



VILNIAUS DEGTINĖ

ANNO 1922

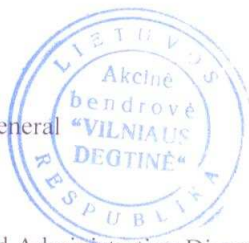
2010-0528 Nr. 02-335A

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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 3 months of 2010 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

Director General



Finance and Administration Director

Danas Kerbelis

Audra Jauniškienė



AB Vilniaus degtinė

Interim Financial Statements for
3-month period ended on
the 31st March 2010 (non-audited)

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Company information

AB Vilniaus Degtinė

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

Management

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

Board

Darius Žaromskis
Danas Kerbelis
Renaldas Barauskas
Audra Jauniškienė
Dalius Rutkauskas

Auditor

UAB Rimess

Banks

AB NnB NORD bankas
Lithuanian branch of AS UniCredit Bank
AB SEB Bankas
AB Swedbank

Statement of Financial Position

In LTL	Notes	31.03.2010	31.12.2009
ASSETS			
Non-current assets			
Property, plant and equipment	13	21,736,713	21,563,651
Intangible assets	14	13,673,722	13,922,486
Other non-current assets		0	0
Total non-current assets		35,410,435	35,486,137
Current assets			
Inventories	15	9,271,932	7,689,344
Prepayments and future expenses	16	257,601	1,280,152
Trade receivables	17	18,566,253	28,864,366
Other receivables	18	3,504,002	3,659,967
Other current assets		0	0
Cash and cash equivalents	19	1,635,175	82,098
Total current assets		33,234,963	41,575,927
TOTAL ASSETS		68,645,398	77,062,064

Notes on pages 8–38 are an integral part of these Financial Statements.

Statement of Financial Position (cont'd)

In LTL	Notes	31.03.2010	31.12.2009
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	24,408,431	24,408,431
Legal reserve		2,440,843	2,440,843
Retained earnings (loss)		12,591,626	12,446,994
Total equity		39,440,900	39,296,268
Non-current liabilities			
Interest bearing loans and borrowings	22	6,560,555	7,100,873
Deferred income tax liability		881,951	851,598
Total non-current liabilities		7,442,506	7,952,471
Current liabilities			
Interest bearing loans and borrowings	22	11,125,470	13,160,058
Trade payables		3,972,196	4,191,269
Income tax payable		0	0
Other payables	23	6,664,326	12,461,998
Total current liabilities		21,761,992	29,813,325
Total liabilities		29,204,498	37,765,796
TOTAL EQUITY AND LIABILITIES		68,645,398	77,062,064

Notes on pages 8–38 are an integral part of these Financial Statements.

Statement of Comprehensive Income

In LTL	Notes	Jan-Mar 2010	Jan-Mar 2009
		<hr/>	<hr/>
Sales revenue	4	10,559,660	11,135,881
Cost of sales		(5,422,349)	(5,864,255)
Gross profit	4	5,137,311	5,271,626
Other income	5	83,975	56,591
Sales and distribution expenses	6	(2,393,176)	(2,369,169)
Administrative expenses	7	(2,493,421)	(3,399,149)
Other expenses	5	(8,899)	(14,474)
Result from operating activities		325,790	(454,575)
Financial income	9	55,971	32,435
Financial expenses	9	(206,776)	(426,087)
Profit before tax		174,985	(848,227)
Corporate income tax	10	(30,353)	(26,813)
Profit for the period		144,632	(875,040)
		<hr/>	<hr/>
Basic and diluted earnings per share	21	0.01	(0.04)
Other comprehensive income (expenditure)		0	0
Total gross income (expenditure) after taxes		144,632	(875,040)

Notes on pages 8–38 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 2009		24,408,431	2,440,843		11,663,277	38,512,551
Profit for Q1 2009					(875,040)	(875,040)
Capital and reserves as of 31 March 2009		24,408,431	2,440,843		10,788,237	37,637,511
Capital and reserves as of 31 December 2009		24,408,431	2,440,843	0	12,446,994	39,296,268
Profit for Q1 2010					144,632	144,632
Capital and reserves as of 31 March 2010	20	24,408,431	2,440,843	0	12,591,626	39,440,900

Notes on pages 8–38 are an integral part of these Financial Statements.

