AB Vilniaus degtinė

Interim Financial Statements for 6-month period ended on the 30th June 2010 (Non-audited)

Contents

Company information

AB Vilniaus Degtinė

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Company code:	120057287
Registered at:	Panerių str. 47/2, Vilnius, Lithuania

Management

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

Board

Darius Žaromskis
Danas Kerbelis
Renaldas Barauskas
Audra Jauniškienė
Dalius Rutkauskas

Auditor

UAB Rimess

Banks

AB NnB NORD bankas

Lithuanian branch of AS UniCredit Bank
AB SEB Bankas
AB Swedbank

Statement of Financial Position

As on 30th June

In LTL	Notes	30.06.2010	31.12.2009
ASSETS			
Non-current assets			
Property, plant and equipment	13	23,644,262	21,563,651
Intangible assets	14	13,429,863	13,922,486
Other non-current assets	15	158,829	0
Total non-current assets		**37,232,954**	**35,486,137**
Current assets			
Inventories	16	8,324,690	7,689,344
Prepayments and future expenses	17	347,456	1,280,152
Trade receivables	18	16,899,520	28,864,366
Other receivables	19	3,593,238	3,659,967
Other current assets		0	0
Cash and cash equivalents	20	128,683	82,098
Total current assets		**29,293,587**	**41,575,927**
TOTAL ASSETS		**66,526,541**	**77,062,064**

Notes on pages 9–44 are an integral part of these Financial Statements.

Statement of Financial Position (cont'd)

As on 30th June

In LTL	Notes	30.06.2010	31.12.2009
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)		12,563,872	12,446,994
Total equity		**39,413,146**	**39,296,268**
Non-current liabilities			
Interest bearing loans and borrowings	23	6,020,009	7,100,873
Governmental grants	24	1,970,551	
Deferred income tax liability		880,949	851,598
Total non-current liabilities		**8,871,509**	**7,952,471**
Current liabilities			
Interest bearing loans and borrowings	23	7,939,851	13,160,058
Trade payables		3,297,837	4,191,269
Income tax payable		0	0
Other payables	25	7,004,198	12,461,998
Total current liabilities		**18,241,886**	**29,813,325**
Total liabilities		**27,113,395**	**37,765,796**
TOTAL EQUITY AND LIABILITIES		**66,526,541**	**77,062,064**

Notes on pages 9–44 are an integral part of these Financial Statements.

Statement of Comprehensive Income

As on 30th June

In LTL	Notes	Jan-Jun 2010	Jan-Jun 2009
Sales revenue	4	**22,128,052**	**23,894,759**
Cost of sales		(11,382,434)	(12,047,932)
Gross profit	4	**10,745,618**	**11,846,827**
Other income	5	240,114	141,247
Sales and distribution expenses	6	(5,476,719)	(5,691,380)
Administrative expenses	7	(5,055,520)	(5,898,189)
Other expenses	5	(17,798)	(29,036)
Result from operating activities		**435,695**	**369,469**
Financial income	9	115,507	70,583
Financial expenses	9	(404,973)	(718,314)
Profit before tax		**146,229**	**(278,262)**
Corporate income tax	10	(29,351)	(85,167)
Profit for the period		**116,878**	**(363,429)**
Basic and diluted earnings per share	22	0.00	(0.01)
Other comprehensive income (expenditure)		0	0
Total gross income (expenditure) after taxes		**116,878**	**(363,429)**

Notes on pages 9-44 are an integral part of these Financial Statements.

Statement of Comprehensive Income

As on 30th June

In LTL	Notes	Apr-Jun 2010	Apr-Jun 2009
Sales revenue	4	**11,568,392**	**12,758,878**
Cost of sales		(5,960,085)	(6,183,677)
Gross profit	4	**5,608,307**	**6,575,201**
Other income	5	156,139	84,656
Sales and distribution expenses	6	(3,083,543)	(3,322,211)
Administrative expenses	7	(2,562,099)	(2,499,040)
Other expenses	5	(8,899)	(14,562)
Result from operating activities		**109,905**	**824,044**
Financial income	9	59,536	38,148
Financial expenses	9	(198,197)	(292,227)
Profit before tax		**(28,756)**	**569,965**
Corporate income tax	10	1,002	(58,354)
Profit for the period		**(27,754)**	**511,611**
Basic and diluted earnings per share	22	0.00	0.02
Other comprehensive income (expenditure)		0	0
Total gross income (expenditure) after taxes		**(27,754)**	**511,611**

