

*Interim Report of public stock company VILNIAUS DEGTINĖ
for 6 months of 2008*



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1. Reporting period covered by this Report

The Report has been prepared for 6 months of 2008.

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	vd@degtine.lt
Website	www.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 FMI Finasta (Konstitucijos ave. 23, LT-08105 Vilnius, tel. (8~5) 278 6833, e-mail 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

Rights and obligations granted by the shares

Shareholders do not have any other property-related liabilities to the company, except the obligation to pay the issue price for the subscribed shares according to the established procedure.

If the general shareholder meeting adopts decision to cover the company's losses by additional contributions of the shareholders, the shareholders who voted for this decision shall be obliged to pay such contributions. Shareholders that did not take part in the general shareholders' meeting or voted against such decision have the right to refrain from paying additional contributions.

Shareholders have the following property rights:

- 1) to receive part of the company's profit (dividend);
- 2) to 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) to receive company's shares for free when the authorised capital is increased from the company's funds;
- 4) to purchase newly issued shares or convertible bonds of the company on pre-emptive right, 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) to 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) to 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) to participate in the general shareholders' meetings;
- 2) to vote at the general shareholders' meetings according to the rights granted by the shares held;
- 3) receive information about the company specified in the Company Law of the Republic of Lithuania;
- 4) to 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.

There are no restrictions to the transfer of the company's shares.

6. Shareholders

As of 30 June 2008, the total number of shareholders was 257.

Shareholders who held or managed more than 5 percent of the authorised capital of the issuer as of 30 June 2008.

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	10.0	10.0
DARIUS ŽAROMSKIS	2,440,843	10.0	10.0
SKANDINAVISKA ENSKILDA BANKEN CLIENTS Sergels Torg 2, 10640 Stockholm, Sweden 50203290810	2,286,750	9.4	9.4

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

Ordinary registered shares of AB Vilniaus Degtinė have been listed in the Secondary trading list of Vilnius Stock Exchange since 25 March 2002.

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

Trading in company's shares

Reporting period	Price, LTL			Turnover, LTL			Date of the last trading session	Total turnover	
	max.	min.	Last session	max.	min.	Last session		nr.	LTL
Q1 2008	3.50	2.60	2.60	5,185.54	0	0	2008/03/31	14230	41,435.33
Q2 2008	2.90	2.00	2.15	11,391.49	0	0	2008/06/30	11348	24,085.07

Capitalisation of company's shares

Date of the last trading session	Capitalisation, LTL
2008/03/31	63,461,920.60
2008/06/30	52,478,126.65

OTC transactions in 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.					
Q1 2008	-	-	-	-	-	-	-
Q2 2008	-	-	-	-	-	11,400	1



8. Employees

Average provisory number of employees of AB Vilniaus Degtinė for 6 months of 2008 was 221 (for 6 months of 2007 – 226).

Information about the employees of the company

Employee group	Number of employees 30/06/2008	Education					Average salary for 6 months 2008, LTL	Average salary for 6 months 2007, LTL
		higher	further	special secondary	secondary	Unfinished secondary		
Managers	3	3	-	-	-	-	8,635.22 *	6,996.35
Specialists and office workers	66	31	27	2	6	-	2,980.84	2,624.64
Including: Obeliai	14	4	8	-	2	-	2,260.37	2,240.49
Workers	159	11	34	45	64	5	1,721.89	1,568.29
Including: Obeliai	38	3	9	13	10	3	1,535.31	1,505.62
Total	228	45	61	47	70	5	2,200.07	1,956.48

* Average conditional number of managers in January-June 2008 was 4.

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 shareholders' meeting, collegial supervisory body – the supervisory council, collegial management body – the board and one-person management body – the head of the company (Director General).

The supervisory council of the company consists of 3 members. It is elected by the general shareholders' meeting for a period of four years. The general shareholders' 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 about it 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 about it 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 2008)

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	10.0	04/12/2007 – 2011
Danas Kerbelis	Board member	-	04/12/2007 – 2011
Andrėjus Galuška	Board member	-	04/12/2007 – 2011
Raimundas Čičirka	Board member	-	04/12/2007 – 2011
Audra Jauniškienė	Board member	-	04/12/2007 – 2011
Danas Kerbelis	Director General	-	18/07/2005
Audra Jauniškienė	Director for Finance and Administration	-	01/03/2005

Participation of the collegial bodies and administration members of the company in the activities of other companies, institutions and organisations, percentage share held in other companies exceeding 5 percent of authorised capital

Name, surname	Name of the company, institution, organisation, position	Share of authorised capital exceeding 5 percent
Ilona Šerlatienė	UAB.Kaminera, Chief Financier	-
Tomasz Kowalski	Sobieski Sp.z.o.o., Commercial Director	
Dariusz Jamiola	Sobieski Sp.z.o.o., Finance Director	
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 Umega, Board member	-
	UAB Jungtinis Turto Centras	25.0
	UAB .Urbino Investment	19.0
Danas Kerbelis	Lithuanian-French UAB Belvedere Baltic, Director	-
Andrėjus Galuška	UAB Belvedere Prekyba, Finance Director	-
	UAB Kamineros Grupė, Finance Director	
Raimundas Čičirka	UAB Belvedere Prekyba, Director General	-
Audra Jauniškienė	-	-

Information about the amounts accrued for the members of collegial bodies and administration of the issuer in January-June 2008

	Salary accrued, LTL
To the members of supervisory council	-
To the Board members	-
To the members of administration (Director General and Finance Director)	104,974
Average per member of administration	52,487

During 6 months of 2008, the company did not transfer any assets to the member of collegial bodies and administration or issued guarantees to them to secure their liabilities.



