VILNIAUS DEGTINĖ

2011-08-31 Nr. 02-304

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ACKNOWLEDGEMENT BY RESPONSIBLE PERSONS

In accordance with the provisions of Article 22 of Lithuanian Securities Law and the Rules of Development and Supply of Regular Additional Information approved by the Lithuanian Securities Commission, we, Director General for AB Vilniaus degtinė Juozas Daunys and Chief Financial Officer Renata Baliūnaitė, hereby acknowledge that to our best knowledge interim financial statement of AB Vilniaus degtinė for the six-month period ended on the 30th of June 2011 that were developed in accordance with the International Financial Accounting Standards adopted by the European Union are correct and fairly reflect the assets, liabilities, financial status, profit and loss of AB Vilniaus degtinė, and that interim report for the six-month period ended on the 30th of June 2011 contains correct overview of business development and performance.

Director General	Juozas Daunys
Chief Financial Officer	Renata Baliūnaitė

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PVM mokėtojo LT200572811. Juridinių asmenų registras.

STOCK COMPANY
VILNIAUS DEGTINĖ

Interim Financial Statements for
the six-month period ended on the
30th June 2011
(unaudited)

Contents

Company Information

AB Vilniaus degtinė

Telephone:	+ 370 5 233 08 19
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Company number:	120057287
Registered at:	Panerių Str. 47/Smolensko Str. 2, Vilnius, Lithuania

Management

Director General Juozas Daunys

Board

Darius Žaromskis

Juozas Daunys

Dalius Rutkauskas

Aistė Bartašiūtė

Auditor

UAB Rimess

Banks

AB DnB NORD bankas

Lithuanian branch of AS UniCredit Bank

AB SEB bankas

AB Swedbank

Statement on Financial Position

As on the 30th June

In LTL	Notes	30.06.2011	31.12.2010
ASSETS			
Non-current assets			
Tangible assets	14	28,700,065	28,022,090
Intangible assets	15	12,482,693	12,956,529
Financial assets	16	3,747,399	3,615,486
Total non-current assets		**44,930,157**	**44,594,105**
Current assets			
Inventories	17	7,579,752	7,246,521
Prepayments and future expenses	18	203,920	228,521
Trade receivables	19	18,522,380	24,135,874
Other receivables	20,13	583,194	439,951
Cash and cash equivalents	21	239,454	49,528
Total current assets		**27 128 700**	**32,100,395**
TOTAL ASSETS		**72,058,857**	**76,694,500**

Notes on pages 10–38 are an integral part of these financial statements.

Statement on Financial Position (cont‘d)

As on the 30th June

In LTL	Notes	30.06.2011	31.12.2010
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	24,408,431	24,408,431
Legal reserve		2,440,843	2,440,843
Retained earnings (loss)		11,090,433	12,111,073
Total equity		**37,939,707**	**38,960,347**
Non-current liabilities			
Interest bearing loans and borrowings	24	5,132,401	5,531,318
Governmental grants	25	4,864,892	4,137,227
Deferred tax liability		640,376	785,750
Total non-current liabilities		**10,637,669**	**10,454,295**
Current liabilities			
Interest bearing loans and borrowings	23	10,210,833	13,258,187
Trade payables		4,559,422	4,553,753
Income tax payable		0	0
Other payables	26	8,711,226	9,467,918
Total current liabilities		**23,481,481**	**27,279,858**
Total liabilities		**34,119,150**	**37,734,153**
TOTAL EQUITY AND LIABILITIES		**72,058,857**	**76,694,500**

Notes on pages 10–38 are an integral part of these financial statements.

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Comprehensive Income Statement

As on the 30th June

In LTL	Notes	Jan-Jun 2011	Jan-Jun 2010
Sales revenue	5	**19,439,442**	**19,785,712**
Cost of sales		(13,045,647)	(11,382,434)
Gross profit	5	**6,393,795**	**8,403,278**
Other income	6	191,744	240,114
Sales and distribution expenses	7	(2,403,894)	(3,134,379)
Administrative expenses	8	(5,070,862)	(5,055,520)
Other expenses	6	(49,974)	(17,798)
Result from operating activities		**(939,191)**	**435,695**
Financial income	10	136,467	115,507
Financial expenses	10	(363,290)	(404,973)
Profit before tax		**(1,166,014)**	**146,229**
Corporate income tax	11	145,374	(29,351)
Profit for the period		**(1,020,640)**	**116,878**
Basic and diluted earnings per share	23	(0.04)	0.00
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		**(1,020,640)**	**116,878**

Notes on pages 10–38 are an integral part of these financial statements.

Comprehensive Income Statement

As on the 30th June

In LTL	Notes	Apr-Jun 2011	Apr-Jun 2010
Sales revenue	5	**9,940,201**	**10,206,055**
Cost of sales		(6,414,444)	(5,960,085)
Gross profit	5	**3,525,757**	**4,245,970**
Other income	6	90,241	156,139
Sales and distribution expenses	7	(1,450,671)	(1,721,206)
Administrative expenses	8	(2,460,074)	(2,562,099)
Other expenses	6	(41,075)	(8,899)
Result from operating activities		**(335,822)**	**109,905**
Financial income	10	70,134	59,536
Financial expenses	10	(182,870)	(198,197)
Profit before tax		**(448,558)**	**(28,756)**
Corporate income tax	11	62,604	1,002
Profit for the period		**(385,954)**	**(27,754)**
Basic and diluted earnings per share	23	(0.02)	0.00
Other general income (expenditure)		0	0
Total general income (expenditure), less taxes		**(385,954)**	**(27,754)**

Notes on pages 10–38 are an integral part of these financial statements.

Statement of Changes in Equity

As on the 30th June

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as on 1 January 2010		**24,408,431**	**2,440,843**		**12,446,994**	**39,296,268**
Profit for January-June 2010					116,878	116,878
Capital and reserves as on 30 June 2010		**24,408,431**	**2,440,843**	**0**	**12,563,872**	**39,413,146**
Capital and reserves as on 1 January 2011		**24,408,431**	**2,440,843**	**0**	**12,111,073**	**38,960,347**
Loss January-June 2011					(1,020,640)	(1,020,640)
Capital and reserves as on 30 June 2011	21	**24,408,431**	**2,440,843**	**0**	**11,090,433**	**37,939,707**

Notes on pages 10–38 are an integral part of these financial statements.