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 2009		**24,408,431**	**2,440,843**		**11,663,277**	**38,512,551**
Profit (loss) for H1 2009					(363,429)	(363,429)
Recognised total gross income for the period					(363,429)	(363,429)
Capital and reserves as of 30 June 2009		**24,408,431**	**2,440,843**		**11,299,848**	**38,149,122**
Capital and reserves as of 1 January 2010		**24,408,431**	**2,440,843**	**0**	**12,446,994**	**39,296,268**
Profit for H1 2010					116,878	116,878
Recognised total gross income for the period					116,878	116,878
Capital and reserves as of 30June 2010	21	**24,408,431**	**2,440,843**	**0**	**12,563,872**	**39,413,146**

Notes on pages 9–44 are an integral part of these Financial Statements.

Statement of Cash Flows

In LTL	Jan-Jun 2010	Jan-Jun 2009
Profit (loss) for the period	116,878	(363,429)
Depreciation and amortisation	1,957,721	1,996,938
Impairment on construction in progress	0	(115,958)
Impairment of trade receivables and other receivables	(21,907)	0
Impairment of inventories	0	0
Net financial expenses	177,938	623,682
Gain (loss) on disposal of non-current assets	(112,491)	(4,278)
Income tax expenses	29,351	85,167
Net cash flows from ordinary activities before changes in working capital	2,147,490	2,222,122
Change in inventories	(635,346)	2,094,469
Change in prepayments	932,696	(905,328)
Change in trade receivables and other receivables	12,216,097	20,530,624
Change in trade payables and other payables	(6,351,232)	(14,524,080)
Net cash flows from operating activities	6,162,215	7,195,685
Income tax paid	(48,480)	(123,100)
Net cash flows from operating activities	**8,261,225**	**9,294,707**
Interest received	0	0
Proceeds from disposal of non-current assets	117,088	31,779
Acquisition of property, plant and equipment	(3,550,306)	(672,241)
Acquisition of intangible non-current assets	0	
Repayment of loans	0	0
Granting of loans	(158,829)	(307,299)
Net cash flows from investing activities	**(3,592,047)**	**(947,761)**
Repayment of loans	(6,156,452)	(7,280,081)
Loans received	0	0
Financial lease payments	(144,619)	(316,488)
Received grants	1,970,551	0
Interest paid	(292,073)	(686,945)
Dividends paid	0	0
Net cash flows from financing activities	**(4,622,593)**	**(8,283,514)**
Net cash flows from operating, investing and financing activities	**46,585**	**63,432**
Cash and cash equivalents at the beginning of the period	**82,098**	**52,389**
Cash and cash equivalents at the end of the period	**128,683**	**115,821**

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 AB NASDAQ OMX Vilnius. Its shares are held by the following shareholders:

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

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

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

AB Vilniaus Degtinė employed 180 staff members as of the 30th June 2010 (197 staff members as of the 30th June 2009).

2 Summary of significant accounting principles

Statement of compliance

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

The financial statements for the period from January to June 2010 presented below are preliminary and unaudited.

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation

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

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

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

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

Foreign currency

Translation of amounts in foreign currencies into the national currency

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

Notes

2 Summary of significant accounting principles (cont'd)

Non-derivative financial instruments

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

Cash and cash equivalents include cash balances and demand deposits.

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

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

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

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

Financial derivatives

The Company did not use or have derivative financial instruments within the period ended on the 30th June 2010 and did not have them as of the day of the statement.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of Company's assets consists of the expenses directly related to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs and

Notes

2 Summary of significant accounting principles (cont'd)

Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

other expenses incurred to produce these assets before setting them into use, expenses of disassembling, transportation and production site cleaning.

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.

Governmental Grants

Grants are accounted subject to the accummulation principle, i.e. received grants or their parts are acknowledged as used during the periods, during which grant-related costs are incurred.

Asset-Related Grants

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

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.

Notes

2 Summary of significant accounting principles (cont'd)

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.

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.

Notes

2 Summary of significant accounting principles (cont'd)

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

Services rendered, assets disposed

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

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

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

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

Expenses

Operating lease payments

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

Financial lease payments

Minimum lease payments are apportioned between the financial charge and the reduction of the outstanding liability applying the effective interest rate method. The financial costs are

Notes

2 Summary of significant accounting principles (cont'd)

Expenses (cont'd)

Financial lease payments (cont'd)

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

Income tax

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

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the moment of initial recognition of assets or liabilities when such differences affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Notes

2 Summary of significant accounting principles (cont'd)

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 observable data indicating that there has been an adverse change in the payment status of debtors, or national or local economic conditions that correlate with the group of receivables.

