AB Vilniaus Degtinė

Interim Financial Statements for twelve months of 2008

Contents

Company information	2
Balance Sheet	3
Income Statement	5
Statement of Changes in Equity	7
Cash Flows Statement	8
Notes	9

Company information

AB Vilniaus Degtinė

Telephone:	+ 370 5 231 31 52
Fax:	+ 370 5 231 50 52
Company code:	120057287
Registered at:	Panerių str. 47/2, Vilnius, Lithuania

Management

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

Board

Darius Žaromskis
Raimundas Čičirka
Danas Kerbelis
Audra Jauniškienė
Andrejus Galuška

Auditor

UAB Rimess

Banks

AB DnB NORD bankas

Lithuanian branch of AS UniCredit Bank
AB SEB Bankas
AB bank “Hansabankas”

Balance sheet

As of the 31st December

In LTL	Notes	31/12/2008	31/12/2007
ASSETS			
Non-current assets			
Property, plant and equipment	13	23,204,605	19,956,913
Intangible assets	14	14,900,842	15,894,114
Other non-current assets	15	0	1,000
Total non-current assets		**38,105,447**	**35,852,027**
Current assets			
Inventories	16	9,495,228	12,205,381
Prepayments and future expenses	17	498,436	1,165,961
Trade receivables	18	39,963,023	37,842,407
Other receivables	19	2,646,034	995,688
Other current assets	20	75,554	
Cash and cash equivalents	20	52,389	72,174
Total current assets		**52,730,664**	**52,281,611**
TOTAL ASSETS		**90,836,111**	**88,133,638**

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

Balance sheet (cont‘d)

As of the 31st December

In LTL	Notes	31/12/2008	31/12/2007
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	24,408,431	24,408,431
Legal reserve		2,440,843	2,440,843
Retained earnings (loss)		11,663,277	10,398,154
Total equity		**38,512,551**	**37,247,428**
Non-current liabilities			
Interest bearing loans and borrowings	23	25,047,556	7,660,037
Deferred income tax liability		1,034,500	633,159
Total non-current liabilities		**26,082,056**	**8,293,196**
Current liabilities			
Interest bearing loans and borrowings	23	2,417,257	12,097,671
Trade payables		6,717,108	9,893,056
Income tax payable		0	0
Other payables	24	17,107,139	20,602,287
Total current liabilities		**26,241,504**	**42,593,014**
Total liabilities		**52,323,560**	**50,886,210**
TOTAL EQUITY AND LIABILITIES		**90,836,111**	**88,133,638**

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

Income statement

As of the 31st December

In LTL	Notes	Jan-Dec 2008	Jan-Dec 2007
Sales revenue	4	**69,368,517**	**67,794,757**
Cost of sales		(36,306,268)	(35,107,615)
Gross profit	4	**33,062,249**	**32,687,142**
Other income	5	236,504	174,724
Sales and distribution expenses	6	(17,391,988)	(17,186,617)
Administrative expenses	7	(12,707,932)	(12,576,570)
Other expenses	5	(35,311)	(33,346)
Result from operating activities		**3,163,522**	**3,065,333**
Financial income	9	83,510	23,135
Financial expenses	9	(1,426,204)	(1,043,969)
Profit before tax		**1,820,828**	**2,044,499**
Corporate income tax	10	(555,705)	(362,584)
Profit for the period		**1,265,123**	**1,681,915**
Basic and diluted earnings per share	22	0.05	0.07

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

Income statement

As of the 31st December

In LTL	Notes	Oct-Dec 2008	Oct-Dec 2007
Sales revenue	4	**23,308,443**	**24,465,113**
Cost of sales		(11,912,319)	(12,882,611)
Gross profit	4	**11,396,124**	**11,582,502**
Other income	5	74,105	51,610
Sales and distribution expenses	6	(5,692,893)	(5,844,784)
Administrative expenses	7	(3,632,088)	(3,711,553)
Other expenses	5	(12,911)	(6,452)
Result from operating activities		**2,132,337**	**2,071,323**
Financial income	9	29,844	8,108
Financial expenses	9	(411,927)	(382,497)
Profit before tax		**1,750,254**	**1,696,934**
Corporate income tax	10	494,074	274,909
Profit for the period		**1,256,180**	**1,422,025**
Basic and diluted earnings per share	22	0.05	0.06

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

Statement of changes in shareholders' equity

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as of 1 January 2007		**24,408,431**	**2,440,843**		**8,716,239**	**35,565,513**
Profit for 2007					1,681,915	1,681,915
Capital and reserves as of 31 December 2007		**24,408,431**	**2,440,843**		**10,398,154**	**37,247,428**
Profit for the reporting period					**1,265,123**	**1,265,123**
Capital and reserves as of 31 December 2008	21	**24,408,431**	**2,440,843**	**0**	**11,663,277**	**38,512,551**