Cash Flows Statement

As on the 30th June

In LTL	Jan-Jun 2011	Jan-Jun 2010
Profit (loss) for the period	(1,020,640)	116,878
Depreciation and amortisation	1,932,345	1,957,721
Impairment of trade receivables and other receivables	(22)	(21,907)
Impairment of inventories	0	0
Net financial expenses	177,812	177,938
Gain (loss) on disposal of non-current assets	32, 333	(112,491)
Corporate income tax expenses	(145,374)	29,351
Net cash flows from ordinary activities before changes in working capital	976,454	2,147,490
Change in inventories	(333,231)	(635,346)
Change in prepayments	24,601	932,696
Change in trade receivables and other receivables	5,465,976	12,216,097
Change in trade payables and other payables	(751,023)	(6,351,232)
Net cash flows from operating activities	4,406,323	6,162,215
Income tax paid	0	(48,480)
Net cash flows from operating activities	**5,382,777**	**8,261,225**
Interest received	0	0
Proceeds from disposal of non-current assets	5,132	117,088
Acquisition of property, plant and equipment	(2,131,673)	(3,550,306)
Acquisition of intangible non-current assets	(5,996)	0
Loans repaid	0	0
Loans granted	0	(158,829)
Net cash flows from investing activities	**(2,132,537)**	**(3,592,047)**
Repayment of loans	(933,370)	(933,369)
Loans received	1,876,052	0
Increase (decrease) of other financial liabilities	(4,039,305)	(5,223,083)
Financial lease payments	(343,896)	(144,619)
Grants received	727,665	1,970,551
Interest paid	(347,460)	(292,073)
Dividends paid	0	0
Net cash flows from financing activities	**(3,060,314)**	**(4,622,593)**
Net cash flows from operating, investing and financing activities	**189,926**	**46,585**
Cash and cash equivalents at the beginning of the period	**49,528**	**82,098**
Cash and cash equivalents at the end of the period	**239,454**	**128,683**

Notes on pages 10–38 are an integral part of these financial statements.

Notes

1 Reporting entity

AB Vilniaus Degtinė (hereinafter referred to as the Company) was registered on the 23rd of November 1990 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.

As on the 30th June 2011, 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	2,383,477	1	2,383,477
Other minor shareholders	2,915,479	1	2,915,479
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 140 staff members as on the 30th of June 2011 (180 staff members as on the 30th of June 2010).

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 January-June 2011 presented below are 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 Notes 3 and 4.

The accounting principles 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 on the reporting 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.

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

Notes

2 Summary of significant accounting principles (cont'd)

costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of transaction. The Company no longer recognises the financial assets when the contractual rights to the cash flows from this asset has expired or when the right to receive the agreed cash flows from this financial asset has been transferred during the transaction, i.e. all risk and benefits from the ownership of the financial assets has been transferred. Financial liability is no longer recognised when it has been covered, revoked or expired.

Receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans issued and receivables are initially recognised at fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method, less impairment, if any. Current receivables are not discounted.

Loans, borrowings and other financial liabilities are stated at amortised cost on an effective interest method basis. Current liabilities are not discounted.

Financial derivatives

The Company did not use or have derivative financial instruments within the period ended on the 30th of June 2011.

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.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes

2 Summary of significant accounting principles (cont'd)

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 financial statements.

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.

Notes

2 Summary of significant accounting principles (cont'd)

Leased assets

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as leasing (financial lease). 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 other lease is treated 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 distributed according to norms calculated considering the use of production capacities.

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.

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.

Governmental grants

Grants are accounted following the principle of accumulation, i.e. received grants or parts thereof are recognised as used in the periods, within which grant-related costs are incurred.

Grants are related to assets.

Grants that are related to assets encompass grants received in the form of non-current assets or allotted for acquisition of non-current assets. Grants are accounted at the fair value of the assets received and later recognised as income, reducing asset depreciation costs within the respective useful service life of the assets.

Notes

2 Summary of significant accounting principles (cont'd)

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 non-financial 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 comprehensive 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.

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.

Notes

2 Summary of significant accounting principles (cont'd)

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 of 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 Comprehensive Income Statement 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 the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognised net of value added tax, excise tax and price discounts directly related to the sales.

Notes

2 Summary of significant accounting principles (cont'd)

Services rendered, assets disposed

Revenue from the services rendered is recognised in the comprehensive 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 comprehensive 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.

Interest income is recognised in the comprehensive 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.

Notes

2 Summary of significant accounting principles (cont'd)

Corporate income tax

Corporate 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.

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. 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 available 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.

Impairment loses 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 Adjustments for previous periods

For the purpose of disclosing the Company's financial status and performance results as fairly as possible, the Company has recalculated its selling income in 2010, distracting turnover discounts granted to its buyers.
The Company's gross profit and cost of sale decreased by the same amount of LTL 2,342,340 In January-June 2011 (of LTL 1,362,337 in April-June 2011).

5 Segment reporting

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

Revenue and gross profit for January-June 2011 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	14,940,406	2,669,803	35,005	1,794,228	19,439,442
Gross profit	5,930,634	218,659	16,154	228,348	6,393,795

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

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	16,546,469	2,389,514	27,521	822,208	19,785,712
Gross profit	8,000,314	344,483	9,646	48,835	8,403,278

Revenue and gross profit for April-June 2011 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	8,280,210	688,181	24,912	946,898	9,940,201
Gross profit	3,353,332	58,413	9,102	104,910	3,525,757

Notes

Revenue and gross profit for April-June 2010 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	8,524,554	1,159,164	17,321	505,016	10,206,055
Gross profit	4,091,486	111,082	6,179	37,223	4,245,970

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 2011, sales to EU and foreign markets amounted to LTL 3,174,062 (in January-June 2010 – LTL 1,037,964). In April-June 2011, sales to EU and foreign markets amounted to LTL 1,228,490 (in April-June 2010 – LTL 537,310). Considering the share of product sales in foreign markets in total revenue, no geographical segments are distinguished in the Company.

	In LTL	Jan-Jun 2011	Jan-Jun 2010
6	**Income and expenses of other activities**		
	Lease of premises	55,050	54,573
	Income form sales of materials and spare parts	73,856	37,542
	Result of the sales of non-current assets	0	112,496
	Other income	62,838	35,503
	Total other income	191,744	240,114
	Other expenses	(17,643)	(17,798)
	Loss on sales of materials and spare parts	0	0
	Loss of sales of non-current assets	(32,331)	0
	Total other expenses	(49,974)	(17,798)
	Net income and expenses of other activities	**141,770**	**222,316**

Notes

In LTL		Apr-Jun 2011	Apr-Jun 2010
6	**Income and expenses of other activities**		
	Lease of premises	27,633	27,318
	Income form sales of materials and spare parts	18,833	28,903
	Result of the sales of non-current assets	0	84,999
	Other income	43,775	14,919
	Total other income	90,241	156,139
	Other expenses	(8,744)	(8,899)
	Loss on sales of materials and spare parts	0	0
	Loss of sales of non-current assets	(32,331)	0
	Total other expenses	(41,075)	(8,899)
	Net income and expenses of other activities	**49,166**	**147,240**

In LTL		Jan-Jun 2011	Jan-Jun 2010
7	**Sales and distribution expenses**		
	Advertising expenses	1,483,206	1,956,768
	Salaries and social security	480,985	515,534
	Transportation expenses	194,158	239,574
	Market research expenses	37,988	110,585
	Packaging expenses	39,251	41,991
	Other	168,306	269,927
	Total sales and distribution expenses	**2,403,894**	**3,134,379**