Statement of Cash Flows

In LTL

	Jan-Mar 2010	Jan-Mar 2009
Profit (loss) for the period	144,632	(875,040)
Depreciation and amortisation	985,295	1,002,040
Impairment on construction in progress	0	0
Impairment of trade receivables and other receivables	(21,907)	0
Impairment of inventories	0	0
Net financial expenses	100,191	385,001
Gain (loss) on disposal of non-current assets	(27,497)	(2,279)
Income tax expenses	30,353	26,813
Net cash flows from ordinary activities before changes in working capital	1,211,067	536,535
Change in inventories	(1,582,588)	746,815
Change in prepayments	1,022,551	(92,673)
Change in trade receivables and other receivables	10,555,830	16,484,152
Change in trade payables and other payables	(6,016,745)	(11,110,998)
Net cash flows from operating activities	3,979,048	6,027,296
Income tax paid	(24,240)	(61,550)
Net cash flows from operating activities	5,165,875	6,502,197
Interest received	0	0
Proceeds from disposal of non-current assets	32,088	27,416
Acquisition of property, plant and equipment	(914,184)	(191,810)
Acquisition of intangible non-current assets	0	0
Repayment of loans	0	(69,056)
Net cash flows from investing activities	(882,096)	(233,450)
Repayment of loans	(2,501,978)	(5,593,281)
Loans received	0	0
Financial lease payments	(72,928)	(183,208)
Interest paid	(155,796)	(422,295)
Dividends paid	0	0
Net cash flows from financing activities	(2,730,702)	(6,198,784)
Net cash flows from operating, investing and financing activities	1,553,077	70,047
Cash and cash equivalents at the beginning of the period	82,098	52,389
Cash and cash equivalents at the end of the period	1,635,175	122,436

Notes on pages 8–38 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 AB NASDAQ OMX Vilnius. Its shares are held by the following shareholders:

Shareholder	Number of shares	Par value, LTL	Total value, 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 186 staff members as of the 31st March 2010 (195 staff members as of the 31st March 2009).

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 March 2010 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 within the period ended on the 31 March 2010 and did not have them as of the day of the statement.

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.

Non-current intangible assets

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 (plastic crates for placing the bottles of alcoholic beverages) to the operating expenses immediately after it is taken for use.

Impairment

Financial asset is impaired if there are if there is objective evidence that certain event or events could have an adverse impact on asset-related cash flows in the future. Individually significant financial assets must be tested for impairment on an individual basis. The remaining financial assets are grouped according to their credit risk and the impairment for those groups is measured on a portfolio basis. An asset that is deemed impaired on an individual basis and its impairment loss is continually recognised cannot be included in any group of assets that is tested for impairment on a portfolio basis.

The carrying amounts of the Company's assets other than inventories and deferred income tax asset are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised wherever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Cash generating unit is the smallest cash generating asset group generating cash flows independent from other assets or asset groups. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at the initial recognition of these financial assets). Receivables with short duration are not discounted.

Notes

2 Summary of significant accounting principles (cont'd)

Calculation of recoverable amount (cont'd)

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

Dividends

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

Employee allowances

The company has no determined allowances and inducement plans or payment schemes concerning its shares. 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 applying the effective interest rate method. The financial costs are distributed over the whole period of financial lease, so as to produce a constant periodic interest rate on the remaining balance of the liability.

Net financing costs

Net financing costs consist of interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses.

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 asset is recognised only to the extent it is likely that the future taxable profits will be available against which the assets can be utilised. Deferred tax asset is revised on each day of provision of financial statements and is reduced to the extent it is no longer probable that the related tax benefit will be realised.

Segment reporting

Segment is a distinguishable component of the Company that is engaged either in providing related products or services, or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

Notes

2 Summary of significant accounting principles (cont'd)

Earnings per share

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

Notes

3 Critical accounting estimates and judgements

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing current situation and reasonable expected future events. Management of the Company, considering forecasts and budget, borrowing need, fulfilment of obligations, products and markets, financial risk management, having performed operation continuity assessment, considers that there are no obscurities in the assessment of continuity of the Company's activities or doubts concerning its further operation. The Company makes estimates and assumptions concerning future events. Resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment losses on receivables

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

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

Impairment losses on construction in progress

Construction in progress is related with the construction of soft drinks production facilities discontinued in 1994 due to the change in strategic plans of the Company. The construction in progress is quarterly tested for impairment and based on management estimates the impairment loss is recognised for the unused equipment installed in the construction in progress. Depreciation of the construction in progress is calculated since 2009.