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

Statement of cash flows

In LTL	Jan-Dec 2008	Jan-Dec 2007
Profit (loss) for the period	1,265,123	1,681,915
Depreciation and amortisation	3,622,745	3,360,877
Impairment on construction in progress	47,691	2,762
Impairment of trade receivables and other receivables	(353,054)	(340,637)
Impairment of inventories		(13,062)
Net financial expenses	1,328,557	1,016,786
Gain (loss) on disposal of non-current assets	(22,037)	(258)
Income tax expenses	555,705	362,584
Net cash flows from ordinary activities before changes in working capital	6,444,730	6,070,967
Change in inventories	2,710,153	(5,197,670)
Change in prepayments	667,525	412,747
Change in trade receivables and other receivables	(1,986,285)	(9,524,984)
Change in trade payables and other payables	(5,592,133)	8,326,374
Net cash flows from operating activities	(4,200,740)	(5,983,533)
Income tax paid	(256,056)	(482,387)
Net cash flows from operating activities	**1,987,934**	**(394,953)**
Interest received	10,494	6,875
Proceeds from disposal of non-current assets	25,788	1,187
Acquisition of property, plant and equipment	(5,903,126)	(3,452,550)
Acquisition of intangible non-current assets	(25,481)	(102,057)
Repayment of loans	208,480	
Loans granted	(1,539,949)	(641,392)
Net cash flows from investing activities	**(7,223,794)**	**(4,187,937)**
Repayment of loans	(22,157,708)	(3,404,461)
Loans received	28,876,002	8,693,210
Financial lease payments	(53,491)	
Interest paid	(1,448,728)	(1,018,432)
Dividends paid		
Net cash flows from financing activities	**5,216,075**	**4,270,317**
Net cash flows from operating, investing and financing activities	**(19,785)**	**(312,573)**
Cash and cash equivalents at the beginning of the period	**72,174**	**384,747**
Cash and cash equivalents at the end of the period	**52,389**	**72,174**

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

Notes

1 Reporting entity

AB Vilniaus Degtinė (hereinafter referred to as the Company) was registered on 8 May 1995 and it is domiciled in Vilnius, Lithuania. The Company has a subsidiary in Obeliai, Rokiškis district.

AB Vilniaus Degtinė is a Lithuanian public listed company with shares traded on Vilnius Stock Exchange. Its shares are held by the following shareholders:

Shareholder	Number of shares	Nominal value in LTL	Total value in LTL
Sobieski Sp.z.o.o.	16,668,632	1	16,668,632
Darius Žaromskis	2,440,843	1	2,440,843
Arūnas Tuma	2,440,843	1	2,440,843
Other minor shareholders	2,858,113	1	2,858,113
Total capital	**24,408,431**	**1**	**24,408,431**

The Company is primarily involved in the production of and trade in alcoholic beverages: vodkas, bitters, liqueurs and other alcoholic beverages. The facilities for alcoholic beverage production are located in Vilnius; however, the spirit production facilities are located with the subsidiary of the Company in Obeliai.

The Company has major sales in the local market. Although sales to the European Union and foreign markets are increasing, their weight in the total sales volume is not significant.

AB Vilniaus Degtinė employed 227 staff members as of 31 December 2008 (256 staff members as of 31 December 2007).

2 Summary of significant accounting principles

Statement of compliance

Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The financial statements for the period from January to December 2008 presented below are preliminary and unaudited.

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation

The financial statements are presented in the national currency Litas, which is the functional currency of the Company. They are prepared on the historical basis.

The preparation of the financial statements in conformity with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS as adopted by the European Union that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

The accounting policies of the Company as set forth below have been consistently applied and coincide with those applied last year.

Foreign currency

Translation of amounts in foreign currencies into the national currency

Transactions in foreign currencies are translated at foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Notes

2 Summary of significant accounting principles (cont'd)

Non-derivative financial instruments

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Cash and cash equivalents include cash balances and demand deposits.

Non-derivative financial instruments are initially recognised at fair value plus (except for the instruments recognised in the income statement at fair value) any direct attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

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

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

Financial derivatives

The Company did not use or have derivative financial instruments as of 31 December 2008 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.

Notes

2 Summary of significant accounting principles (cont'd)

Non-current intangible assets

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

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

- Software and licences 3 years
- Sobieski trademark 20 years

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

Leased assets

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

Inventories

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

The costs of inventories is determines based on FIFO principle.

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

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

Notes

2 Summary of significant accounting principles (cont'd)

Inventories (cont'd)

The Company accounts for bottles as current assets in inventory, since they are not expected to be reused following the initial delivery. Bottles are booked to the cost of finished goods when used in production.

