AB ALITA

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007

AB „Alita"

Consolidated interim financial statements for the six month period ended 30 June 2007

The Consolidated interim financial statements for the six month period ended 30 June 2007 have been prepared in accordance with International Financial Reporting Standard as adopted by the European Union. We consider that the accounting policines used are appropriate and that the interim statements thus give a true and fair view.

Production Director, Deputizing the General Director	Arvydas Stankevičius
Accountant-general	Alina Mežiūnienė

AB ALITA
Company code 149519891, Alytus, Miškininkų 17

Consolidated balance Sheet as of 30 June 2007

(LTL '000)

Note		30 June 2007	31 December 2006
	ASSETS		
	NON-CURRENT ASSETS		
3	Intangible assets	472	359
	Goodwil	4.920	-
	Investment property	1.004	1.024
4	Property, plant and equipment	80.303	74.032
5	Available-for-sale investments	17.935	18.230
	Loans	-	4.168
	Total non-current assets	104.634	97.813
	CURRENT ASSETS		
6	Inventories	35.717	28.581
7	Prepayments and deferred cost	2.022	860
8	Trade accounts receivable	24.424	34.363
9	Other accounts receivable	3.406	190
	Other current asets	64	586
10	Cash and cash equivalents	5.600	3.676
	Total current assets	71.233	68.256
	TOTAL ASSETS	175.867	166.069
	LIABILITIES AND SHAREHODERS' EQUITY		
	SHAREHOLDERS' EQUITY		
	Share capital	50.827	50.827
	Compulsory reserve	5.083	5.083
11	Revaluation reserve	9.979	10.073
	Retained earnings	20.826	24.965
	Total equity attributable to the equity holders of the parent	86.715	90.948
	Minority interest	1.982	1.962
	Total shareholders' equity	88.697	92.910
	NON-CURRENT LIABILITIES		
14	Long-term bank loans and leasing liabilities	4.459	3.396
	Deferred income tax liability	1.742	1.742
	Total non-current liabilities	6.201	5.138
	CURRENT LIABILITIES		
14	Current portion of LT loans	12.006	24.457
	Short-term bank loans and leasing liabilities	28.066	11.485
	Trade accounts payable	13.945	7.875
	Income tax payable	275	255
13	Accrued liabilities	26.677	23.949
	Total current liabilities	80.969	68.021
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	175.867	166.069

Finance and Administration Director,
deputizing General Director Vimantas Pečiūra

AB ALITA
Company code 149519891, Alytus, Miškininkų 17

Consolidated statement of Income for the six month period ended 30 June 2007

(LTL '000)

Note		For the six month period ended 30 June 2007	2006
	NET SALES	77.548	58.437
	Cost of sales	(51.712)	(35.101)
	GROSS PROFIT	25.836	23.336
	Selling and distribution expenses	(10.860)	(10.033)
	General and administrative expenses	(10.230)	(7.220)
	OPERATING PROFIT	4.746	6.083
	Financial and other income (expenses), net	204	(397)
	PROFIT BEFORE INCOME TAX	4.950	5.686
	Income tax	(937)	(1.107)
	NET PROFIT FOR THE YEAR	4.013	4.579
	Attributable to:		
	Equity holders of the parent	3.993	4.559
	Minority interrest	20	20
		4.013	4.579
12	Basic earnings per share (LTL)	0,079	0,090

Finance and Administration Director,
deputizing General Director Vilmantas Pečiūra

AB ALITA

Consolidated statement of Changes in Equity for the six month period ended 30 June 2007

(LTL '000)

Note		Share capital	Compulsory reserve	Revaluation reserve	Retained earnings (deficit)	Total equity	Minority interest	Total
	Balance as of 31 December 2005	50.827	5.083	7.929	14.965	78.804	1.574	80.378
	Dividends paid				(7.624)	(7.624)		(7.624)
	Change of minority					-	95	95
12	Net profit for the year			-	4.559	4.559	20	4.579
	Balance as of 30 June 2006	50.827	5.083	7.929	11.900	75.739	1.689	77.428
	Increase in value of investments for sale			2.522		2.522		2.522
	Accounted deferred income tax liability			(378)		(378)		(378)
	Change of minority					-	199	199
	Net profit for the year	-	-	-	13.065	13.065	74	13.139
	Balance as of 31 December 2006	50.827	5.083	10.073	24.965	90.948	1.962	92.910
	Disposal of available-for-sale investments			(584)		(584)	-	(584)
	Increase in value of investments for sale			490		490		490
	Dividends paid				(8.132)	(8.132)		(8.132)
12	Net profit for the year	-	-	-	3.993	3.993	20	4.013
	Balance as of 30 June 2007	50.827	5.083	9.979	20.826	86.715	1.982	88.697

Finance and Administration Director,
deputizing General Director Vilmantas Pečiūra

AB ALITA

Consolidated statement of Cash Flows for the six month period ended 30 June 2007

(LTL '000)