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

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 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 2010 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	18,888,809	2,389,514	27,521	822,208	22,128,052
Gross profit	10,342,654	344,483	9,646	48,835	10,745,618

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

Litais	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	21,922,602	1,462,939	37,123	472,095	23,894,759
Gross profit	11,743,538	4,728	16,934	81,627	11,846,827

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

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	9,886,891	1,159,164	17,321	505,016	11,568,392
Gross profit	5,453,823	111,082	6,179	37,223	5,608,307

Notes

4 Segment reporting (cont'd)

Revenue and gross profit for April-June 2009 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	11,978,019	399, 845	24,823	356,191	12,758,878
Gross profit	6,407,074	90,214	11,181	66,732	6,575,201

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 2010, sales to EU and foreign markets amounted to LTL 1,037,964 (in January-June 2009 they were LTL 1,576,505). Sales in April-June 2010 – LTL 537,310 (in April-June 2009 – LTL 446,072). Considering the share of product sales in foreign markets in total revenue, no geographical segments are singled out in the Company.

Notes

5 Income and expenses of other activities

In LTL	Jan-Jun 2010	Jan-Jun 2009
5 Income and expenses of other activities		
Lease of premises	54,573	52,233
Income form sales of materials and spare parts	37,542	41,787
Result of the sales of non-current assets	112,496	4,284
Other income	35,503	42,943
Total other income	240,114	141,247
Other expenses	17,798	29,036
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	17,798	29,036
Net income and expenses of other activities	**222 316**	**112,211**

Income and expenses of other activities

In LTL	Apr-Jun 2010	Apr-Jun 2009
Lease of premises	27,318	25,034
Income form sales of materials and spare parts	28,903	30,031
Result of the sales of non-current assets	84,999	1,999
Other income	14,919	27,592
Total other income	156,139	84,656
Other expenses	8,899	14,562
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	8,899	14,562
Net income and expenses of other activities	**147,240**	**70,094**

Notes

	In LTL	Jan-Jun 2010	Jan-Jun 2009
6	**Sales and distribution expenses**		
	Advertising expenses	1,956,768	2,336,715
	Marketing expenses	2,342,340	2,106,567
	Salaries and social security	515,534	691,073
	Transportation expenses	239,574	297,625
	Market research expenses	110,585	81,257
	Packaging expenses	41,991	26,425
	Other	269,927	151,718
	Total sales and distribution expenses	**5,476,719**	**5,691,380**

	In LTL	Apr-Jun 2010	Apr-Jun 2009
6	**Sales and distribution expenses**		
	Advertising expenses	1,141,252	1,765,915
	Marketing expenses	1,362,337	987,179
	Salaries and social security	275,314	292,871
	Transportation expenses	120,611	122,739
	Market research expenses	60,564	55,952
	Packaging expenses	14,235	12,563
	Other	109,230	84,992
	Total sales and distribution expenses	**3,083,543**	**3,322,211**

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

Notes

	In LTL	Jan-Jun 2010	Jan-Jun 2009
7	**Administrative expenses**		
	Salaries and social security	1,751,757	2,695,509
	Operating and other taxes	595,283	656,941
	Repairs and maintenance	367,241	165,364
	Amortisation	492,623	499,685
	Depreciation	542,958	611,750
	Consulting and training expenses	234,440	270,891
	Maintenance of cargo vehicles	177,026	138,952
	Security expenses	207,070	183,714
	Representation expenses	7,224	33,743
	Sponsorship and other	5,000	10,000
	Communications and IT maintenance expenses	69,939	94 ,88
	Utilities	124 ,40	192,754
	Impairment of construction in progress	0	(115,958)
	Impairment of inventories	0	0
	Other	480,419	460,456
	Total administrative expenses	**5,055,520**	**5,898,189**