The Company books multiple usage tare (plastic crates for placing the bottles of alcoholic beverages) to the operating expenses immediately after it is taken for use.

Impairment

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

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

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

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

Calculation of recoverable amount

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

Notes

2 Summary of significant accounting principles (cont'd)

Calculation of recoverable amount (cont'd)

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

Reversals of impairment

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

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

Dividends

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

Employee allowances

The company has no determined allowances and inducement plans or payment schemes concerning its chares**.** Liabilities against retired former employees of the company are fulfilled by the State.

Provisions

Provisions are recognised in the balance sheet when it is probable that an outflow of economic benefits will be required to settle the obligation arising from a past event or fulfilment of irrevocable undertakings.

Revenue

Sales of goods

Revenue from the sale of goods is recognised in the income statement when significant risk and ownership is transferred to the buyer, when it is probable that economic benefits associated with

Notes

2 Summary of significant accounting principles (cont'd)

Sales of goods (cont'd)

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

Services rendered, assets disposed

Revenue from the services rendered is recognised in the income statement as the services are rendered, considering the extent of completion of the services. The revenue recognised is net of discounts provided.

Revenue from lease is recognised in the income statement on a straight-line basis over the term of lease.

Revenue from disposal of assets is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs, or return of assets disposed is possible or when the significant risks and rewards of ownership cannot be regarded as transferred to the buyer.

Expenses

Operating lease payments

Payments made under operating lease are recognised in the income statement on a straight-line basis over the term of lease.

Financial lease payments

Minimum lease payments are apportioned between the financial charge and the reduction of the outstanding liability. The financial costs are distributed over the whole period of financial lease, so as to produce a constant periodic interest rate on the remaining balance of the liability.

Net financing costs

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

Notes

2 Summary of significant accounting principles (cont'd)

Net financing costs (cont'd)

Interest income is recognised in the income statement as accrued, using the effective interest method. The interest expense component of financial lease payments is recognised in the income statement, using the effective interest rate method.

Income tax

Income tax consists of current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to the items recognised directly in equity, in which case it is recognised in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the moment of initial recognition of assets or liabilities when such differences affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement provision 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 reduced to the extent it is no longer probable that the related tax benefit will be realised.

Segment reporting

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

Notes

2 Summary of significant accounting principles (cont'd)

Earnings per share

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

Notes

3 Critical accounting estimates and judgements

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing current situation and reasonable expected future events.

The Company makes estimates and assumptions concerning future events. Resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include 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 defaults on assets in the Company.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. Then methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment loses on construction in progress

Construction in progress is related with the construction of soft drinks production facilities discontinued 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.

Impairment losses on trademark

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

Notes

4 Segment reporting

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

Revenue and goss profit for January-December 2008 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	64,545,384	2,163,256	117,305	2,542,572	69,368,517
Gross profit	31,998,884	285,609	54,331	723,425	33,062,249

Revenue and goss profit for January-December 2007 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	63,815,679	1,812,147	113,223	2,053,708	67,794,757
Gross profit	31,734,154	358,401	46,374	548,213	32,687,142

Revenue and goss profit for October-December 2008 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	22,127,728	484,160	39,556	656,999	23,308,443
Gross profit	11,221,931	65,820	18,425	89,948	11,396,124

Notes

4 Segment reporting (cont'd)

Revenue and goss profit for October-December 2007 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	23,275,146	503,621	47,496	638,850	24,465,113
Gross profit	11,325,132	63,547	18,296	175,527	11,582,502

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-December 2008, sales to EU and foreign markets amounted to LTL 2,296,589 (in January-December 2007 they were LTL 1,303,529). Sales of October-December 2008 were LTL 422,004 (in October-December 2007 they were LTL 433,337) Considering the share of product sales in foreign markets in total revenue, no geographical segments are distinguished in the Company.

Notes

In LTL	Jan-Dec 2008	Jan-Dec 2007
5 Income and expenses of other activities		
Lease of premises	90,744	90,463
Income form sales of materials and spare parts	84,009	45,836
Result of the sales of non-current assets	22,142	369
Other income	39,609	38,056
Total other income	236,504	174,724
Other expenses	35,311	33,346
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	35,311	33,346
Net income and expenses of other activities	**201,193**	**141,378**

In LTL	Oct-Dec 2008	Oct-Dec 2007
Income and expenses of other activities		
Lease of premises	24,597	27,635
Income form sales of materials and spare parts	24,417	12,155
Result of the sales of non-current assets	8,047	0
Other income	17,044	11,820
Total other income	74,105	51,610
Other expenses	12,911	6,452
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	12,911	6,452
Net income and expenses of other activities	**61,194**	**45,158**