In LTL	Apr-Jun 2011	Apr-Jun 2010
Sales and distribution expenses		
Advertising expenses	974,157	1,141,252
Salaries and social security	230,470	275,314
Transportation expenses	102,047	120,611
Market research expenses	21,494	60,564
Packaging expenses	22,021	14,235
Other	100,482	109,230
Total sales and distribution expenses	**1,450,671**	**1,721,206**

Notes

In LTL	Jan-Jun 2011	Jan-Jun 2010
8 Administrative expenses		
Salaries and social security	1,841,287	1,751,757
Operating and other taxes	523,370	595,283
Repairs and maintenance	117,721	367,241
Amortisation	479,832	492,623
Depreciation	645,123	542,958
Consulting and training expenses	262,943	234,440
Maintenance of cargo vehicles	133,555	177,026
Security expenses	156,000	207,070
Communications and IT maintenance expenses	74,857	69,939
Utilities	322,894	124,540
Other	513,280	492,643
Total administrative expenses	**5,070,862**	**5,055,520**

In LTL	Apr-Jun 2011	Apr-Jun 2010
Administrative expenses		
Salaries and social security	913,106	883,832
Operating and other taxes	305,728	314,183
Repairs and maintenance	37,811	218,557
Amortisation	240,020	243,859
Depreciation	358,690	288,219
Consulting and training expenses	146,952	109,386
Maintenance of cargo vehicles	20,415	91,124
Security expenses	78,000	98,428
Communications and IT maintenance expenses	35,182	29,258
Utilities	71,213	31,165
Other	252,957	254,088
Total administrative expenses	**2,460,074**	**2,562,099**

Notes

In LTL	Jan-Jun 2011	Jan-Jun 2010
9 Personnel expenses		
Wages and salaries	2,180,079	2,466,745
Social security contributions	674,827	765,173
Total personnel expenses	**2,854,906**	**3,231,918**

In LTL	Apr-Jun 2011	Apr-Jun 2010
Personnel expenses		
Wages and salaries	1,027,117	1,242,687
Social security contributions	317,695	385,961
Total personnel expenses	**1,344,812**	**1,628,648**

Personnel expenses include change in accrued vacation compensations. Redundancy pays and holiday compensations for January-June 2011, inclusive of social security taxes, amounted to LTL 507,938 (in January-June 2010 they amounted to LTL 176,472).

Personnel expenses for January-June 2011 include wages and salaries for the management together without social security taxes amounted to LTL 361,119. Including redundancy pays and holiday compensations amounted to LTL 121,639. No debts, loans were granted to the management as on the 30th of June 2011.

Average number of employees were working for the Company in January-June 2011 156 employees (in January-June 2010 183 employees).

Average number of managers in January-June 2011 and 2010 was 5.

Notes

In LTL	Jan-Jun 2011	Jan-Jun 2010
10 Financial income and expenses		
Interest income	133,368	115,507
Foreign exchange gain	3,065	0
Other income	34	0
Total financial income	136,467	115,507
Interest on loans and lease liabilities	(311,179)	(297,323)
Foreign exchange loss	0	(3,977)
Other	(52,111)	(103,673)
Total financial expenses	(363,290)	(404,973)
Financial income and expenses, net	**(226,823)**	**(289,466)**

In LTL	Apr-Jun 2011	Apr-Jun 2010
Financial income and expenses		
Interest income	67,052	59,536
Foreign exchange gain	3,066	0
Other income	16	0
Total financial income	70,134	59,536
Interest on loans and lease liabilities	(157,208)	(141,498)
Foreign exchange loss	0	(3,881)
Other	(25,662)	(52,818)
Total financial expenses	(182,870)	(198,197)
Financial income and expenses, net	**(112,736)**	**(138,661)**

In LTL	Jan-Jun 2011	Jan-Jun 2010
11 Corporate income tax expenses		
Current tax	0	0
Change in deferred income tax	(145,374)	29,351
Total corporate income tax expenses	**(145,374)**	**29,351**

Notes

12 Deferred tax

In LTL	Jan-Jun 2011 Temporary differences	Jan-Jun 2011 Deferred tax (15%)	Jan-Jun 2010 Temporary differences	Jan-Jun 2010 Deferred tax (15%)
Impairment of other receivables	496,460	74,469	811,016	121,652
Impairment of trade receivables	115,428	17,314	236,076	35,411
Impairment of construction in progress	716,332	107,450	620,821	93,123
Accrued social security expenses for vacation reserve	94,636	14,195	109,257	16,389
Tax losses	3,397,097	509,565	671,051	100,658
Total deferred tax asset		**722,993**		**367,233**
Difference in depreciation of property, plant and equipment	(2,715,419)	(407,313)	(2,951,238)	(442,686)
Difference in amortisation of intangible assets	(6,001,454)	(900,218)	(4,910,280)	(736,542)
Carrying value of non-current assets that are subject to investment relief	(372,256)	(55,838)	(459,691)	(68,954)
Total deferred tax liability		**(1,363,369)**		**(1,248,182)**
Net deferred tax		**(640,376)**		**(880,949)**

Change in the deferred tax

In LTL	Jan-Jun 2011	Jan-Jun 2010
Deferred tax liability as of January 1	(785,750)	(851,598)
Deferred tax change	145,374	(29,351)
Deferred tax liability as on 31 December	**(640,376)**	**(880,949)**

13 Corporate income tax

In LTL	Jan-Jun 2011	Jan-Jun 2010
Overpaid corporate income tax (liability) as of 1 January	72,720	216,969
Corporate income tax for the period	0	0
Reckoned-in to cover liability of other taxes	0	0
Corporate income tax paid	0	48,480
Overpaid corporate income tax (liability) as of 30 September	**72,720**	**265,449**

Notes

14 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 2010	22,397,605	17,793,254	1,221,049	2,292,679	1,997,899	0	45,702,486
Additions	84,654	736,225	0	10,028	350,000	2,369,399	3,550,306
Disposals	0	(907,216)	(55,098)	(2,887)	0	0	(965,201)
Reclassifications	0	0	0	0	0	0	0
Cost as of the 30 June 2010	22,482,259	17,622,263	1,165,951	2 ,299,820	2,347,899	2,369,399	48,287,591
Accumulated depreciation as of 1 January 2010	7,863,819	13,021,950	736,632	1,943,368	573,066	0	24,138,835
Depreciation	368,236	866,752	98,486	83,868	47,756	0	1,465,098
Impairment loss	0	0	0	0	0	0	0
Disposals	0	(907,209)	(50,509)	(2,886)	0	0	(960,604)
Accumulated depreciation as of 30 June 2010	8,232,055	12,981,493	784,609	2,024,350	620,822	0	24,643,329
Net book value as of 30 June 2010	**14,250,204**	**4,640,770**	**381,342**	**275,470**	**1,727,077**	**2,369,399**	**23,644,262**
Cost as of 1 January 2011	22,190,514	22,540,337	1,302,761	2,219,357	3,631,789	1,694,395	53,579,153
Additions	0	1,777,273	0	6,660	384,020	0	2,167,953
Disposals	0	(11,787)	(99,899)	(4,854)	0	0	(116,540)
Reclassifications	0	1,693,595	0	0	0	(1,693,595)	0
Cost as of 30 June 2011	22,190,514	25,999,418	1,202,862	2,221,163	4,015,809	800	55,630,566
Accumulated depreciation as of 1 January 2011	8 ,376,235	13, 690,561	839,349	1,982,341	668,577	0	25,557,063
Depreciation	371,575	870,265	96,709	66,208	47,756	0	1,452,513
Impairment loss	0	0	0	0	0	0	0
Disposals	0	(11,786)	(62,436)	(4,853)	0	0	(79,075)
Accumulated depreciation as of 30 June 2011	8,747,810	14,549,040	873,622	2,043,696	716,333	0	26,930,501
Net book value as of 30 June 2011	**13,442,704**	**11,450,378**	**329,240**	**177,467**	**3,299,476**	**800**	**28,700,065**

Notes

14 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.

