

*Interim Report of public stock company VILNIAUS DEGTINĖ  
for 6 months of 2010*



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## 1. Reporting period covered by this Report

The Report has been prepared for 6 months of 2010.

## 2. The issuer and its contact information

Name of the issuer	Public stock company Vilniaus Degtinė, hereinafter referred to as AB Vilniaus Degtinė
Legal status	Public stock company
Date and place of registration	8 May 1995 at the Register Service of Vilnius city
Code	120057287
Company address	Panerių str. 47/2, LT-03202 Vilnius
Telephone	(8~5) 233 0819
Fax	(8~5) 231 5052
E-mail	<a href="mailto:vd@degtine.lt">vd@degtine.lt</a>
Website	<a href="http://www.degtine.lt">www.degtine.lt</a>
Company's branch	<u>Obeliai Distillery</u>
Address of the branch	<u>Audroniai village, Obeliai local authority, Rokiškis district</u>
Telephone	(8-458) 78723
Fax	(8-458) 78723
E-mail	obeliai@degtine.lt

## 3. Type of the issuer's principal activities

AB Vilniaus Degtinė produces and sells vodkas and liqueurs, other alcoholic drinks, rectified, methylated grain ethyl alcohol, produces distilled ethyl alcohol, imports and sells alcoholic products from other countries.

## 4. Information about the contracts with intermediaries of public trading in securities

AB Vilniaus Degtinė has signed a contract with AB FMĮ Finasta (Konstitucijos ave. 23, LT-08105 Vilnius, tel. (8~5) 278 6833, e-mail [info@finasta.lt](mailto:info@finasta.lt)) regarding the management of the securities account for the securities issued by the company.

## 5. The structure of the authorised capital of the issuer

The structure of the authorised capital of AB Vilniaus Degtinė is as follows:

Type of shares	Number of shares	Nominal value in LTL	Total nominal value in LTL	Portion in the authorised capital, %
Ordinary registered shares	24,408,431	1	24,408,431	100.00

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



### Rights and obligations granted by the shares

No shareholder of the Company shall have any special rights of control. There are no restrictions of voting rights. There are no agreements between shareholder the Company is aware of and which may result in restriction of transfer of the shares and/or the voting right.

Since 25 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.

Shareholder have the following property rights:

- 1) receive part of the company's profit (dividend);
- 2) receive part of company's fund, when the authorised capital of the company being reduced in order to pay part of company's funds to the shareholders;
- 3) receive company's shares for free when the authorised capital is increased from the company's funds;
- 4) pre-emptive right to purchase newly issued shares or convertible bonds of the company, except the case when the general shareholders meeting decides to cancel the priority right for all the shareholders according to the procedure established by the Company Law of the Republic of Lithuania;
- 5) lend to the company in the ways provided for by the laws; however, when borrowing from its shareholders, the company has no right to pledge its assets to the shareholders;
- 6) receive a share of the assets in case of company's liquidation;
- 7) other property rights established in the laws and Articles of Association of the company.

Shareholders have the following non-property rights:

- 1) participate in the general shareholders' meetings;
- 2) vote at the General Shareholder Meetings according to the rights granted by the shares held;
- 3) obtain information about the company specified in the Company Law of the Republic of Lithuania;
- 4) apply to court with a claim, asking to cover the damages of the company resulting from the failure of the head of the company and members of the board to carry out or properly carry out their duties established by the laws as well as in the Articles of Association of the company, as well as in other cases provided for by the laws.
- 5) other non-property rights established by the laws and Articles of Association of the company.

## 6. Shareholders

As of 30 June 2010, the total number of shareholders was 248.

Shareholders who held or managed more than 5% of the authorised capital of the issuer as of 30 June 2010.