Notes

In LTL	Jan-Dec 2008	Jan-Dec 2007
6 Sales and distribution expenses		
Advertising expenses	9,214,558	9,446,608
Marketing expenses	5,845,621	5,188,286
Salaries and social security	1,223,926	999,948
Transportation expenses	754,537	743,144
Market research expenses	129,655	366,401
Packaging expenses	90,725	121,699
Other	132,966	320,531
Total sales and distribution expenses	**17,391,988**	**17,186,617**

In LTL	Oct-Dec 2008	Oct-Dec 2007
Sales and distribution expenses		
Advertising expenses	2,256,795	3,121,534
Marketing expenses	2,674,726	1,729,498
Salaries and social security	377,114	326,373
Transportation expenses	243,785	289,435
Market research expenses	57,758	77,436
Packaging expenses	27,479	46,114
Other	55,236	254,394
Total sales and distribution expenses	**5,692,893**	**5,844,784**

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

Notes

In LTL	Jan-Dec 2008	Jan-Dec 2007
7 Administrative expenses		
Salaries and social security	4,794,752	4,784,948
Operating and other taxes	1,700,580	1,594,134
Repairs and maintenance	758,865	1,212,640
Amortisation	1,018,753	1,046,737
Depreciation	954,753	774,942
Consulting and training expenses	547,555	614,609
Including: Legal audit	53,518	104,400
Tax audit	15,000	15,000
Maintenance of cargo vehicles	430,690	373,738
Security expenses	340,450	290,288
Representation expenses	204,635	228,072
Sponsorship and other	66,260	170,786
Communications and IT maintenance expenses	200,085	161,286
Utilities	158,317	154,967
Impairment of construction in progress	47,691	2,762
Impairment of inventories	0	(13,062)
Other	1,484,547	1,179,723
Total administrative expenses	**12,707,932**	**12,576,570**

In LTL	Oct-Dec 2008	Oct-Dec 2007
Administrative expenses		
Salaries and social security	1,339,323	1,356,677
Operating and other taxes	554,474	519,092
Repairs and maintenance	126,670	198,551
Amortisation	250,706	263,788
Depreciation	237,861	192,871
Consulting and training expenses	179,949	332,504
Maintenance of cargo vehicles	155,811	100,292
Security expenses	88,192	72,270
Representation expenses	85,503	33,757
Sponsorship and other	45,951	18,127
Communications and IT maintenance expenses	46,783	45,619
Utilities	69,876	24,538
Impairment of construction in progress	(54,651)	34,114
Impairment of inventories	0	(13,062)
Other	505,641	532,412
Total administrative expenses	**3,632,088**	**3,711,553**

Notes

	In LTL	Jan-Dec 2008	Jan-Dec 2007
8	**Personnel expenses**		
	Wages and salaries	6,826,306	6,545,187
	Compulsory social security contributions	2,113,744	2,040,174
	Total personnel expenses	**8,940,050**	**8,585,361**

In LTL	Oct-Dec 2008	Oct-Dec 2007
Personnel expenses		
Wages and salaries	1,947,589	2,006,626
Social security contributions	602,086	622,161
Total personnel expenses	**2,549,675**	**2,628,787**

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

Personnel expenses for January-December 2008 include wages and salaries for the management (including compulsory social security contributions) in the amount of LTL 633,227 (LTL 602,055 for January-December 2007). Management salaries in October-December 2008 amounted to LTL 191,898 (in October-December 2007 they were LTL 140,955).

As of 31 December 2008, the interest-free loans issued to the management amounted to LTL 34,000. (as of 31 December 2007 they were LTL 30,000).

As of 31 December 2008, 227 employees were working for the Company (as of 31 December 2007 – 256 employees).

In January-December 2008, 4,3 managers were working for the Company (in January-December 2007 there were 4,6 managers).

Notes

In LTL	Jan-Dec 2008	Jan-Dec 2007
9 Financial income and expenses		
Interest income	83,510	23,004
Other income	0	131
Total financial income	83,510	23,135
Interest on loans and lease liabilities	1,412,068	1,039,790
Foreign exchange loss	9,100	3,580
Other	5,036	599
Total financial expenses	1,426,204	1,043,969
Financial income and expenses, net	**(1,342,694)**	**(1,020,834)**

In LTL	Oct-Dec 2008	Oct-Dec 2007
Financial income and expenses		
Interest income	29,844	8,108
Other income	0	0
Total financial income	29,844	8,108
Interest on loans and lease liabilities	401,803	379,425
Foreign exchange loss	6,333	2,526
Other	3,791	546
Total financial expenses	411,927	382,497
Financial income and expenses, net	**(382,083)**	**(374,389)**