Distribution of depreciation costs

In LTL	Jan-Jun 2011	Jan-Jun 2010
Cost of sales	586,433	641,134
Inventories	203,273	263,208
Administrative and other expenses	662,807	560,756
Total	**1,452,513**	**1,465,098**

15 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2010	173,096	549,135	18,913,672	19,635,903
Additions	0	0	0	0
Disposals	0	0	0	0
Cost as of 30 June 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	0	19,781	472,842	492,623
Disposals	0	0	0	0
Accumulated amortisation as of 30 June 2010	173,096	516,456	5,516,488	6,206,040
Net book value as of 30 June 2010	**0**	**32,679**	**13,397,184**	**13,429,863**
Cost as of 1 January 2011	41,320	545,804	18,913,672	19,500,796
Additions	4,500	1,496	0	5,996
Disposals	0	0	0	0
Cost as of 30 June 2011	45,820	547,300	18,913,672	19,506,792
Accumulated amortisation as of 1 January 2011	41,320	513,618	5,989,329	6,544,267
Amortisation	125	6,865	472,842	479,832
Disposals	0	0	0	0
Accumulated amortisation as of 30 June 2011	41,445	520,483	6,462,171	7,024,099
Net book value as of 30 June 2011	**4,375**	**26,817**	**12,451,501**	**12,482,693**

All amortisation expenses are included under operating expenses.

Notes

In LTL	30.06.2011	31.12.2010
16 Financial assets		
Long-term loans granted	3,747,399	3,615,486
Total financial assets	**3,747,399**	**3,615,486**

Long-term loans granted: LTL 3,129,549 (EUR 906,380) and interest thereon amounting to LTL 617,850 (EUR 178,942) loan to an associated company at. Term of repayment of the loan – August 2015.

In LTL	30.06.2011	31.12.2010
17 Inventories		
Raw materials	4,442,078	4,472,447
Finished goods	2,344,342	1,790,775
Goods for resale	738,942	921,474
Work in progress	54,390	61,825
Total inventories	**7,579,752**	**7,246,521**

In LTL	30.06.2011	31.12.2010
18 Prepayments and deferred expenses		
Prepayments to suppliers	34,538	28,518
Deferred advertising expenses	85,205	67,535
Deferred insurance and subscription	33,503	71,929
Other	50,674	60,539
Total prepayments and deferred expenses	**203,920**	**228,521**

In LTL	30.06.2011	31.12.2010
19 Trade receivables		
Trade receivables	18,637,808	24,251,302
Impairment allowance for bad debts	(115,428)	(115,428)
Net trade receivables	**18,522,380**	**24,135,874**

Notes

19 Trade receivables (cont'd)

Change in impairment of receivables for bad debts:

In LTL	30.06.2011	31.12.2010
Impairment allowance for bad debts as of 1 January	(115,428)	(236,076)
Reverse of impairment allowance for bad debts	0	120,648
Impairment allowance for bad debts at the end of the period	**(115,428)**	**(115,428)**

20 Other receivables

In LTL	30.06.2011	31.12.2010
Loans granted	34,528	34,528
Security to the Tax Inspectorate	442,480	302,480
Overpaid income tax	72,720	72,720
Other receivables	33,466	30,223
Doubtful receivables	496,460	496,482
Total other receivables before write-down allowance	**1,079,654**	**936,433**
Impairment	(496,460)	(496,482)
Total other receivables, net	**583,194**	**439,951**

The prepayment to the Tax Inspectorate is a guarantee for payment of excise tax, value added tax, and imported (exported) production payments. Loan granted: loan of LTL 34,528 (EUR 10,000) to a related company, maturity of the loan granted: December 2011.

Change in impairment allowance of receivables:

In LTL	30.06.2011	31.12.2010
Impairment allowance for bad debts and other receivables as of 1 January	**(496,482)**	**(832,923)**
Reverse of impairment allowance for bad debts	0	336,441
Impairment allowance for bad debts and other receivables at the end of the period	**(496,482)**	**(496,482)**

Notes

In LTL	30.06.2011	31.12.2010
21 Cash and cash equivalents		
Cash at bank and in hand	239,454	49,528
Total cash and cash equivalents	**239,454**	**49,528**

22 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.

23 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 2011	Jan-Jun 2010
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	(1,020,640)	116,878
Earnings per share, in LTL	**(0.04)**	**0.00**

	Apr-Jun 2011	Apr-Jun 2010
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	(385,954)	(27,754)
Earnings per share, in LTL	**(0.02)**	**0.00**

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

Notes

In LTL	30.06.2011	31.12.2010
24 Interest bearing loans and borrowings		
Non-current liabilities		
Bank loans	4,726,890	4,966,959
Financial lease (leasing) liabilities	405,511	564,359
Total non-current liabilities	**5,132,401**	**5,531,318**
Current liabilities		
Overdraft	6,732,561	10,771,867
Bank and other loans	3,049,491	1,866,739
Financial lease (leasing)	428,781	619,581
Total current liabilities	**10,210,833**	**13,258,187**
Total	**15,343,234**	**18,789,505**

Terms and repayment schedule

In LTL	Total	Up to 1 year	1-5 years	Over 5 years
LTL 5,000,000 overdraft – fluctuating interest rate: 3-month VILIBOR + margin	1,451,361	1,451,361		
Loan of EUR 3,015,412 (LTL 10,411,615) – 3-month fluctuating LIBOR + margin	5,900,329	1,616,740	4,283,589	
EUR 1,737,720 (LTL 6,000,000) overdraft – fluctuating interest rate: 3-month EURIBOR + margin	5,281,200	5,281,200		
EUR 1,736,272 (LTL 5,995,000) credit – fluctuating interest rate: 3-month EURIBOR + margin	1,876,052	1,432,751	443,301	
Financial lease (leasing) – 6-month variable LIBOR EUR+ margin and 3-month variable + EURIBOR+ margin	834,292	428,781	405,511	
Total financial liabilities	**15,343,234**	**10,210,833**	**5,132,401**	**0**

Term of repayment of the long-term loan is December 2015, of overdraft (LTL 5,000,000 and EUR 1,737,720) – 31 August 2011. Under financial lease agreements, the Company‘s assets consist of plant and equipment and vehicles. Financial lease terms are up to 3 years.