	In LTL	Apr-Jun 2010	Apr-Jun 2009
7	**Administrative expenses**		
	Salaries and social security	883,832	933,239
	Operating and other taxes	314,183	381,819
	Repairs and maintenance	218,557	100,221
	Amortisation	243,859	249,585
	Depreciation	288,219	295,194
	Consulting and training expenses	109 ,86	163,341
	Maintenance of cargo vehicles	91,124	71,008
	Security expenses	98,428	95,214
	Representation expenses	3,594	14,989
	Sponsorship and other	0	10,000
	Communications and IT maintenance expenses	29,258	45,914
	Utilities	31,165	27,272
	Impairment of construction in progress	0	(115,958)
	Impairment of inventories	0	0
	Other	250,494	227,202
	Total administrative expenses	**2,562,099**	**2,499,040**

Notes

In LTL	Jan-Jun 2010	Jan-Jun 2009
8 Personnel expenses		
Wages and salaries	2,466,745	3,419,252
Compulsory social security contributions	765,173	1,059,385
Total personnel expenses	**3,231,918**	**4,478,637**

In LTL	Apr-Jun 2010	Apr-Jun 2009
Personnel expenses		
Wages and salaries	1,242,687	1,338,568
Compulsory social security contributions	385,961	414,377
Total personnel expenses	**1,628,648**	**1,752,945**

Personnel expenses for January-June and April-June of 2010 and 2009 include change in accrued vacation compensations. Redundancy pays and holiday compensations for January-June 2010, inclusive of social security taxes, amounted to LTL 176,472

Personnel expenses for January-June 2010 include wages and salaries for the management (including compulsory social security contributions) in the amount of LTL 276,987 (for January-June 2009 – LTL 443,667). Wages and salaries for the management in April-June 2010 amounted to LTL 145,140 (in April-June 2009 – LTL 154,626).

As of the 30 June 2010 and 2009, no loans were issued to the management.

As of 30 June 2010, 180 employees were working for the Company (as of 30 June 2009 – 197 employees).

Average number of managers in the Company in January-June 2010 and 2009 was 5 managers.

Notes

In LTL	Jan-Jun 2010	Jan-Jun 2009
9 Financial income and expenses		
Interest income	115,507	70,277
Other income	0	306
Total financial income	115,507	70,583
Interest on loans and lease liabilities	297,323	692,527
Foreign exchange loss	3,977	0
Other	103,673	25,787
Total financial expenses	404,973	718,314
Financial income and expenses, net	**(289,466)**	**(647,731)**

In LTL	Apr-Jun 2010	Apr-Jun 2009
Financial income and expenses		
Interest income	59,536	38,116
Other income	0	32
Total financial income	59,536	38,148
Interest on loans and lease liabilities	141,498	275,448
Foreign exchange loss	3,881	0
Other	52,818	16,779
Total financial expenses	198,197	292,227
Financial income and expenses, net	**(138,661)**	**(254,079)**

In LTL	Jan-Jun 2010	Jan-Jun 2009
10 Corporate income tax expenses		
Current tax	0	0
Change in deferred income tax	29,351	85,167
Total income tax expenses	**29,351**	**85,167**

Notes

11 Deferred tax

In LTL	January-June 2010 Temporary differences	January-June 2010 Deferred tax (15%)	January-June 2009 Temporary differences	January-June 2009 Deferred tax (20%)
Impairment of other receivables	811,016	121,652	885,209	177,042
Impairment of trade receivables	236,076	35,411	378,728	75,746
Impairment of construction in progress	620,821	93,123	525,310	105,062
Impairment of inventories	0	0	0	0
Accrued social security expenses for vacation reserve	109,257	16,389	160,807	32,161
Tax losses	671,051	100,658		
Total deferred tax asset		**367,233**		**390,010**
Difference in depreciation of property, plant and equipment	(2,951,238)	(442,686)	(3,122,966)	(624,593)
Difference in amortisation of intangible assets	(4,910,280)	(736,542)	(3,819,107)	(763,821)
Carrying value of non-current assets that are subject to investment relief	(459,691)	(68,954)	(606,314)	(121,263)
Total deferred tax liability		**(1,248,182)**		**(1,509,677)**
Net deferred tax		**(880,949)**		**(1,119,667)**

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

Change in the deferred tax may be divided as follows:

Litais	Jan-Jun 2010	Jan-Jun 2009
Deferred tax liability as of January 1	(851,598)	(1,034,500)
Deferred tax change	(29,351)	(85,167)
Deferred tax liability as of June 30	**(880,949)**	**(1,119,667)**