In LTL	Jan-Dec 2008	Jan-Dec 2007
10 Corporate income tax expenses		
Current tax	154,364	221,579
Change in deferred income tax	401,341	141,005
Total income tax expenses	**555,705**	**362,584**

Notes

10 Corporate income tax expenses (cont'd)

The reconciliation of the effective tax rate is as follows:

In LTL	Jan-Dec 2008		Jan-Dec 2007	
Profit before tax		1,820,829		2,044,499
Income tax using the effective tax rate	15.0%	273,124	18.0%	368,010
Charity expenses deducted twice	(0.3)%	(6,074)	(1.0)%	(19,887)
Non-deductible representation expenses	0.4%	7,387	0.5%	9,983
Non-deductible value added tax	0.2%	4,543	0.3%	7,131
Written-off multiple usage tare	0	0	0	0
Other non-deductible expenses	1.0%	18,100	1.2%	23,752
Effect of change in tax rate	14.20%	258,625	(1.3)%	(26,405)
	30.5%	**555,705**	**17.7%**	**362,584**

Notes

11 Deferred tax

In LTL	Jan-Dec 2008 Temporary differences	Jan-Dec 2008 Deferred tax (20%)	Jan-Dec 2007 Temporary differences	Jan-Dec 2007 Deferred tax (15%)
Impairment of other receivables	885,209	177,042	885,209	132,781
Impairment of trade receivables	378,728	75,746	731,782	109,767
Impairment of construction in progress	593,513	118,702	545,822	81,873
Impairment of inventories	0	0	0	0
Accrued social security expenses for vacation reserve	171,356	34,271	174,824	26,224
Total deferred tax asset		**405,761**		**350,645**
Difference in depreciation of property, plant and equipment	(3,208,830)	(641,766)	(3,380,557)	(507,083)
Difference in amortisation of intangible assets	(3,273,520)	(654,704)	(2,182,347)	(327,352)
Carrying value of non-current assets that are subject to investment relief	(718,955)	(143,791)	(995,792)	(149,369)
Total deferred tax liability		**(1,440,261)**		**(983,804)**
Net deferred tax		**(1,034,500)**		**(633,159)**

The current profit tax rate for the 2008 is 15%. Considering that, starting from the 1 January 2009, profit tax rate increased up to 20%, the Company has recalculated the deferred tax using the 20% rate.

According to the amended Lithuanian tax legislation, the Company's profits of 2007 subject to corporate income tax will be levied by additional social tax at a rate of 3%. The social tax is imposed in addition to the corporate income tax of 15%. The deferred tax in 2007 does not take into account the additional social tax imposed on taxable profits because it was considered to be immaterial.

The movement of deferred income tax is as follows:

In LTL	Jan-Dec 2008	Jan-Dec 2007
Deferred income tax liability as of 1 January	(633,159)	(492,154)
Change in deferred income tax	(401,341)	(141,005)
Deferred income tax liability as of 31 December	**(1,034,500)**	**(633,159)**

Notes

12 Income tax

In LTL	Jan-Dec 2008	Jan-Dec 2007
Overpaid income tax (liability) as of 1 January	1,327	(259,481)
Income tax for the period	(154,364)	(221,579)
Income tax paid	256,056	482,387
Overpaid income tax (liability) as of 31 December	**103,019**	**1,327**

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 2007	14,837,599	14,326,427	1,207,609	2,387,212	3,635,421	131,014	36,525,282
Additions	347,415	1,552,464	428,980	191,814	401,357	530,520	3,452,550
Disporals	(700)	(195,383)	(5,500)	(162,046)	0	0	(363,629)
Transfer from inventories	1,175,505	75,441	0	5,000	(1,124,932)	(131,014)	0
Cost as of 31 December 2007	16,359,819	15,758,949	1,631,089	2,421,980	2,911,846	530,520	39,614,203
Accumulated depreciation as of 1 January 2007	5,898,769	8,901,575	654,852	1,704,832	543,060	0	17,703,088
Depreciation for the year	610,220	1,308,182	140,348	255,390	0	0	2,314,140
Impairment loss	0	0	0	0	2,762	0	2,762
Disposals	(699)	(195,352)	(4,683)	(161,966)	0	0	(362,700)
Accumulated depreciation as of 31 December 2007	6,508,290	10,014,405	790,517	1,798,256	545,822	0	19,657,290
Net book value as of 31 December 2007	**9,851,529**	**5,744,544**	**840,572**	**623,724**	**2,366,024**	**530,520**	**19,956,913**
Cost as of 1 January 2008	16,359,819	15,758,949	1,631,089	2,421,980	2,911,846	530,520	39,614,203
Additions	367,588	1,678,967	44,025	153,908	148,608	3,510,030	5,903,126
Disposals	(37,801)	(87,379)	(98,407)	(195,193)	0	0	(418,780)
Reclassificationns	1,164,662	30,520	0	0	(664,662)	(530,520)	0
Cost as of 31 December 2008	17,854,268	17,381,057	1,576,707	2,380,695	2,395,792	3,510,030	45,098,549
Accumulated depreciation as of 1 January 2008	6,508,290	10,014,405	790,517	1,798,256	545,822	0	19,657,290
Depreciation for the year	662,050	1,480,936	208,709	252,297	0	0	2,603,992
Impairment loss	0	0	0	0	47,691	0	47,691
Disposals	(37,800)	(87,315)	(98,403)	(191,511)		0	(415,029)
Accumulated depreciation as of	7 1						
31 December 2008	7,132,540	11,408,026	900,823	1,859,042	593,513	0	21,893,944
Net book value as of 31 December 2008	**10,721,728**	**5,973,031**	**675,884**	**521,653**	**1,802,279**	**3,510,030**	**23,204,605**