In 2009, the Company and the bank signed long-term crediting contract for the amount of EUR 1,736,272 and long-term financial liability limit contract for EUR 879,865.62. Long-term credit and financial liability limit are intended for financing of the Project “Using distillery refuse (broga) for the production of electric power“. Long-term credit repayment deadline – December 2015, long-term financial liability deadline – December 2011.

In order to secure the bank loans, the Company has pledged assets. For further comments refer to Note 29.

Notes

In LTL	30.06.2011	31.12.2010

25 Governmental grants

Balance value at the beginning of the period	4,137,227	0
Grants received	727,665	4,137,227
Used within the period	0	0
Balance value at the end of the period	**4,864,892**	**4,137,227**

The Company has received funds from EU Structural Funds under Priority 3 of the Cohesion Growth Action Program "Increasing the Effectiveness of Energy Production". The support was granted for acquisition of non-current assets.

26 Other payables

In LTL	30.06.2011	31.12.2010
Payable excise tax	5,982,025	5,938,245
Payable VAT	1,788,545	2,657,368
Vacation reserve and social security	686,878	665,968
Taxes payable	95,894	75,254
Accrued expenses	71,345	71,645
Other payables	86,539	59,438
Total other payables	**8,711,226**	**9,467,918**

27 Financial risk management

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

- credit risk;
- liquidity risk;
- market risk;
- other 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

Notes

27 Financial risk management (cont'd)

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 trading 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 majeure (such as natural calamities). Moreover, the Company has concluded a contracts for overdrafts limited to EUR 1,737,720 and LTL 5,000,000.

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, LIBOR EUR and VILIBOR. As of the 30th June 2011, 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.

Notes

27 Financial risk management (cont'd)

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 did not have any material exposure in other foreign currencies.

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.

28 Related party transactions

Related parties of the Company are:

- parties that control, are controlled by or are 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

Notes

28 Related party transactions (cont'd)

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 Landut	Belvedere group company
Gemaco	Belvedere group company
PHP Wieslav 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, Chairman of the Board
Arūnas Tuma	Shareholder

Sales to and purchases from related parties

Company	Type of transaction	Jan-Jun 2011	Jan-Jun 2010
Purchases from:			
Belvedere group companies	Purchase of services, etc.	266,999	320,370
Belvedere group companies	Purchase of inventories	324,442	431,568
Shareholder	Purchase of services	154,800	154,800
Ultimate parent company	Purchase of inventories	63,206	0
Total purchases		**809,447**	**906,738**
Sales to:			
Belvedere group companies	Sales of production incl. excise tax	20,706,453	21,131,066
Parent company	Sales of production incl. excise tax	0	31,828
Ultimate parent company	Other income	131,913	0
Belvedere group companies	Sales of services, etc.	129,046	118,505
Total sales		**20,967,412**	**21,281,399**
Excise tax		13,393,999	15,999,665
Total sales net of excise tax		**7,573,413**	**5,281,734**

Notes

28 Related party transactions (cont‘d)

Balances outstanding with related parties

Company	30.06.2011	31.12.201
Trade receivables		
From Belvedere group companies	3,657,205	3,155,343
From ultimate parent company	3,747,399	3,650,151
From parent company	36,273	99,479
Total trade receivables	**7,440,877**	**6,904,973**
Trade payables		
To ultimate parent company	45,242	45,242
To Belvedere group companies	89,609	243,769
Total trade payables	**134,851**	**289,011**

Remuneration to the Company's management is enclosed in Note 9 to the Financial Statements. Information on the loans granted to the associated company is provided in Note 16 and Note 20.

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

29 Off-balance liabilities

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

In LTL	30.06.2011	31.12.2010
Carrying amount of pledged buildings and structures	10,498,501	10,894,956
Carrying amount of pledged trademarks	12,451,501	12,924,343
Carrying amount of pledged inventories	7,579,752	7,246,521

The Company has transferred to the Bank the existing and further monetary funds deposited on the accounts with AB DnB Nord bank which were equal to LTL 161,299 as on the 30th of June 2011 (LTL 13,650 as on the 31st of December 2010) and amounts receivable from its buyers that amounted to LTL 18,522,380 as on the 30th of June 2011 (LTL 24,135,874 as on the 31st of December 2010), under the Claiming Right Transfer Agreement in order to secure fulfilment of its liabilities under the Crediting Contract.

Short-term guarantee related to implementation of the Project "Using distillery refuse (broga) for the production of electric power" has been granted to Lithuanian Business Support Agency. The amount of the guarantee has been granted to cover the funds of financial liabilities overdraft granted by AB DnB NORD bank (LTL 527,870 as on the 30th June 2011).

Notes

30 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.

Fair value of assets and liabilities provided in the balance sheet as on the 30th of June 2011 does not significantly differ from their carrying (fair) amount, except non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets as on the 30th of June 2011

In LTL	Carrying amount	Fair value
Granted long-term loans and other receivables	3,747,399	3,747,399
Advance payments and deferred expenditure	203,920	203,920
Trade debtors	18,522,380	18,522,380
Other amounts receivable	583,194	583,194
Cash and cash equivalents	239,454	239,454
Total	**23,296,347**	**23,296,347**

Financial liabilities as on the 30th of June 2011

In LTL	Carrying amount	Fair value
Loan and other interest-bearing amounts	15,343,234	15,343,234
Trade creditors	4,559,422	4,559,422
Other amounts payable	8,711,226	8,711,226
Total	**28,613,882**	**28,613,882**

31 Events after the reporting period

There were not events occurred after the reporting period that would influence financial results of the Company.

As the Bank has revised the terms and conditions of the loan agreement, credit lines in LTL and EUR are expected to be extended for a period of one year in September 2011.

On the 5th of July 2011, the Board of the company elected Mr. Juozas Daunys to the position of the Director General.

On the 5th of July 2011, the Supervisory Board elected Ms. Aistė Bartašiūtė to the position of a new member of the board instead of the member of the board Mr. Domas Kačinskas.

STOCK COMPANY
VILNIAUS DEGTINĖ

Interim Performance Report for
the six-month period ended on the
30th June 2011

Contents

1. Company Information

	Public stock company Vilniaus degtinė (hereinafter – the Company)
Legal form	Public stock company
Date and place of registration	23rd of November 1990, Vilnius branch of the State Enterprise Centre of Registers
Code	120057287
Registered office address	Panerių Str. 47/Smolensko Str. 2, Vilnius, Lithuania
Telephone	+ 370 5 233 08 19
Fax	+ 370 231 5052
E-mail	vd@degtine.lt
Website	www.degtine.lt

Branch	Obeliai distillery
Branch address	Audronių I village, Obeliai local authority, Rokiškis district, Lithuania
Telephone	+ 370 458 78723
Fax	+ 370 458 78723
E-mail	obeliai@degtine.lt

AB Vilniaus degtinė produces and sells vodkas, liqueurs, and other alcoholic beverages it produces, rectified, methylated grain ethyl alcohol, produces distilled ethyl alcohol, imports and sells alcoholic products made by producers of other countries. Obeliai spirit distillery, a branch of AB Vilniaus degtinė, makes distilled grain ethyl alcohol. When made, distilled ethyl alcohol is rectified at AB Vilniaus degtinė.

