**7,605,404**	**17,555,391**
Trade payables		
To Belvedere group companies	295,906	976,503
Total trade payables	**295,906**	**976,503**

Remuneration to the Company's management is enclosed in Note 8 to the Financial Statements.

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	30/06/2008	31/12/2007
Carrying amount of pledged buildings and structures	9,249,924	8,585,436
Carrying amount of pledged trademarks	15,228,552	15,761,393
Carrying amount of pledged inventories	10,919,975	12,205,381
Cash pledged to the bank	51,071	1,148

In addition to the aforesaid cash, the Company has pledged the cash flows to the accounts with the bank that issued the loans and overdraft and shares managed by the following legal entities and natural persons: Sobieski Sp.z.o.o – LTL 16,668,632; Darius Žaromskis – LTL 2,440,843; Arūnas Tuma – LTL 2,440,843.

Besides, on 30 June 2008, the Company pledged trade receivables, which amounted to LTL 9,539,198 as of 30 June 2008 (LTL 22,124,836 as of 31 December 2007).

In connection with the credit liabilities to the bank, the Company has additional requirements for the capital, which are controlled by the Company.

On 7 May 2008, the Company issued a commitment to Tax Inspectorate to execute tax liabilities arising in relation to the storage and transportation of goods subject to excise tax. The commitment amounts to LTL 10,900,000 and is valid until 31 May 2009.

28 Fair value of financial instruments

Fair value is defines as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties 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 2008 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 2008:

In LTL	Balance-sheet value	Fair value
Granted non-current loans anf guarantees	1,023,129	1,023,129
Advance payments and expenditure of future periods	419,178	419,178
Trade debtors	21,153,947	21,153,947
Other amounts receivable	1,064,583	1,064,583
Cash and cash equivalents	173,965	173,965
Total	**23,834,802**	**23,834,802**

Financial liabilities as of 30 June 2008:

In LTL	Balance-sheet value	Fair value
Loan and other amounts exposed to calculation of interest rate	18,353,442	18,353,442
Amounts payable to suppliers	4,822,302	4,822,302
Other amounts payable	10,182,466	10,182,466
Total	**33,358,210**	**33,358,210**