Notes

13 Property, plant and equipment (cont'd)

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

The depreciation was distributed as follows:

In LTL	31/12/2008	31/12/2007
Cost of sales	1,464,908	1,428,598
Inventories	152,260	86,231
Administrative and other expenses	986,824	799,311
Total	**2,603,992**	**2,314,140**

Notes

14 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2007	214,515	447,889	18,913,672	19,576,076
Additions during the year	0	102,057	0	102,057
Disposals	(12,131)	(20,997)	0	(33,128)
Cost as of 31 December 2007	202,384	528,949	18,913,672	19,645,005
Accumulated amortisation as of 1 January 2007	194,768	335,919	2,206,595	2,737,282
Amortisation for the year	14,223	86,830	945,684	1,046,737
Disposals	(12,131)	(20,997)	0	(33,128)
Accumulated amortisation as of 31 December 2007	196,860	401,752	3,152,279	3,750,891
Net book value as of 31 December 2007	**5,524**	**127,197**	**15,761,393**	**15,894,114**
Cost as of 1 January 2008	202,384	528,949	18,913,672	19,645,005
Additions during the year	0	25,481	0	25,481
Disposals	(21,178)	(25,059)	0	(46,237)
Cost as of 31 December 2008	181,206	529,371	18,913,672	19,624,249
Accumulated amortisation as of 1 January 2008	196,860	401,752	3,152,279	3,750,891
Amortisation for the year	5,524	67,546	945,683	1,018,753
Disposals	(21,178)	(25,059)	0	(46,237)
Accumulated amortisation as of 31 December 2008	181,206	444,239	4,097,962	4,723,407
Net book value as of 31 December 2008	**0**	**85,132**	**14,815,710**	**14,900,842**

All amortisation expenses are included under operating expenses.

15 Financial assets

In LTL	31/12/2008	31/12/2007
Non-current loans granted	0	0
Non-current guarantees granted	0	1,000
Total financial assets	**0**	**1,000**

Notes

	In LTL	31/12/2008	31/12/2007
16	**Inventories**		
	Raw materials	8,164,498	10,827,494
	Finished goods	1,004,413	869,364
	Goods for resale	305,355	467,415
	Work in progress	20,962	41,108
	Total inventories	**9,495,228**	**12,205,381**

	In LTL	31/12/2008	31/12/2007
17	**Prepayments and deferred expenses**		
	Prepayments to suppliers	93,280	574,745
	Deferred advertising expenses	263,914	457,623
	Deferred insurance and subscription	73,614	105,797
	Other	67,628	27,796
	Total prepayments and deferred expenses	**498,436**	**1,165,961**

	In LTL	31/12/2008	31/12/2007
18	**Trade receivables**		
	Trade receivables	40,341,751	38,574,189
	Impairment allowance for bad debts	(378,728)	(731,782)
	Net trade receivables	**39,963,023**	**37,842,407**

Notes

18 Trade receivables (cont'd)

Impairment of receivables for bad debts in January-December 2008 decreased when a part of bad debts was covered and written-off. Change in impairment of receivables can be presented as follows:

In LTL	31/12/2008	31/12/2007
Impairment allowance for bad debts as of 1 January	(731,782)	(1,072,419)
Reverse of impairment allowance for bad debts	353,054	340,637
Impairment allowance for bad debts at the end of the period	**(378,728)**	**(731,782)**

19 Other receivables

In LTL	31/12/2008	31/12/2007
Loans granted	2,057,608	730,375
Prepayments to the Tax Inspectorate	247,480	247,480
Overpaid income tax	103,019	1,327
Other receivables	237,927	16,506
Doubtful receivables	885,209	885,209
Total other receivables before write-down allowance	**3,531,243**	**1,880,897**
Write-down allowance	(885,209)	(885,209)
Total other receivables, net	**2,646,034**	**995,688**

The prepayment to the Tax Inspectorate is a guarantee for payment of excise tax and exported production payments. Loans granted: loan of EUR 571,380 (LTL 1,972,861) to a related company (7.5 % fixed annual interest rate, maturity of the loans granted – December 2009) and interest-free loan of LTL 84,747 to employees of the Company.