11. Overview of the issuer's performance

The sales revenue of the company for 6 months of 2008 amounted to LTL 30,067 thousand. Compared for the same period of 2007 (LTL 26,352 thousand) is increased by 14.1 percent.

Profit before tax for 6 months of 2008 amounted to LTL 38.3 thousand profit for 6 months of 2007 – LTL 612.4 thousand. Significant decrease of profit before tax in 2008 was determined by the increased cost-price (due to increased prices for raw materials, materials, fuel, energy resources) and increased operating expense (due to increased advertising, promotion, tax and other costs).

More information on the company's risk factors, related parties, operations and financial results for 6 months of 2008 is presented in the financial statements of AB Vilniaus Deginė for the period ended 30 June 2008.

	H1 2008, LTL	H1 2007, LTL
Income	30,067,140	26,352,085
- alcoholic drinks	27,588,667	25,111,959
- rectified alcohol	1,158,298	982,179
- methylated alcohol	50,501	39,308
- other goods and services	1,269,674	218,639
Gross profit	13,967,710	12,595,406
Other activities, net	107,119	64,404
Result from operations	637,430	1,009,663
Financing activities, net	(599,140)	(397,218)
Result before tax	38,290	612,445
Net result	708	501,505
Earnings per share	0.00	0.02
Total assets	71,277,087	66,255,689
- non-current assets	37,545,439	36,628,896
- current assets	33,731,648	29,626,793
Equity	37,248,136	36,067,018
Total liabilities	34,028,951	30,188,671
- non-current liabilities	6,628,547	10,299,565
- current liabilities	27,400,404	19,889,106
Acquisitions of non-current assets	2,513,232	1,827,454
Depreciation and amortisation	1,773,716	1,645,017
Net cash flows from operating activities	5,578,546	4,410,274
Net cash flows from investing activities	(3,417,377)	(2,148,833)
Net cash flows from financing activities	(2,059,378)	(2,153,729)

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 1 368 thousand in 6 months of 2008 (LTL 672 thousand in 6 months of 2007).

In the first half of 2008, investments into modernization of production processes and employee training was taking place. Within H1 2008, the Company's investments amounted to LTL 1,388 thousand.



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

On 13 February 2008, the Board of AB Vilniaus Degtinė decided to call the general shareholder meeting on 20 March 2008.

Agenda of the Meeting:

1. Auditor's report on the financial statements and annual report of the company
2. Comments and proposals of the supervisory council
3. Approval of the annual report for 2007
4. Approval of the financial statements of the company for 2007
5. Profit distribution for 2007
6. Election of supervisory council
7. Amendment of the Articles of Association of the company
8. Asset pledging for the purpose of securing to a third person repayment of a granted credit
9. Election of the audit firm and establishing the terms of payment for the audit services

General shareholders' meeting of AB Vilniaus Degtinė that took place on 20/03/2008 resolved:

1) to approve the auditor's report on the financial statements and annual report of the company. 2) to approve the annual report of AB Vilniaus degtine for 2007. 3) to approve the financial statements of the public stock company Vilniaus Degtinė for 2007, according to which as of 31 December 2007 the company's assets amounted to LTL 88,133,638 (EUR 25,525,266), equity – LTL 37,247,428 (EUR 10,787,601), net profit for the year – LTL 1,681,915 (EUR 487,116). 4) Not to pay out dividends, annual bonuses to the members of the board and supervisory council, bonuses to the employees. To carry the undistributed profit at the end of the reporting year to the following financial year: LTL 10,398,154 (EUR 3,011,513). 5) Elect Dariusz Wladislaw Jamiola, Tomasz Andrzej Kowalski, Ilona Šerlatienė to the new supervisory council. 6) approve the amended Articles of Association of the company. Authorise the Company's Director General Danas Kerbelis to sign the new wording of the Company's Articles of Association and carry out any and all actions related to registration of the Company's Articles of Association, with the power to re-authorise another person to carry out the aforementioned actions and sign the documents provided by normative instruments. 7) approve the decision to pledge movable and immovable assets and property rights for the purpose of securing to a third person repayment of a granted credit. Authorise the Company's Director General Danas Kerbelis to sign any and all documents related to the aforementioned pledging. 8) To elect audit company UAB KPMG Baltics to be the auditor of AB Vilniaus Degtinė and authorise Director General of the company to sign the service agreement with the auditor of the company on auditing financial statements for 2008 at the price agreed between the parties.

Shareholder meeting of Belvedere SA that took place on 8 August 2008 has decided to change the audit company by replacing KPMG with Mazars & Guerand. Such decision also results in the change of the audit company for AB Vilniaus degtinė: for the purposes of the audit for 2008, KPMG Baltic shall be replaced by UAB Rimess, which is the Lithuanian representative of Mazars & Guerand.

All major events related with the activities of the company were presented to the Securities Commission of the Republic of Lithuania, Vilnius Stock Exchange, daily "Lietuvos Rytas", news agency ELTA and posted on the website of the company 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 slowdown of economics, sales of the Company for 2008 are forecasted to decrease by approx.7%, compared to 2007 and should amount to approx. 10,300 thousand litres of strong drinks. Lithuania and other EU member-states will remain as the Company's major markets. The company expects to complete the year 2008 profitably.



For the purpose of stabilising sales, much attention will be paid to export markets, therefore in August 2008 the Company has started exporting its production to Estonia.

Plans of the current year also include initiation of production export to Denmark, Great Britain, Ireland and expansion of the product range already offered to the Polish and Latvian markets.

A new product developed and launched in Lithuania by the Company in 2008 is the spirit drink balsam Lumberjack. This is a products that is both, intended for the Lithuanian market and to be actively exported to other countries, in which branches, associated companies and partners of Belvedere SA Group operate.

Considering the slowdown of economics, there are plans of investment reformation by paying most attention to increasing the productivity, brand formation and export development.