Shareholder's name, surname (company name, legal status, company code, company address)	Number of the shares the shareholder holds by the right of ownership	Portion of the authorised capital held, %	Portion of votes held, %
SOBIESKI SP.Z.0.0. ul. Bellottiego 1, 01-022, Warszawa, Polska 230030460	16,668,632	68.3	68.3
ARŪNAS TUMA	2,440,843	9.99	9.99
DARIUS ŽAROMSKIS	2,440,843	9.99	9.99
SKANDINAVISKA ENSKILDA BANKEN CLIENTS Sergels Torg 2, 10640 Stockholm, Sweden 50203290810	2,254,262	9.2	9.2



None of the company's shareholders have any special rights of control. There are no restrictions of the rights to vote.

The issuer is not aware of any agreements between the shareholders, which might cause the transfer of securities and (or) right of vote to be restricted.

## 7. Information about trading in the issuer's securities on the regulated markets

Key share characteristics

Type of shares	ISIN code	Abbreviation	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT0000112450	VDG1L	24,408,431	1	24,408,431

Information on trading in the Company's shares at the securities exchange NASDAQ OMX Vilnius.

Reporting period	Price, LTL					Total turnover	
	Opening	Max.	Min.	Average	Closing	Pcs.	LTL
H1 2010	1.40	1.53	1.17	1.28	1.25	27,319	35,090.08

Capitalisation of company's shares

Date of the last trading session	Capitalisation, LTL
22.06.2010	30,510,538.00

OTC transactions in the Company's shares

Reporting period	Cash settlement					Non-cash settlement	
	Price, LTL		Number of securities	Amount, LTL	Number of transactions	Number of securities	Number of transactions
	max.	min.					
H1 2010	-	-	-	-	-	-	-

No OTC transactions in the Company's shares were registered during first six months of 2010.

## 8. Employees

Average provisory number of employees of AB Vilniaus Degtinė for 6 months of 2010 was 183 (for 6 months of 2009 – 201). Within 6 months of 2010, compared to the respective period in 2009, average provisory number of employees decreased by 9.0%.



## Information on employees of the Company

Employee group	Number of employees 30.06.2010	Education					Average salary H1 2010, LTL	Average salary H1 2009, LTL
		higher	post-secondary	special secondary	secondary	Unfinished secondary		
Managers	5	5	-	-	-	-	8,567.15 *	9,656.73 *
Specialists and office workers	53	37	12	4		-	2,870.05	3,116.38
Including: Obeliai	6	4	1	1		-	2,749.49	2,584.15
Workers	122	11	23	37	50	1	1,564.98	1,619.39
Including: Obeliai	38	4	10	14	9	1	1,330.26	1,309.38
<b>Total</b>	<b>180</b>	<b>53</b>	<b>35</b>	<b>41</b>	<b>50</b>	<b>1</b>	<b>2,094.37</b>	<b>2,206.23</b>

\* In January-June 2010 and 2009, the average number of managers was 5.

## 9. Procedure of amending the Articles of Association of the issuer

Articles of Association of AB Vilniaus Degtinė can be amended by the decision of the general shareholders' meeting adopted by more than 2/3 of the votes.

## 10. Bodies of the issuer

The Company has the General Shareholder 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 Shareholder Meeting for a period of four years. The General Shareholder Meeting may recall the supervisory council *in corpore* or individual members before the end of the term. A member of the supervisory council may resign from the duties before the end of the term by notifying the Company thereon in writing at least 14 days in advance. If a member of supervisory council resigns or withdraws from his/her duties for any other reason and the shareholders holding shares, which give them at least 1/20 of all the votes, are against the election of individual members of the supervisory council, the supervisory council shall lose its authority and the whole new supervisory council must be elected. If individual members of the supervisory council must be elected, they are elected only for the period before the end of the term of the current supervisory council.

The Board of the Company consists of 5 members. It is elected by the supervisory council for a term of four years. 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 thereon in writing at least 14 days in advance.

The head of the Company (Director General) is elected and recalled or dismissed from his/her duties, his/her salary is determined, job regulations are approved, incentives are awarded and penalties imposed by the Board of the Company.

The competence of the General Shareholder Meeting, supervisory council, the board and the head of the Company, other issues related to the activities of the bodies of the company are regulated by section V of the Company Law of the Republic of Lithuania and Articles of Association of the company.