Change in impairment allowance of receivables was as follows:

In LTL	31/12/2008	31/12/2007
Impairment allowance for bad debts and other receivables as of 1 January	**(885,209)**	**(885,209)**
Reverse of impairment allowance for bad debts	0	0
Impairment allowance for bad debts and other receivables at the end of the period	**(885,209)**	**(885,209)**

Notes

	In LTL	31/12/2008	31/12/2007
20	**Cash and cash equivalents**		
	Cash at bank and in hand	52,389	72,174
	Total cash and cash equivalents	**52,3899**	**72,174**

Funds transferred by a related company on the 29 December 2008 (LTL 75,554) for the production, which was remitted by the bank to the Company's account on the first business day of 2009, are reflected in the section of other current assets.

21 Capital and reserves

Share capital

The share capital is made of 24,408,431 ordinary shares with the nominal value of LTL 1 each and the total share capital is LTL 24,408,431, fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to dividends as declared from time to time and to capital repayment in case of and a share of residual assets. One ordinary share gives a right to one vote at the shareholders' meeting.

Legal reserve

Legal reserve is compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until legal reserve and the share premium reach 10% of the authorised capital. This reserve cannot be distributed.

Notes

22 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by weighted average number of ordinary shares in issue during the year.

	Jan-Dec 2008	Jan-Dec 2007
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	1,265,123	1,681,915
Earnings per share, in LTL	**0.05**	**0.07**

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

23 Interest bearing loans and borrowings

In LTL	31/12/2008	31/12/2007
Non-current liabilities		
Bank loans	24,504,574	7,660,037
Financial lease (leasing) liabilities	542,982	0
Total non-current liabilities	**25,047,556**	**7,660,037**
Current liabilities		
Overdraft	0	8,693,210
Bank, other loans and financial lease	2,417,257	3,404,461
Total current liabilities	**2,417,257**	**12,097,671**
Total	**27,464,813**	**19,757,708**

Notes

23 Interest bearing loans and borrowings (cont'd)

Terms and repayment schedule:

In LTL	Total	Up to 1 year	1-2 years	2-5 years	Over 5 years
Overdraft of LTL 11,000,000 – 12% fixed rate	10,900,601	0	10,900,601		
Loan of EUR 4,759,615 (LTL 16,434,000) – variable at the rate of 3 months' EURIBOR + 1.2%	10,575,901	1,971,429	7,999,999	604,473	0
Factoring of LTL 5,555,000 – fixed rate of 12,9%	4,999,500	0	4,999,500		
Financial lease (leasing) – 6 month variable EURIBOR + 1%	988,811	445,828	542,983		
Total financial liabilities	**27,464,813**	**2,417,257**	**24,443,083**	**604,473**	**0**

Since September 30 of the current year, the Company has refinanced the existing loans with another Lithuanian bank. According to the new Crediting Agreement, variable interest rate will be set starting from 1 March 2009: for overdraft and factoring, related to 3-month VILIBOR. Term of repayment of the long-term loan – 31 December 2015, overdraft and factoring – 31 August 2010.

In order to secure the bank loans, the Company has pledged tangible and intangible non-current assets, inventories, and the lease right over a land plot. Fore further comments refer to Note 27.

24 Other payables

In LTL	31/12/2008	31/12/2007
Payable excise tax	9,206,118	14,866,664
Payable VAT	5,187,727	4,143,887
Accrued vacation expense and social security	722,553	736,586
Taxes payable	1,351,413	34,377
Accrued expenses	147,930	95,022
Other payables	491,398	725,751
Total other payables	**17,107,139**	**20,602,287**

Notes

25 Financial instruments

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

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

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

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

Credit risk

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

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

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

Liquidity risk

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

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

Notes

25 Financial instruments (cont'd)

Liquidity risk (cont'd)

majeure (such as natural calamities). Moreover, the Company has concluded contracts for overdraft limited to LTL 11,000,000 and factoring limited to LTL 5,555,000.

Market risk

Market risk is the risk that market price changes, e.g. foreign exchange rates or interests rates, will affect the Company's income or the value of available financial instruments. The objective of market risk management is to manage and control the market risk, considering certain limits, through optimisation of the return.