Impairment losses on trademark

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

Notes

4 Segment reporting

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

Revenue and gross profit for January-March 2010 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	9,001,918	1,230,350	10,200	317,192	10,559,660
Gross profit	4,888,831	233,401	3,467	11,612	5,137,311

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

Litais	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	9,944,583	1,063,094	12,300	115,904	11,135,881
Gross profit	5,165,492	85,486	5,753	14,895	5,271,626

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-March 2010, sales to EU and foreign markets amounted to LTL 500,654 (in January-March 2009 they were LTL 1,130,443). Considering the share of product sales in foreign markets in total revenue, no geographical segments are distinguished in the Company

Notes

In LTL

5 Income and expenses of other activities

	Jan-Mar 2010	Jan-Mar 2009
Lease of premises	27,255	27,199
Income from sales of materials and spare parts	8,639	11,756
Result of the sales of non-current assets	27,497	2,285
Other income	20,584	15,351
Total other income	83,975	56,591
Other expenses	8,899	14,474
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	8,899	14,474
Net income and expenses of other activities	75,076	42,117

In LTL

6 Sales and distribution expenses

	Jan-Mar 2010	Jan-Mar 2009
Advertising expenses	815,516	570,800
Marketing expenses	980,003	1,119,388
Salaries and social security	240,220	398,202
Transportation expenses	118,963	174,886
Market research expenses	50,021	25,305
Packaging expenses	27,756	13,862
Other	160,697	66,726
Total sales and distribution expenses	2,393,176	2,369,169

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

Notes

In LTL		Jan-Mar 2010	Jan-Mar 2009
7	Administrative expenses		
	Salaries and social security	867,925	1,762,270
	Operating and other taxes	281,100	275,122
	Repairs and maintenance	248,764	250,100
	Amortisation	254,739	316,556
	Depreciation	125,054	107,550
	Consulting and training expenses	85,902	67,944
	Maintenance of cargo vehicles	108,642	88,500
	Security expenses	148,684	65,143
	Representation expenses	3,630	18,754
	Sponsorship and other	5,000	0
	Communications and IT maintenance expenses	40,681	48,474
	Utilities	93,375	165,482
	Impairment of construction in progress	0	0
	Impairment of inventories	229,925	233,254
	Total administrative expenses	2,493,421	3,399,149

Notes

In LTL	Jan-Mar 2010	Jan-Mar 2009
8 Personnel expenses		
Wages and salaries	1,224,058	2,080,684
Compulsory social security contributions	379,212	645,008
Total personnel expenses	1,603,270	2,725,692

Personnel expenses for January-March 2010 and January-March 2009 include change in accrued vacation compensations. Redundancy pays and holiday compensations for January-March 2010, inclusive of social security taxes, amounted to LTL 99,593

Personnel expenses for January-March 2010 include wages and salaries for the management (including compulsory social security contributions) in the amount of LTL 131,847 (for January-March 2009 – LTL 289,041).

As of the 31 March 2010 and 2009, no loans were issued to the management.).

As of 31 March 2010, 186 employees were working for the Company (as of 31 March 2009 – 195 employees).

Average number of managers in the Company in January-March 2010 was 5 managers (in January-March 2009 – 5 managers).

In LTL	Jan-Mar 2010	Jan-Mar 2009
9 Financial income and expenses		
Interest income	55,971	32,161
Other income	0	274
Total financial income	55,971	32,435
Interest on loans and lease liabilities	155,825	417,079
Foreign exchange loss	96	0
Other	50,855	9,008
Total financial expenses	206,776	426,087
Financial income and expenses, net	(150,805)	(393,652)

Notes

In LTL	Jan-Mar 2010	Jan-Mar 2009
10 Corporate income tax expenses		
Current tax	0	0
Change in deferred income tax	30,353	26,813
Total income tax expenses	30,353	26,813