2. Authorised Capital and Securities

The structure of the authorised capital

Type of shares	**Number of shares, pcs.**	**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

Ordinary registered shares the Company's authorised capital consists of grant equal rights to all owners of the Company's shares. All shares of AB Vilniaus degtinė are fully paid up. The Company has not issued any debt or derivative securities that would be converted into shares. The Company has not acquired and does not hold any shares of its own.

Total number of shareholders as on the 30th June 2011 was 277.

2. Authorised Capital and Securities (continued)

Shareholders who held or managed more than 5 percent of the authorised capital of the issuer as of the 30th June 2011

Shareholder's name, surname or company name, registered office address, company code	Number of the shares the shareholder holds under the ownership right, pcs.	Portion of the authorised capital held, %	Portion of votes held, %
SOBIESKI DYSTRIBUCJA SP. Z 0. 0. ul. Bellottiego 1, 01-022, Warszawa, Poland, 230030460	16,668,632	68.29	68.29
ARŪNAS TUMA	2,383,477	9.76	9.76
DARIUS ŽAROMSKIS	2,440,843	10.00	10.00
SKANDINAVISKA ENSKILDA BANKEN CLIENTS ACCOU Sergels Torg 2, 10640 Stockholm, Sweden, 502032908101	2,256,262	9.24	9.24

None of the company's shareholders have any special rights of control. There are no restrictions of the rights to vote. There are no agreements between the shareholders, which might cause the transfer of securities and (or) right of vote to be restricted.

Since the 25th of March 2002, ordinary registered shares of AB Vilniaus degtinė are listed in the Secondary trading list of AB NASDAQ OMX Vilnius. All 24,408,431 pcs. of shares are traded. There are no restrictions concerning transfer of the shares. The Company has signed an agreement with AB FMĮ Finasta on administration of accounting of issued securities.

Securities trading history in 2007 – H1 of 2011

Indices	2007	2008	2009	2010	H1 2011
Opening price, LTL	4.9996544	3.5011392	0.8010496	1.401837	1.519
Maximum price, LTL	5.5003104	3.5011392	1.4985152	1.999171	1.519
Minimum price, LTL	3.0004832	0.8010496	0.500656	1.170499	0.936
Last session, LTL	3.2490848	0.8010496	1.4018368	1.519232	0.956
Turnover, pcs.	173,373	67,163	104,134	120,659	55,089
Turnover, LTL million	0.69056	0.138112	0.103584	0.17264	0.063103
Capitalisation, LTL million	79.310816	19.542848	34.18272	37.08307	23.344848

There were no OTC transactions registered in H1 2011. Information on trade in the shares of AB Vilniaus degtinė can be found on the securities exchange NASDAQ OMX Vilnius.

2. Authorised Capital and Securities (continued)

Trade in the shares of AB ,Vilniaus degtinė on ,NASDAQ OMX Vilnius in 2007- H1 2011

Comparison of the price of the shres of AB Vilniaus degtinė (VDG1L) with OMX Vilnius (OMXV) index in 2007-H1 2011.

Index/Shares	01.01.2007	30.06.2011	+/-%
OMX Vilnius	492,65	396,35	-19,55
VDG1L	1,45 EUR	0,28 EUR	-80,87

3. Company Management

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

4 meetings of the Board, 3 meetings of the supervisory council and 1 shareholder meeting took place in H1 2011, decisions important for the Company were adopted at them.

Articles of Association of the Company are amended in accordance with the Company Law of the Republic of Lithuania. The most recent working of the articles of association was registered at the Register of Legal Entities of the Republic of Lithuania on the 11th of August 2008.

Members of the collegial supervision and management bodies and general manager of AB Vilniaus degtinė as on the 30th of June 2011.

Name, surname	**Position**	**Participation in the authorised capital of the issuer, percent**	**Term**
Dariusz Jamiola	Chairman of supervisory council	-	2008-03 – 2012-03
Tomasz Kowalski	Member of supervisory council	-	2008-03 – 2012-03
Ilona Šerlatienė	Member of supervisory council	-	2008-03 – 2012-03
Darius Žaromskis	Chairman of the Board	10.00	2007-12 – 2011-12
Juozas Daunys	Board member	-	2011-01 – 2011-12
Dalius Rutkauskas	Board member	-	2009-03 – 2011-12
Domas Kačinskas	Board member	-	2011-04 – 2011-07
Renaldas Barauskas	Board member	-	2009-03 – 2011-01
Danas Kerbelis	Board member	-	2007-12 – 2011-04
Audra Jauniškienė	Board member	-	2007-12 – 2011-05
Domas Kačinskas	Director General	-	2011-04-08 – 2011-07-05
Danas Kerbelis	Director General	-	2005-07-18 – 2011-04-07

3. Company Management (continued)

Within the first half of the reporting year, the following persons resigned from members of the board and positions held in the Company: Renaldas Barauskas, Danas Kerbelis, Audra Jauniškienė; in July – Domas Kačinskas. Upon the decision of the board adopted on the 5th of July 2011, Mr. Juozas Daunys was appointed to the position of the Director General.

Salary-related amounts accrued in the Company for members of collegial bodies and those employed by the Company within the reporting period amounted to LTL 305,275 (except the employer's social insurance and guarantee fund contributions), including LTL 121,639 of severance pays and compensations for unused annual holidays. The Company has not granted any loans or guarantees to members of collegial bodies. Services purchased from them amounted to LTL 154,800 (exclusive of taxes). The value of disposed asset transaction is insignificant. There are no payable or receivable debts.

There are no significant agreements the Company is a party to that would come into force, change or be terminated in case of change in the Company's control. There are no agreements between the Company and members of its collegial management and supervision bodies or employees providing for payment of compensation in case of their resignation or dismissal without a good reason or in case if their employment is discontinued due to a change in the Company's control.

When carrying out its duties under legal instruments regulating the securities market, the Company has announced information on major events concerning the issuers activities:

- 2011/01/26 Change of a member of the board and deputy director general;
- 2011/02/28 Interim performance result of 12 months of 2010;
- 2011/03/09 Convocation of an ordinary General Shareholder Meeting;
- 2011/03/25 Draft decisions of the ordinary General Shareholder Meeting;
- 2011/04/06 Decisions of the ordinary General Shareholder Meeting;
- 2011/04/06 Annual information for the year 2010;
- 2011/04/08 Change of the Director General;
- 2011/05/27 Resignation of the Director of Finance and Administration and change of members of the board;
- 2011/06/01 Interim performance result of Q1 2011.