Interest rate risk

The Company's borrowings are subject to variable interest rates related to EURIBOR and VILIBOR.
As of 31 December 2008, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Foreign exchange risk

The functional currency of the Company is Litas (LTL). The Company faces foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas or Euro. The risk related to the transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to Euro at a fixed rate. The Company did not have any material exposure in other foreign currencies as of 31 December 2008 and 31 December 2007.

Capital management

The objective of the management policy is to maintain a significant level of owner's equity compared to borrowed funds to avoid discrediting investors, creditors and market trust, as well as maintain development of activities in the future. The Boards observes the return on capital and presents offers on payment of dividends to owners of ordinary shares, considering the Company's financial results and strategic plans.

The Board also strives for maintaining the balance between higher return, which could be achieved through a higher level of borrowed funds, and safety, which is provided by a higher level of owner's equity.

The Company's capital management policy did not change in January-December 2008.

Notes

26 Related party transactions

Related parties of the Company are:

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

Parent and ultimate parent companies are as follows:

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

Other main related parties are:

Company	Relationship
UAB Belvedere Prekyba	Belvedere group company
Sobieski Destylarnia S.A.	Belvedere group company
Vinimpex PLC	Belvedere group company
UAB Belvedere Baltic	Belvedere group company
Fabryka Wodek Polmos Lancut	Belvedere group company
Gemaco	Belvedere group company
I CH PTUP Vuador	Belvedere group company
IOOO Galiart	Belvedere group company
Chais Beaucairois SAS	Belvedere group company
Domain Menada Sp.Z.o.o.	Belvedere group company
Darius Žaromskis	Shareholder
Arūnas Tuma	Shareholder

Notes

26 Related party transaction (cont'd)

Sales to and purchases from related parties during the reporting periods ended 31 December 2008 and 31 December 2007 are as follows:

Company	Type of transaction	Jan-Dec 2008	Jan-Dec 2007
Purchases from:			
Belvedere group companies	Purchase of services	5,066,388	4,429,847
Belvedere group companies	Purchase of raw materials	1,151,968	2,392,264
Shareholder	Purchase of services	309,600	219,600
Belvedere group companies	Purchase of non-current assets	0	120,123
Ultimate parent company	Purchase of inventories	91,838	0
Total purchases		**6,619,794**	**7,161,834**
Sales to:			
Belvedere group companies	Sales of production including excise tax	92,083,216	118,298,817
Parent company	Sales of production including excise tax	305,271	332,596
Belvedere group companies	Other income	230,071	203,117
Ultimate parent company	Sales of production including excise tax	0	73,676
Belvedere group companies	Sales of services, etc.	80,988	72,425
Total sales		**92,699,546**	**118,980,631**
Excise tax		61,626,960	78,837,415
Total sales net of excise tax		**31,072,586**	**40,143,216**

Notes

26 Related party transactions (cont'd)

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

Company	31/12/2008	31/12/2007
Trade receivables		
From Belvedere group companies	16,353,557	17,427,768
From ultimate parent company	12,451	73,676
From parent company	0	53,947
Total trade receivables	**16,366,008**	**17,555,391**
Trade payables		
To Belvedere group companies	242,131	976,503
Total trade payables	**242,131**	**976,503**

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

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

Notes

27 Off-balance and other liabilities

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

In LTL	31/12/2008	31/12/2007
Carrying amount of pledged buildings and structures	9,198,192	8,585,436
Carrying amount of pledged trademarks	14,815,710	15,761,393
Carrying amount of pledged inventories	9,495,228	12,205,381
Cash pledged to the bank		1,148
Property right – lease right over a land plot		

The Company, under the Agreement on Assignment of Claiming Rights, for the purpose of securing execution of its obligations under the Crediting Agreement, has assigned to the Bank the existing and future monetary funds on its accounts with AB DnB Nord bankas and trade receivables, which amounted to LTL 39,963,023 as of the 31 December 2008 (LTL 22,124,836 as of the 31 December 2007).

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

28 Fair value of financial instruments

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

Notes

28 Fair value of financial instruments (cont'd)

Carrying amount of assets and liabilities provided in the balance sheet as of 31 December 2008 does not significantly differ from their balance sheet value, except non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets as of 31 December 2008:

In LTL	Balance-sheet value	Fair value
Advance payments and expenditure of future periods	498,436	498,436
Trade debtors	39,963,023	39,963,023
Other amounts receivable	2,721,588	2,721,588
Cash and cash equivalents	52,389	52,389
Total	**43,235,436**	**43,235,436**

Financial liabilities as of 31 December 2008:

In LTL	Balance-sheet value	Fair value
Loan and other amounts exposed to calculation of interest rate	27,464,813	27,464,813
Amounts payable to suppliers	6,717,108	6,717,108
Other amounts payable	17,107,139	17,107,139
Total	**51,289,060**	**51,289,060**