Notes

12 Income tax

In LTL	Jan-Jun 2010	Jan-Jun 2009
Overpaid income tax (liability) as of 1 January	216,969	103,019
Income tax for the period	0	0
Income tax paid	48,480	123,100
Overpaid income tax (liability) as of 31 March	**265,449**	**226,119**

Notes

13 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other tangible assets	Total
Cost as of 1 January 2009	17,854,268	17,381,057	1,576,707	2,380,695	2,395,792	3,510,030	45,098,549
Additions		456,494	33,500	34,054	166,465	11,310	701,823
Disposals	0	(2,206)	(144,595)	(6,605)	(652,039)	0	(153,406)
Transfer from inventories	655,622	6,447	0	0	0	(10,030)	0
Cost as of 30 June 2009	18,509,890	17,841,792	1,465,612	2,408,144	1,910,218	3,511,310	45,646,966
Accumulated depreciation as of 1 January 2009	7,132,540	11,408,026	900,823	1,859,042	593,513	0	21,893,944
Depreciation for the Q1	356,363	868,988	99,135	117,252	55,515	0	1,497,253
Impairment loss	0	0	0	0	(115,958)	0	(115,958)
Disposals	7,760	(2,203)	(119,463)	(4,239)	(7,760)	0	(125,905)
Accumulated depreciation as of 30 June 2009	7,496,663	12,274,811	880,495	1,972,055	525,310	0	23,149,334
Net book value as of 30 June 2009	**11,013,227**	**5,566,981**	**585,117**	**436,089**	**1,384,908**	**3,511,310**	**22,497,632**
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		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 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 for the H1	368,236	866,752	98,486	83,868	47,756	0	1,465,098
Impairment loss	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**

Notes

13 Property, plant and equipment (cont'd)

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

The depreciation was distributed as follows:

In LTL	30.06.2010	30.06.2009
Cost of sales	641,134	672,702
Inventories	263,207	183,917
Administrative and other expenses	560,756	640,634
Total	**1,465,097**	**1,497,253**

Notes

14 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2009	181,206	529,371	18,913,672	19,624,249
Additions during the H1	0	0	0	0
Disposals	0	0	0	0
Cost as of 30 June 2009	181,206	529,371	18,913,672	19,624,249
Accumulated amortisation as of 1 January 2009	181,206	444,239	4,097,962	4,723,407
Amortisation for the H1	0	26,843	472,842	499,685
Disposals	0	0	0	0
Accumulated amortisation as of 30 June 2009	181,206	471,082	4,570,804	5,223,092
Net book value as of 30 June 2009	**0**	**58,289**	**14,342,868**	**14,401,157**
Cost as of 1 January 2010	173,096	549,135	18,913,672	19,635,903
Additions during the H1	0	0	0	0
Disposals	0	0	0	0
Cost as of 31 March 2010	173,096	549,135	18,913,672	19,635,903
Accumulated amortisation as of 1 January 2010	173,096	496,675	5,043,646	5,713,417
Amortisation for the H1	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**

All amortisation expenses are included under operating expenses.

In LTL	30.06.2010	31.12.2009
15 Financial assets		
Granted long-term loans	158,829	0
Total financial assets	**158,829**	**0**

Granted long-term loans: a loan of EUR 46,000 (LTL 158,829) to a related company (8.5%) subject to fixed annual interest, term of repayment of the loan – December 2012.

Notes

	In LTL	30.06.2010	31.12.2009
16	**Inventories**		
	Raw materials	4,921,626	4,897,033
	Finished goods	2,322,474	1,821,418
	Goods for resale	1,067,359	919,393
	Work in progress	13,231	51,500
	Total inventories	**8,324,690**	**7,689,344**

A part of inventories (2.85 ton of grain) is stored by third persons.

	In LTL	30.06.2010	31.12.2009
17	**Prepayments and deferred expenses**		
	Prepayments to suppliers	66,002	1,076,617
	Deferred advertising expenses	196,126	120,183
	Deferred insurance and subscription	25,728	70,829
	Other	59,600	12,523
	Total prepayments and deferred expenses	**347,456**	**1,280,152**

	In LTL	30.06.2010	31.12.2009
18	**Trade receivables**		
	Trade receivables	17,135,596	29,100,442
	Impairment allowance for bad debts	(236,076)	(236,076)
	Net trade receivables	**16,899,520**	**28,864,366**