The head of the company acts on behalf of the Company in Company's relations with other persons.

Management bodies of the Company must act in the interests of the Company and its shareholders, observe the laws and regulations and follow the Articles of Association of the Company.



Members of the collegial bodies, head of the company and Finance Director of AB Vilniaus Degtinė (30 June 2010)

Name, surname	Position	Participation in the authorised capital of the issuer, percent	Term
Dariusz Jamiola	Chairman of supervisory council	-	20/04/2008 – 2012
Tomasz Kowalski	Member of supervisory council	-	20/04/2008 – 2012
Ilona Šerlatienė	Member of supervisory council	-	20/04/2008 – 2012
Darius Žaromskis	Chairman of the Board	9,99	12/04/2007 – 2011
Danas Kerbelis	Board member	-	12/04/2007– 2011
Renaldas Barauskas	Board member	-	27/03/2009 – 2011
Dalius Rutkauskas	Board member	-	27/03/2009 – 2011
Audra Jauniškienė	Board member	-	12/04/2007 – 2011
Danas Kerbelis	Director General	-	18/07/2005
Audra Jauniškienė	Director for Finance and Administration	-	01/03/2005

Participation of collegial bodies and administration members of the Company in the activities of other companies, institutions and organisations, interest exceeding 5% of authorised capital held in other companies.

Name, surname	Name of the company, institution, organisation, position	Share of authorised capital exceeding 5 percent
Ilona Šerlatienė	UAB.Kaminera, Chief Financial Officer	-
Tomasz Kowalski	Sobieski Sp.z.o.o., Director of Commerce	
Dariusz Jamiola	Sobieski Sp.z.o.o., Director of Finance	
Darius Žaromskis	UAB Kamineros Grupė	50.0
	AB printing house Spindulys, Board member	8.10
	UAB Svilita	100.0
	AB Biržų Agroservisas	20.0
	UAB Bagem	25.0
	AB Sanitas, Board member	-
	AB Uomega, Board member	-
	UAB Jungtinis Turto Centras	25.0
	UAB Urbino Investment	19.0
Danas Kerbelis	Lithuanian-French UAB Belvedere Baltic, Director	-
Renaldas Barauskas	UAB Belvedere Prekyba, Director General	-
Dalius Rutkauskas		
Audra Jauniškienė	-	-

Information about the amounts accrued for the members of collegial bodies and administration of the issuer in January-June 2010

	Salary accrued, LTL
To the members of administration (Director General and Finance Director)	73,548
Average per member of administration	36,774



Within H1 2010, gross remuneration paid to members of collegial bodies of the Company amounted to LTL 154,800. No assets were assigned to members of collegial bodies or the administration, as well as no guarantees and securities were issued to secure fulfilment of their obligations.

## 11. Overview of the issuer's performance

The sales revenue of the company for 6 months of 2010 amounted to LTL 22,128 thousand. Compared to the same period of 2009 (LTL 23,895 thousand) it dropped down by 7.4%.

Earnings before tax for 6 months of 2010 amounted to LTL 146,2 thousand, meanwhile losses before tax for 6 months of 2009 amounted to LTL 278.3 thousand. Regardless of decreased sales, the Company managed to end the first half of the year profitably thanks to increased operating effectiveness and cost optimisation.

More information on the company's risk factors, related parties, operations and financial results for 6 months of 2010 is presented in the financial statements of AB Vilniaus Deginė for the period ended 30 June 2010.