11 Deferred tax	January-March 2010		January-March 2009	
In LTL	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (20%)
Impairment of other receivables	811,016	121,652	885,209	177,042
Impairment of trade receivables	236,075	35,411	378,728	75,746
Impairment of construction in progress	596,944	89,542	627,627	125,525
Impairment of inventories	0	0	0	0
Accrued social security expenses for vacation reserve	113,582	17,037	176,422	35,284
Tax losses	483,734	72,560		0
Total deferred tax asset		336,202		413,597
Difference in depreciation of property, plant and equipment	(2,994,170)	(449,126)	(3,165,898)	(633,180)
Difference in amortisation of intangible assets	(4,637,487)	(695,623)	(3,546,314)	(709,263)
Carrying value of non-current assets that are subject to investment relief	(489,357)	(73,404)	(662,337)	(132,467)
Total deferred tax liability		(1,218,153)		(1,474,910)
Net deferred tax		(881,951)		(1,061,313)

Starting from 2010, current income tax rate is reduced to 15%. (In 2009, its rate was 20%.)

Change in the deferred tax may be divided as follows:

Litais	Jan-Mar 2010	Jan-Mar 2009
Deferred tax liability as of January 1	(851,598)	(1,034,500)
Deferred tax change	(30,353)	(26,813)
Deferred tax liability as of March 31	(881,951)	(1,061,313)

Notes

12 Income tax

In LTL	Jan-Mar 2010	Jan-Mar 2009
Overpaid income tax (liability) as of 1 January	216,969	103,019
Income tax for the period	0	0
Income tax paid	24,240	61,550
Overpaid income tax (liability) as of 31 March	241,209	164,569

Notes

13 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other tangible assets	Total
Cost as of 1 January 2009	17,854,268	17,381,057	1,576,707	2,380,695	2,395,792	3,510,030	45,098,549
Additions	0	10,553	0	17,561	159,234	4,462	191,810
Disposals	0	(2,206)	(109,661)	(935)	0	0	(112,802)
Transfer from inventories	0	10,030	0	0	0	(10,030)	0
Cost as of 31 March 2009	17,854,268	17,399,434	1,467,046	2,397,321	2,555,026	3,504,462	45,177,557
Accumulated depreciation as of 1 January 2009	7,132,540	11,408,026	900,823	1,859,042	593,513	0	21,893,944
Depreciation for the Q1	175,484	433,560	50,710	58,072	34,114	0	751,940
Impairment loss	0	0	0	0	0	0	0
Disposals	0	(2,203)	0	(932)	0	0	(3,135)
Accumulated depreciation as of 31 March 2009	7,308,024	11,839,383	867,003	1,916,182	627,627	0	22,558,219
Net book value as of 31 March 2009	10,546,244	5,560,051	600,043	481,139	1,927,399	3,504,462	22,619,338
Cost as of 1 January 2010	22,397,605	17,793,254	1,221,049	2,292,679	1,997,899	0	45,702,486
Additions	0	85,300	0	5,984	310,000	512,900	914,184
Disposals	0	(357,382)	(55,098)	(2,887)	0	0	(415,367)
Reclassifications	0	0	0	0	0	0	0
Cost as of 31 March 2010	22,397,605	17,521,172	1,165,951	2,295,776	2,307,899	512,900	46,201,303
Accumulated depreciation as of 1 January 2010	7,863,819	13,021,950	736,632,823	1,943,368	573,066	0	24,138,835
Depreciation for the Q1	183,578	434,019	50,007	45,049	23,878	0	736,531
Impairment loss	0	0	0	0	0	0	0
Disposals	0	(357,381)	(50,509)	(2,886)	0	0	(410,776)
Accumulated depreciation as of 31 March 2010	8,047,397	13,098,588	736,130	1,985,531	596,944	0	24,464,590
Net book value as of 31 March 2010	14,350,208	4,422,584	429,821	310,245	1,710,955	512,900	21,736,713

Notes

13 Property, plant and equipment (cont'd)

Construction in progress is related with the construction of soft drinks production facilities discontinued in 1994 due to the change in strategic plans of the Company. Since 2009, as the requirements of accounting standards have changed, depreciation shall apply on the construction in progress. Before 2009, depreciation was applied on the construction in progress and, accordingly, on quarterly basis, based on assessments by the management, the amount of depreciation was recognised as a loss of impairment.