Notes

18 Trade receivables (cont'd)

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

In LTL	30.06.2010	31.12.2009
Impairment allowance for bad debts as of 1 January	(236,076)	(378,728)
Reverse of impairment allowance for bad debts	0	142,652
Impairment allowance for bad debts at the end of the period	**(236,076)**	**(236,076)**

In LTL

19 Other receivables

	30.06.2010	31.12.2009
Loans granted	2,653,062	2,653,062
Prepayments to the Tax Inspectorate	304,191	297,480
Overpaid income tax	265,449	216,969
Other receivables	370,536	249,456
Amounts deposited for guarantee purposes	0	243,000
Doubtful receivables	811,016	832,923
Total other receivables before write-down allowance	**4,404,254**	**4,492,890**
Impairment	(811,016)	(832,923)
Total other receivables, net	**3,593,238**	**3,659,967**

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

Change in impairment allowance of receivables was as follows:

In LTL	30.06.2010	31.12.2009
Impairment allowance for bad debts and other receivables as of 1 January	**(832,923)**	**(885,209)**
Reverse of impairment allowance for bad debts	21,907	52,286
Impairment allowance for bad debts and other receivables at the end of the period	**(811,016)**	**(832,923)**

Notes

In LTL	30.06.2010	31.12.2009
20 Cash and cash equivalents		
Cash at bank and in hand	128,683	82,098
Total cash and cash equivalents	**128,683**	**82,098**

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-Jun 2010	Jan-Jun 2009
Average number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	116,878	(363,429)
Earnings per share, in LTL	**0.00**	**(0.01)**

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

23 Interest bearing loans and borrowings

In LTL	30.06.2010	31.12.2009
Non-current liabilities		
Bank loans	5,900,329	6,833,698
Financial lease (leasing) liabilities	119,680	267,175
Total non-current liabilities	**6,020,009**	**7,100,873**
Current liabilities		
Overdraft	0	0
Bank and other loans	7,939,851	13,160,058
Total current liabilities	**7,939,851**	**13,160,058**
Total	**13,959,860**	**20,260,931**

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
Long-term overdraft of LTL 2,000,000 – 3-month fluctuating VILIBOR + 2.5%	26,280	26,280			
Loan of EUR 3,015,412 (LTL 10,411,615) – 3-month fluctuating LIBOR + 2.9%	7,767,068	1,866,739	1,616,740	4,283,589	0
Long-term overdraft of EUR 2,606,580 (LTL 9,000,000) – 3-month fluctuating EURIBOR + 2.5%	5,750,951	5,750,951			
Financial lease (leasing) – 6-month variable EURIBOR + 1%	415,561	295,880	119,681		
Total financial liabilities	**13,959,860**	**7,939,850**	**1,736,421**	**4,283,589**	**0**

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

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

In order to secure the bank loans, the Company has pledged tangible and intangible non-current assets, inventories, and land rental right. For further information refer to Note 28.

In LTL	30.062010	31.12.2009

24 Governmental grants

Carrying amount at the beginning of the period	0	0
Received grants	1,970,551	0
Used within the period	0	0
Carrying amount at the end of the period	**1,970,551**	**0**

The Company has received support in the form of financing from EU structural funds under Cohesion Growth Action Program's Priority 3 "Increasing Energy Production Effectiveness". Support has been granted for acquisition of non-current assets.

Notes

In LTL	30.06.2010	31.12.2009
25 Other payables		
Payable excise tax	3,533,692	6,887,932
Payable VAT	2,518,777	3,646,916
Accrued vacation expense and social security	460,710	488,751
Taxes payable	68,777	60,324
Accrued expenses	73,931	1,002,883
Other payables	348,311	375,192
Total other payables	**7,004,198**	**12,461,998**

Notes

26 Financial risk management

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

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

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

The Board is completely responsible for development and supervision of the company's risk management structure. The Company's risk management policy is devoted to identification and analysis of the risks the Company faces, determination of respective risk limits and controls, and monitoring of the observance of risks and limits. 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

24 Financial risk management (cont'd)

Liquidity risk (cont'd)

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

Market risk

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

Interest rate risk

The Company's borrowings are subject to variable interest rates related to EURIBOR and VILIBOR. As of the 31 March 2010, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

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 30 June 2010 and 31 December 2009.

Capital management

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

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

The Company's capital management policy did not change in January-June 2010.