Key indices	H1 2010, LTL	H1 2009, LTL	H1 2008, LTL
Sales income (excl. excise duty)	22,128,052	23,894,759	30,067,140
- alcoholic drinks	18,888,809	21,922,602	27,588,667
- rectified alcohol	2,389,514	1,462,939	1,158,298
- methylated alcohol	27,521	37,123	50,501
- other goods and services	822,208	472,095	1,269,674
Gross profit	10,745,618	11,846,827	13,967,710
Other activities, net	222,316	112,211	107,119
Result from operations (EBIT)	435,695	369,469	637,430
Depreciation, amortisation and impairment	1,957,721	1,880,980	1,841,944
EBITDA	2,393,416	2,250,449	2,479,374
Financing activities, net	(289,466)	(647,731)	(599,140)
Result before tax	146,229	(278,262)	38,290
Net result	116,878	(363,429)	708
Earnings per share	0.00	(0.01)	0.00
Total assets	66,526,541	68,472,365	71,277,087
- non-current assets	37,232,954	37,206,088	37,545,439
- current assets	29,293,587	31,266,277	33,731,648
Equity	39,413,146	38,149,122	37,248,136
Total liabilities	27,113,395	30,323,243	34,028,951
- non-current liabilities	8,871,509	18,863,138	6,628,547
- current liabilities	18,241,886	11,460,105	27,400,404
Acquisitions of non-current assets	3,550,306	701,823	2,513,232
Granted grant	1,970,551	0	0
Net cash flows from operating activities	8,261,225	9,293,081	5,578,546
Net cash flows from investing activities	(3,592,047)	(946,330)	(3,417,377)
Net cash flows from financing activities	(4,622,593)	(8,283,319)	(2,059,378)

Sales on Lithuanian market account for the major part of the Company's sales. Sales to the European Union and foreign market amounted to LTL 1,038 thousand in H1 2009 (LTL 1,577 thousand in H1 2009).

In H1 2010, investments into modernisation of production processes and employee training were made. In H1 2010, the Company's investments amounted to LTL 3,550 thousand.

Key risk factors related to activities of AB Vilniaus deginė:

- Amendments of Lithuanian laws and legal instruments directly related to activities of the Company.





- Factors resulting from difficult economic situation.
- Technological risk factors.
- Ecologic risk factors.
- Social risk factors.

In the course of its activities, the Company pays much attention to control and management of risk factors.

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

The Company, in the course of implementation of its duties and in conformity with legal statements regulating the securities market, in January-June 2010 publicly announced the information on major events in the activities of the issuer.

On 26.02.2010 the company issued an announcement that AB Vilniaus degtinė managed to maintain steady positions in the market in 2009 and held 24.1% share of the vodka market. This was an increase by almost 2 percentage points, compared to 2008.

On 24.03.2010 the Company issued an announcement on convocation of ordinary General Shareholder Meeting and its agenda.

On 29.03.2010 and 01.04.2010 the Company issued an announcement on draft decisions of the ordinary General Shareholder Meeting.

On 16.04.2010 decisions of the ordinary General Shareholder Meeting were announced.

On 28.05.2010 AB Vilniaus degtinė issued an announcement on the Company's Q1 2010 operating results.

All major events related to operations of the Company were presented to the Securities Commission of the Republic of Lithuania, AB NASDAQ OMX Vilnius, the daily „Lietuvos rytas”, news agency ELTA, as well as announced on the Company's website [www.degtine.lt](http://www.degtine.lt).

## **13. Performance plans and forecasts of the issuer**

Given considerable changes in the strong drink market, which are related to both, increased rate of the excise duty for alcohol and general economic situation in Lithuania, sales of the Company for 2010 are forecasted to decrease by approx. 10%, compared to 2009 and will amount to 6,055 thousand litres. Lithuania and other EU member-states will remain as the Company's major markets, yet the Company will not be able to achieve forecasted growth in the extent of export development. The company expects to complete the year 2010 profitably.

AB Vilniaus degtinė has been successfully implementing the project “The Use of Grain Refuge (Broga) for the Production of Electric Power” at Obeliai spirit distillery: designing works have been completed, construction and machinery delivery and assembly works have been commenced.

In H2 2010, the Company will be further pursuing its goals: continuous improvement of the products it makes, increasing the effectiveness of operations and optimisation of costs, trademark development, optimisation of logistic processes, and increasing of working efficiency.

Director General

Danas Kerbelis