The depreciation was distributed as follows:

In LTL	31.03.2010	31.03.2009
Cost of sales	196,215	226,882
Inventories	276,615	194,180
Administrative and other expenses	263,701	330,878
Total	736,531	751,940

Notes

14 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2009	181,206	529,371	18,913,672	19,624,249
Additions during the Q1	0	0	0	0
Disposals	0	0	0	0
Cost as of 31 March 2009	181,206	529,371	18,913,672	19,624,249
Accumulated amortisation as of 1 January 2009	181,206	444,239	4,097,962	4,723,407
Amortisation for the Q1	0	13,679	236,421	250,100
Disposals	0	0	0	0
Accumulated amortisation as of 31 March 2009	181,206	457,918	4,334,383	4,973,507
Net book value as of 31 March 2009	0	71,453	14,579,289	14,650,742
Cost as of 1 January 2010	173,096	549,135	18,913,672	19,635,903
Additions during the Q1	0	0	0	0
Disposals	0	0	0	0
Cost as of 31 March 2010	173,096	549,135	18,913,672	19,635,903
Accumulated amortisation as of 1 January 2010	173,096	496,675	5,043,646	5,713,417
Amortisation for the Q1	0	12,343	236,421	248,764
Disposals	0	0	0	0
Accumulated amortisation as of 31 March 2010	173,096	509,018	5,280,067	5,962,181
Net book value as of 31 March 2010	0	40,117	13,633,605	13,673,722

All amortisation expenses are included under operating expenses.

Notes

	In LTL	31.03.2010	31.12.2009
15 Inventories			
Raw materials		6,151,107	4,897,033
Finished goods		2,054,177	1,821,418
Goods for resale		982,739	919,393
Work in progress		83,909	51,500
Total inventories		9,271,932	7,689,344
	In LTL	31.03.2010	31.12.2009
16 Prepayments and deferred expenses			
Prepayments to suppliers		41,936	1,076,617
Deferred advertising expenses		148,561	120,183
Deferred insurance and subscription		48,221	70,829
Other		18,883	12,523
Total prepayments and deferred expenses		257,601	1,280,152
	In LTL	31.03.2010	31.12.2009
17 Trade receivables			
Trade receivables		18,802,329	29,100,442
Impairment allowance for bad debts		(236,076)	(236,076)
Net trade receivables		18,566,253	28,864,366

Change in impairment of receivables for bad debts can be presented as follows:

In LTL	31.03.2010	31.12.2009
Impairment allowance for bad debts as of 1 January	(236,076)	(378,728)
Reverse of impairment allowance for bad debts	0	142,652
Impairment allowance for bad debts at the end of the period	(236,076)	(236,076)

Notes

In LTL

18 Other receivables

	31.03.2010	31.12.2009
Loans granted	2,653,062	2,653,062
Prepayments to the Tax Inspectorate	304,191	297,480
Overpaid income tax	241,209	216,969
Other receivables	305,540	249,456
Amounts deposited for guarantee purposes	0	243,000
Doubtful receivables	811,016	832,923
Total other receivables before write-down allowance	4,315,018	4,492,890
Impairment	(811,016)	(832,923)
Total other receivables, net	3,504,002	3,659,967

The prepayment to the Tax Inspectorate is a guarantee for payment of excise tax and exported production payments. Loans granted: loan of EUR 768,380 (LTL 2,653,062) to a related company (8.5 % fixed annual interest rate, maturity of the loans granted – December 2010).

Change in impairment allowance of receivables was as follows:

In LTL	31.03.2010	31.12.2009
Impairment allowance for bad debts and other receivables as of 1 January	(832,923)	(885,209)
Reverse of impairment allowance for bad debts	21,907	52,286
Impairment allowance for bad debts and other receivables at the end of the period	(811,016)	(832,923)

Notes

In LTL	31.03.2010	31.12.2009
19 Cash and cash equivalents		
Cash at bank and in hand	1,635,175	82,098
Total cash and cash equivalents	1,635,175	82,098

20 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 cannot be distributed.

21 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-Mar 2010	Jan-Mar 2009
Average number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	144,632	(875,040)
Earnings per share, in LTL	0.006	(0.036)

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.