Detailed information in major events can be found on the Company's website www.degtinė.lt or the website of, NASDAQ OMX Baltic www.nasdaqomxbaltic.com.

AB Vilniaus degtinė is a member of the following associated structures:

- Association GS1 Lithuania;
- Association Lithuanian Food Industry;
- Package Handlers Association;
- Lithuanian Association of Food Exporters.

4. Production Activities

Key activity of the Company is production of vodka, flavoured vodka, bitter, liqueur and other alcoholic drinks. In H1 2011, the Company's technologists developed and launched the following new products:

- vodka Old Vilnius;
- 5 spirit drunks under the brand name Mama vodka;
- Flavoured vodka Ice Mint;
- Spirit spiritinį gėrimą „Sobieski like *** on the beach";
- Alcoholic beverage Sobieski like Mojito;
- Alcoholic beverage Sobieski like Long island;
- Flavoured vodka Sobieski Blitz;
- Vodka Sobieski Classic;
- Vodka Staryj kniazj, etc.

Production produced in H1 2011

Name	Measurement unit	H1 2010	H1 2011	Change (+,-), %
Alcoholic beverages	thous. litres	2,947.9	2,848.2	-3.4

Obeliai spirit distillery, a branch of AB Vilniaus degtinė, makes distilled ethyl alcohol our of rye. Such distilled ethyl alcohol is supplied to AB Vilniaus degtinė and rectified. Edible rectified ethyl alcohol is used in the production of alcoholic beverages.

Works of building a cogeneration power station at Obeliai distillery, the branch of the Company, are still in progress. The project is partially funded by structural funds of the European Union (hereinafter – the EU). The project is expected to be accomplished at the end of 2011. Installed electric power would reach 1.5 MW, thermal power 1.6 MW. Total project estimate is LTL 19,981,500 (exclusive of taxes). The amount of funding received from EU structural funds amounts to LTL 9,990,750. Biogas will be produced out of grain waste in the cogeneration power station and the Company will be able to provide itself with thermal and electric energy, and would be able to sell excess energy to electric distribution networks. This project will enable reducing consumption of energy resources and modernise the use of waste of the distillery, which will enable to decrease environment pollution.

In 2011, the Company's management continues paying much attention to cutting production costs. When pursuing strategic goals, the Company keeps on investing into the production processed development of new products and improvement of the product quality.

The quality management system ISO 9001:2000 the Company has implemented is being managed successfully.

At the time being, the Company is implementing advanced system LEAN that covers three stages: assessment of activities, training and coaching, and implementation and coordination.

5. Commercial Activities

Selling income of AB Vilniaus degtinė in H1 2011 amounted to LTL 19,439,442 (in H1 2010 – LTL 19,785,712). Compared to the same period last year, income decreased by 1.8 p.p.

In H1 2011 the Company suffered pre-tax losses amounting to LTL 1,166,014 (in H1 2010 the Company's profit before taxes was LTL 146,229).

In H1 2011 AB Vilniaus degtinė sold 3,106.9 thousand litres of alcoholic drinks (sales in H1 2010 amounted to 2,939.3 thousand litres). Compared to the same period last year, sales increased by 5.7 p.p.

Increased prices for raw materials, materials and energy resources, as well as demand for cheap imported alcoholic drinks affected the drop down in the Company's profitability related to the alcoholic beverages it sells.

Most part of the Company‘s sales are sales in the Lithuanian market. Sales in the domestic market remained almost unchanged, meanwhile sales to foreign markes increased. Major foreign markets are Latvia, Estonia, Poland, England and Israel.

The Company purchases raw materials and materials necessary for the production from Lithuanian and foreign suppliers at favourable prices, controls the quality of purchased raw materials and materials, terms of payment deferments, and assesses reliability of suppliers.

6. Economic-Financial Ratios

Detailed information on the result of economic-financial activities of the Company for H1 2001 is presented in unaudited interim financial statements of AB Vilniaus degtinė for the six-month period ended on the 30th of June 2011. Financial statements were developed in accordance with International Financial Accounting Standards adopted for application in the European Union.

Economic-financial ratios for the first half of 2011

Ratios	H1 2010	H1 2011	Change (+,-)
Sales revenue (loss), excl. excise tax, thous. LTL	19,786	19,439	-347
Gross profit (loss), thous. LTL	8,403	6,394	-2,009
Result from operations (EBIT), thous. LTL	436	(939)	-1,375
Profit (loss) before taxes, thous. LTL	146	(1,166)	-1,312
Profit (loss) of the period, thous. LTL	117	(1,021)	-1,138
Depreciation, amortisation and impairment, thous. LTL	1,958	1,932	-26
EBITDA, thous. LTL	2,393	993	-1,400
Non-current assets, thous. LTL	37,233	44,930	+7,697
Current assets, thous. LTL	29,294	27,129	-2,165
Total assets, thous. LTL	66,527	72,059	+5,532
Share capital, thous. LTL	24,408	24,408	-
Owner's equity , thous. LTL	39,413	37,940	-1,473
Non-current liabilities , thous. LTL	8,872	10,638	+1,766
Current liabilities, thous. LTL	18,242	23,481	+5,239
Net cash flows from operating activities, thous. LTL	8,261	5,383	-2,878
Net cash flows form investing activities, thous. LTL	(3,592)	(2,133)	+1,459
Net cash flows from financing activities, thous. LTL	(4,623)	(3,060)	+1,563

6. Economic-Financial Ratios (continued)

Ratios	H1 2010	H1 2011	Change (+,-)
Gross profit ratio, %	42.47	32.89	-9.58
Operating profit ratio, %	2.20	(4.83)	-7.03
Net profit ratio, %	0.59	(5.25)	-5.84
EBITDA profit ratio, %	12.10	5.11	-6.99
ROE (return on equity), LTL	0.003	(0.027)	-0.030
ROA (return on assets), LTL	0.006	(0.010)	-0.016
Quick ratio	1.130	0.824	-0.306
Net working capital turnover ratio, ratio	1.735	4.591	+2.856
Profit per share, LTL	0.005	(0.042)	-0.047
Debt to equity ratio	0.688	0.899	+0.211

Most part of liabilities consists of the governmental grant received for the project of building cogeneration power plant, long-term bank loans, and short-term overdrafts in Litas and Euro for turnover funds. Deadline of repayment of long-term credits is December 2015, term of repayment of overdrafts is August 2011. The Company expects to extend the overdraft agreement for a period of one year. Detailed information on the grant and credits is presented in the Financial Statements of the Company.

7. Risk Factors

Economic Risk Factors. Key risk factors are: unstable economic situation, the extent of sales of alcohol in the shadow economy, the probability of increase of the excise tax, increasing restrictions of alcohol advertising and trade. As the competition is getting more intense, much attention and many funds are allotted to the development of brand images, strengthening of selling positions in the domestic market and development of sales in foreign markets.

The Company did not find it difficult to procure itself with raw materials and materials for production. Long-term supply agreements were signed, sufficient terms of payment deferment have been provided for. Production selling agreements with buyers are entered into for a period of one year.