Notes

27 Related party transactions

Related parties of the Company are:

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

Parent and ultimate parent companies are as follows:

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

Other main related parties are:

Company	Relationship
UAB Belvedere Prekyba	Belvedere group company
Sobieski Destylarnia S.A.	Belvedere group company
Vinimpex PLC	Belvedere group company
UAB Belvedere Baltic	Belvedere group company
Fabryka Wodek Polmos Lancut	Belvedere group company
Gemaco	Belvedere group company
PHP Wieslav Wawrzyniak	Belvedere group company
IOOO Galiart	Belvedere group company
Moncigale S.A.S.	Belvedere group company
Gognac Gautier	Belvedere group company
Marie Brizard&Roger	Belvedere group company
Marie Brizar Espagne	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

27 Related party transaction (cont'd)

Sales to and purchases from related parties during the reporting periods ended 30 June 2010 and 30 June 2009 are as follows:

In LTL

Company	Type of transaction	Jan-Jun 2010	Jan-Jun 2009
Purchases from:			
Belvedere group companies	Purchase of services	320,370	1,306,834
Belvedere group companies	Purchase of raw materials and materials	431,568	345,239
Shareholder	Purchase of services	154,800	154,800
Belvedere group companies	Purchase of non-current assets	0	35,506
Ultimate parent company	Purchase of inventories	0	0
Total purchases		**906,738**	**1,842,379**
Sales to:			
Belvedere group companies	Sales of production including excise tax	21,131,066	22,874,888
Parent company	Sales of production including excise tax	31,828	198,227
Parent company	Other income	0	0
Ultimate parent company	Sales of production including excise tax	0	0
Belvedere group companies	Sales of services, etc.	118,505	124,446
Total sales		**21,281,399**	**23,197,561**
Excise tax		15,999,665	15,785,279
Total sales net of excise tax		**5,281,734**	**7,412,282**

Notes

27 Related party transactions (cont'd)

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

In LTL

Company	30.06.2010	31.12.2009
Trade receivables		
From Belvedere group companies	1,151,200	4,717,184
From ultimate parent company	3,169,075	3,759,312
From parent company	123,438	91,610
Total trade receivables	**4,443,713**	**8,568,106**
Trade payables		
To Belvedere group companies	265,725	193,395
Total trade payables	**265,725**	**193,395**

Remuneration to the Company's management is enclosed in Note 8 to the Financial Statements. Information on loans granted to a related company is provided in Notes 15 and 19.

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

Notes

28 Off-balance and other liabilities

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

In LTL	30.06.2010	31.12.2009
Carrying amount of pledged buildings and structures	11,301,349	11,720,502
Carrying amount of pledged trademarks	13,397,184	13,870,027
Carrying amount of pledged inventories	8,324,690	7,689,344
Property right – land rental right		

The Company has transferred to the Bank the existing and further monetary funds deposited on the accounts with AB DnB Nord bank and trade amounts receivables, which were equal to LTL 16,899,520 as of 30 June 2010 (LTL 19,422,156 as on 31 December 2009) under the Claiming Right Transfer Agreement in order to secure fulfilment of its liabilities under the Crediting Agreement.

Lithuanian Business Support Agency has been provided with a short-term guarantee related to implementation of the project "Using the waste of grain processing (broga) for production of electric energy". To cover the guarantee amount (LTL 2,425,000), funds of long-term financial liabilities credit line granted by AB DnB NORD bank have been frozen.

29 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 of 30 June 2010 does not significantly differ from their carrying amount, except non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets as of 30 June 2010:

In LTL	Carrying amount	Fair value
Long-term loans granted	158,829	158,829
Advance payments and expenditure of future periods	347,456	347,456
Trade debtors	16,899,520	16,899,520
Other amounts receivable	3,593,238	3,593,238
Cash and cash equivalents	128,684	128,684
Total	**21,127,727**	**21,127,727**

Notes

29 Fair value of financial instruments (cont'd)

Financial liabilities as of 30 June 2010:

In LTL	Carrying amount	Fair value
Loans and other amounts subjected to calculation of interest rate	13,959,860	13,959,860
Trade creditors	3,297,837	3,297,837
Other amounts payable	7,004,198	7,004,198
Total	**24,261,895**	**24,261,895**

30 Events after the reporting period

In August 2010, terms of the Crediting Agreement entered into with the Bank were revised mand it has been agreed to extend agreements on credit lines in EUR and LTL for one year. An agreement on acquisition of machinery for packaging into corrugated tare and thermal polyethylene has been signed with AB DnB NORD bank's Leasing.