Notes

In LTL	31.03.2010	31.12.2009
22 Interest bearing loans and borrowings		
Non-current liabilities		
Bank loans	6,367,014	6,833,698
Financial lease (leasing) liabilities	193,541	267,175
Total non-current liabilities	6,560,555	7,100,873
Current liabilities		
Overdraft	0	0
Bank and other loans	11,125,470	13,160,058
Total current liabilities	11,125,470	13,160,058
Total	17,686,025	20,260,931

Terms and repayment schedule:

In LTL	Total	Up to 1 year	1-2 years	2-5 years	Over 5 years
Long-term overdraft of LTL 2,000,000 – 3-month fluctuating VILIBOR + 2.5%	0	0	0	0	0
Loan of EUR 3,015,412 (LTL 10,411,615) – 3- month fluctuating LIBOR + 2.9%	8 233 753	1 866 739	6 367 014	0	0
Long-term overdraft of EUR 2,606,580 (LTL 9,000,000) – 3-month fluctuating EURIBOR + 2.5%	8 965 020	8 965 020	0	0	0
Financial lease (leasing) – 6-month variable EURIBOR + 1%	487 252	293 711	193 541	0	0
Total financial liabilities	17 686 025	11 125 470	6 560 555	0	0

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

In 2009, the Company has signed with the bank a long-term crediting agreement for the amount of EUR 1,736,272 and long-term overdraft agreement for the amount of EUR 879,865.62. Long term credit and long-term overdraft for financial liabilities are intended for financing of the project “Using distillery refuse (broga) for the production of electric power”. Deadline of repayment of the long-term credit is 31.12.2015, overdraft – 31.12.2011.

In order to secure the bank loans, the Company has pledged tangible and intangible non-current assets, inventories, and land rental right. For further information refer to Note 26.

Notes

In LTL	31.03.2010	31.12.2009
23 Other payables		
Payable excise tax	3,808,627	6,887,932
Payable VAT	1,932,058	3,646,916
Accrued vacation expense and social security	478,997	488,751
Taxes payable	49,343	60,324
Accrued expenses	79,640	1,002,883
Other payables	315,661	375,192
Total other payables	6,664,326	12,461,998

Notes

24 Financial risk management

In the course of using financial instruments, the Company faces the following risks:

- Credit risk;
- Liquidity risk;
- Market risk.

The present note provides for information on each of the aforementioned risks the Company faces, the Company's risk evaluation goals, policy and risk valuation and management processes, as well as the Company's capital management. More detailed quantitative disclosures are presented in the present interim statement.

The Board is completely responsible for development and supervision of the company's risk management structure. The Company's risk management policy is devoted to identification and analysis of the risks the Company faces, determination of respective risk limits and controls, and monitoring of the observance of risks and limits. Risk management policy and risk management system are regularly revised to match the changes of market conditions and the Company's activities. With the help of trainings, procedures of management standards, the Company aims to develop a disciplined and constructive management environment, where every employee knows his/her functions and duties.

Credit risk

Credit risk is the risk that the Company will suffer financial losses in case if a customer or another party fails to fulfil their respective obligations, and in most cases such risk is related with amounts receivable from the Company's customers.

The Company controls credit risk or risk by using credit conditions and procedures of market analysis. The Company has no significant credit risk concentration because it is distributed among different buyers.

The Company accounts the impairment on the basis of evaluation of losses concerning trade and other amounts receivable. Such impairment consists only of specific loss related to individual significant tradings and other amounts receivable

Liquidity risk

Liquidity risk is the risk that, upon maturity, the Company will be unable to fulfil its financial liabilities. The Company's liquidity management objective is to maximally secure sufficient liquidity of the Company, which enables the Company to fulfil its obligations under both, normal and complicated circumstances, without suffering unacceptable losses and being exposed to the risk of losing its good reputation.

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

Notes

24 Financial risk management (cont'd)

Liquidity risk (cont'd)

majeure (such as natural calamities). Moreover, the Company has concluded a contract for overdraft limited to (EUR 2,606,580 and LTL 2,000,000).

Rinkos rizika

Rinkos rizika yra rizika, kad rinkos kainų pokyčiai, pvz., užsienio valiutos keitimo kursai ir palūkanų normos, turės įtakos Įmonės pajamoms arba turimų finansinių instrumentų vertei. Rinkos rizikos valdymo tikslas yra valdyti ir kontroliuoti rinkos riziką atsižvelgiant į tam tikras ribas, optimizuojant grąžą.

Palūkanų rizika

The Company's borrowings are subject to variable interest rates related to EURIBOR and VILIBOR. As of the 31 March 2010, 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.

Valiutos rizika

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 did not have any material exposure in other foreign currencies as of 31 March 2010 and 31 December 2009.

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-March 2010.