Financial Risk Factors. To secure repayment of bank loans, the Company has pledged a part of its assets. Detailed information on pledged assets is presented in Note 29 to the unaudited interim financial statements for the six-month period ended on the 30th of June 2011. The bank has subjected the Company to additional capital requirements, and the Company controls and fulfils such requirements.

Ecologic Risk Factors. There were no fines for environment pollution or limitation or suspension of activities due to damage to the environment. There were no other ecologic risk factors or accidents. The Company has entered into an agreement on management of package waste. Such expenses may change considering production extents and tasks of package waste use and processing.

Technical–Technological Risk Factors. Since a part of the Company’s technologic machinery is depreciated, particular attention is paid to renewal of the machinery, development of technological processes and improvement of product quality for the purpose of eliminating technical risk factors.

Social Risk Factors. Employees of the Company constantly keep on improving their qualification at different courses, workshops, and study at higher schools. There is no lack of employees in the labour market. The Company pays salaries and wages in timely manner.

Information on other risk factors is disclosed in Note 25 to the unaudited interim financial statements for the six-month period ended on the 30th of June 2011.

8. Employees

Average number of staff members in H1 2011

Indices	H1 2010	H1 2011
Number of employees	183	156

Average monthly salary of employees in H1 2011, LTL

Employees	H1 2010		H1 2011	
	Number as on 2010/06/30	Average salary, LTL	Number as on 2011/06/30	Average salary, LTL
Managers (directors)	5	8,567.15	4	8,676.79
Specialists and white-collar workers	53	2,870.05	50	2,303.77
Blue-collar workers	122	1,564.98	86	1,331.48
Total	180	2,094.37	140	1,959.20

Employee distribution by education in H1 2011

Employees	Number of employees on 2010/06/30	Number of employees on 2011/06/30
With higher education	53	44
With post-secondary education	35	35
With higher secondary or vocational secondary education	91	60
With lower secondary education	1	1
Total	180	140

Financial relations with the Company's managers and other related persons (thous. LTL)

Indices	H1 2011
1.Amounts before taxes linked to labour relations (except the employer's social insurance and guarantee fund contributions):	
To managers	361,1
To other related persons	-
2. Gratuitously transferred assets and presents:	
To managers	-
To other related persons	-
3. Other significant amounts accrued within the year:	
To managers	-
To other related persons	154,8
Average number of managers	5

Amounts before taxes accrued to managers (directors) contain severance pays and compensations for unused annual holidays and amount to LTL 121.6 thousand. Director General was re-elected twice, Director of Finance and Administration resigned.

8. Employees (continued)

Employment contracts and collective agreement do not provide for any particular rights or duties of the Company's employees or any part thereof. Employee keep on improving their qualification at different workshops and courses, are taking part in the GPD project "Training of top and medium level managers of industry leaders for the purpose of increasing cooperation among companies having the largest economic potential and their competitiveness in the international context ", as well as keep on improving their qualification by deepening their knowledge of foreign languages.

9. Research and Development

Development of new products (beverages and recipes) is a continuous part of the Company's activities. The Company regularly carries out experimental development projects involving experimental tests based on internal studies and experience of its employees. It keeps on further developing the production of flavoured vodkas and bitters. Most attention is paid to the development of traditional vodka and improvement of its taste.

Within several recent years, considerable part of the Company's investments was allotted to the development of new products. Significant achievements in development of new products are rewarded with medals gained at different fairs and exhibitions.

10. Environment Protection

The Company carries out its production activities in accordance with the Integrated Pollution Prevention and Control Permit. The Company tries to reduce negative impact on the environment, implements pollution prevention means, which assure that performed activities have no negative impact on the air, water, and soil. The Company always monitors its activity indices, plans and implements investments to enable reducing production and operating costs, energy consumption, and improving the environmental condition.

Key sources of pollution at the Company's branch Obeliai distillery are boiler-room and ethyl alcohol production shop. The boiler-room produces steam needed for the technological process, provides thermal power to production and domestic facilities. The boiler is operated 24 hours a day. Up to 1,800 tons of liquid fuel are burned in the boiler-room annually. The Company reports to Regional Environment Protection Department (REPD) on consumed natural resources and pollutants emitted from mobile and static sources of pollution. Waste and sewage that is formed during the production process are collected and purified in the Company's own purification facilities. To improve the control over the work of sewage purification facilities, Panevėžys REPD regularly carries out control tests. The program of monitoring underground waters of the water body is carried out.

Natural gas is used in the technological process of production facilities in Vilnius (up to 2,000,000 m3 of natural gas are consumed annually). Production, domestic and surface sewage gets into sewerage networks of UAB Vilniaus vandenys. Waste of all kinds that is formed in the Company (glass, metal, paper and cardboard packages, plastic packages, etc.) are sorted and delivered to waste handling companies. Hazard and risk analysis has been carried out, accident prevention means and accident liquidation plan have been prepared. The Company's buildings have been assessed and marked in accordance with the general fire-prevention rules.

11. Business Plans and Forecasts

The recent years have not been favourable to producers of alcoholic beverages. Forecasts for 2011 say that vodka market is expected to shrink by 5% due to dull domestic consumption, governmental policy with regard to alcohol, and trends of consumption of less strong alcohol (wine, beer, alcohol-containing cocktails).

Losses suffered in H1 2011 are expected to be covered this year. Goals set for H2 2011:

- Development of sales in foreign markets. This is one of the goals set pursuing diversification of sales. Priority markets: Latvia, Estonia, Poland, Scandinavian countries, Bulgaria, Denmark, Israel, and China;
- Diversification of the assortment. The Company is planning to supplement the existing assortment with 2 new product categories and about twenty new products. The priority category of vodka accounts for the most part of the production (more than 80% of all products produced by the Company). Particular attention is paid to the Sobieski brand in the process of strengthening the Company's selling positions in the Baltic States;
- Supplementation of the portfolio of imported beverages with wine, tequila and rum.

Implementation of key goals for the year 2011 is already in progress: improvement of the effectiveness of production-commercial activities, modernisation of production facilities, accomplishment of the project "The Use of Broga in the Production of Electric Power", drafting and development of the Company's long-term operating strategy plan.

The purpose of the LEAN system that is being implemented in the Company is to create higher value for the customer with less resources and improve the Company's competitive advantage. The essence of implementing LEAN can be described most exactly by two key principles: constant improvement and elimination of unnecessary activities (losses), thereby creating the culture of lifelong improvement in the Company.

12. Events after the Reporting Period

Under the Board's decision dated the 5th of July 2011, Mr. Juozas Daunys was appointed to the position of the Company's Director General. Under the Supervisory Council's decision dated the 5th of July 2011, member of the Board Domas Kačinskas was replaced with a new member of the Board Aistė Bartašiūtė, the Production Director of the Company.

13. Information on Observance of the Management Code

The Company materially observes the recommendatory Management Code of Listed Companies approved by the NASDAQ OMX Vilnius securities exchange.