Notes

25 Related party transactions

Related parties of the Company are:

- parties that control, is controlled by or is under common control with the Company;
- parties that can have material impact on the activities of the Company;
- parties that are management members of the company or its parent company;
- close members of the family of the aforesaid persons;
- companies that are under control or material impact of the aforesaid persons.

Parent and ultimate parent companies are as follows:

Company	Relationship
Sobieski Sp. Z.o.o.	Parent company
Belvedere S.A.	Ultimate parent company

Other main related parties are:

Company	Relationship
UAB Belvedere Prekyba	Belvedere group company
Sobieski Destylarnia S.A.	Belvedere group company
Vinimpex PLC	Belvedere group company
UAB Belvedere Baltic	Belvedere group company
Fabryka Wodek Polmos Lancut	Belvedere group company
Gemaco	Belvedere group company
PHP Wieslaw Wawrzyniak	Belvedere group company
Moncigale S.A.S.	Belvedere group company
Gognac Gautier	Belvedere group company
Marie Brizard&Roger Inten.	Belvedere group company
Marie Brizard Espagne	Belvedere group company
IOOO Galiart	Belvedere group company
Chais Beaucairois SAS	Belvedere group company
Domain Menada Sp. Z.o.o.	Belvedere group company
Darius Žaromskis	Shareholder
Arūnas Tuma	Shareholder

Notes

25 Related party transaction (cont'd)

Sales to and purchases from related parties during the reporting periods ended 31 March 2010 and 31 March 2009 are as follows:

In LTL

<u>Company</u>	<u>Type of transaction</u>	<u>Jan-Mar 2010</u>	<u>Jan-Mar 2009</u>
Purchases from:			
Belvedere group companies	Purchase of services	155,899	428,682
Belvedere group companies	Purchase of raw materials and materials	113,143	69,848
Shareholder	Purchase of services	77,400	77,400
Belvedere group companies	Purchase of non-current assets	0	0
Ultimate parent company	Purchase of inventories	0	0
Total purchases		346,442	575,930
Sales to:			
Belvedere group companies	Sales of production including excise tax	9,679,235	8,482,877
Parent company	Sales of production including excise tax	0	97,447
Ultimate parent company	Other income	55,605	0
Belvedere group companies	Sales of services, etc.	22,836	60,963
Total sales		9,757,676	8,641,287
Excise tax		7,472,505	5,589,202
Total sales net of excise tax		2,285,171	3,052,085

Notes

25 Related party transactions (cont'd)

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

In LTL			
	Company	31.03.2010	31.12.2009
Trade receivables			
From Belvedere group companies		3,489,934	4,717,184
From ultimate parent company		2,951,717	3,759,312
From parent company		91,610	91,610
Total trade receivables		6,533,261	8,568,106
Trade payables			
To Belvedere group companies		201,229	193,395
Total trade payables		201,229	193,395

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.

26 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	31.03.2010	31.12.2009
Carrying amount of pledged buildings and structures	11,498,983	11,720,502
Carrying amount of pledged trademarks	13,633,605	13,870,027
Carrying amount of pledged inventories	9,271,932	7,689,344
Property right – land rental right		

The Company has transferred to the Bank the existing and further monetary funds deposited on the accounts with AB DnB Nord bank and trade amounts receivables, which were equal to LTL 18,566,253 as of 31 March 2010 (LTL 28,864,366 as on 31 December 2009) under the Claiming Right Transfer Agreement in order to secure fulfilment of its liabilities under the Crediting Agreement.

Notes

27 Fair value of financial instruments

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

Fair value of assets and liabilities provided in the balance sheet as of 31 March 2010 does not significantly differ from their carrying amount, except non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets as of 31 March 2010:

In LTL	Carrying amount	Fair value
Advance payments and expenditure of future periods	257,601	257,601
Trade debtors	18,566,253	18,566,253
Other amounts receivable	3,504,002	3,504,002
Cash and cash equivalents	1,635,175	1,635,175
Total	23,963,031	23,963,031

Financial liabilities as of 31 March 2010:

In LTL	Carrying amount	Fair value
Loan and other amounts subjected to calculation of interest rate	17,686,025	17,686,025
Trade creditors	3,972,196	3,972,196
Other amounts payable	6,664,326	6,664,326
Total	28,322,547	28,322,547

28 Post-balance events

AB Vilniaus degtinė has commenced designing works of cogeneration power unit for biogas production using the waste (broga) of grain processing.