	For the six month period ended 30 June	
	2007	2006
Cash flow from (to) operating activities:		
Net profit	4.013	4.559
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortisation	4.523	4.784
Prestige	-	-
Change of impairment of trade accounts receivable	(2)	(8)
Write-off of property, plant and equipment	158	38
(Gain) / loss from fixed assets sale	(212)	(64)
Change of impairment of inventories	-	-
Write-off of inventories	18	56
Interest expenses	833	982
Interest income	(160)	(274)
Change of minority	20	115
Investments disposal	-	(19)
Income tax expense / (income)	937	1.107
Other	(20)	-
	10.108	11.276
Changes in current assets and current liabilities:		
Decrease in inventories	(4.070)	(1.506)
Decrease in trade accounts receivable	12.465	2.169
(Increase)/decrease in prepayments and deferred cost	(962)	(696)
Decrease in other accounts receivable	(2.711)	146
Increase in trade accounts payable and accrued liabilities	305	(7.316)
Income tax paid	(1.828)	(1.978)
Net cash provided by operating activities	13.307	2.095
Cash flow from (to) investing activities:		
Acquisition of property, plant and equipment	(3.775)	(1.513)
Acquisition of intangible fixed assets	(222)	(29)
Disposal (acquisition) of subsidiary's shares	(5.032)	19
Acquisition of investments for sale	201	1
Sale of property, plant and equipment	212	64
Interest received	160	274
Net cash (used in) investing activities	(8.456)	(1.184)
Cash flow from (to) financing activities:		
Repayment of loans to employees	4.690	5.461
Interest received in advance	-	29
Loans received	29.263	8.766
(Repayment) of loans	(27.915)	(27.110)
Interest (paid)	(833)	(982)
Dividends (paid)	(8.132)	(7.624)
Net cash (used in) financing activities	(2.927)	(21.460)
Increase (decrease) in cash and cash equivalents	**1.924**	**(20.549)**
Cash and cash equivalents in beginning of the period	3.676	23.672
Cash and cash equivalents at end of the period	5.600	3.123

Finance and Administration Director,
deputizing General Director Vilmantas Pečiūra

Notes to the consolidated interim financial statements for the six month period ended 30 June 2007
(LTL '000 unless otherwise stated)

1. Reporting entity

AB Alita was established in 1963 and was reregistered as a state enterprise in 1990. In 1995 AB Alita was re-organised to a joint stock company.

Registered address of AB Alita is Miškininkų 17, Alytus, Lithuania.

On 6 January 2004 an agreement on sale of the AB Alita shares was signed between the State Property Fund and UAB Invinus. AB Invinus acquired controlling 83.77 per cent shareholding of the Company.

On 10 November 2004 extraordinary shareholders' meeting of AB Invinus and on 11 November 2004 extraordinary shareholders' meeting of AB Alita took place during which a decision to merge AB Invinus to AB Alita and approve the reorganisation terms was made. AB Alita share capital decreased as a result of the reorganisation.

	Nominal value (LTL)	Percent
Private share capital	50.827.209	100,0

The nominal value of one share is LTL 1. All shares are authorised, issued and fully paid registered ordinary shares. Alitas's shares are listed in the current list of the Vilnius Stock Exchange.

On 8 July 2004 a sales agreement of controlling shareholding comprising 72.93 percent of AB Anykščių Vynas was signed between the State Property Fund and AB Alita. 35,793,407 ordinary registered shares of AB Anykščių Vynas were acquired for 25,610 thousand Litas. During the same year AB Alita additionally acquired 11,607,163 ordinary registered shares. At present AB Alita hold 46,577,570 ordinary registered shares, comprising 94,90 per cent, with a nominal value of 1 Litas each .

On 12 April 2007, according the final protocol, AB Alita obtained 100 ordinary registered shares of the wholesale company UAB Daivalda with a nominal value of 100 Litas each. UAB Daivalda holds 100 % shares of UAB Vilkmergės Alus.

On 27 April 2007, according the AB Alita Board protocol, the name of UAB Daivalda was changed to UAB Alita Distribution.

The financial statements of AB Alita and AB Anykščių Vynas (hereinafter „the Group") are consolidated from 1 July 2004. The financial statements of the Group consolidate AB Alita, AB Anykščių Vynas, UAB Alita Distribution and UAB Vilkmergės alus financial statements from 1 April 2007.

The Group produces and distributes alcohol beverages, including sparkling wines, alcohol mixes, cider, beer, wines, hard liqueurs, as well as concentrated fruit juice.

2. Summary of significant accounting policies

Statement of compliance

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

Basis of preparation

The financial statements are presented in Litas, being the functional currency of the Group and prepared on the historical cost basis, except for the property plant and equipment, which are presented at deemed cost.

The preparation of the financial statements in conformity with IFRSs, as adopted by the European Union, requires management to make judgments, 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 of making the judgments 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 recognized 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.

2. Significant accounting policies (cont'd)

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the 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.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.
Certain items of property, plant and equipment that have been indexed in accordance with Lithuanian legislation prior to 1 January 2004, the date of transition to IFRSs, are measured on the basis of deemed cost, being the indexed amount at the date of the indexation less indexed accumulated depreciation and impairment losses.
The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads.
Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item or major overhaul when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

Depreciation

	Years
Buildings	8-84
Machinery and equipment	2-50
Motor vehicles, furniture and fixtures	4-25
IT equipment	4-5

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Intangible assets

Intangible assets, comprising computer software and other licenses that are acquired by the Group, are stated at cost less accumulated amortisation and impairment.

Amortisation is charged to the income statement on a straight-line basis. The Group's intangible assets are amortized over 1-3 years.

2. Significant accounting policies (cont'd)

Inventories

Inventories, including work in process, are valued at the lower of cost or net realisable value, after recognition of impairment loss for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined in accordance FIFO principle.

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

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

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

The Company books multiple usage tare, which comprise plastic boxes, pallets and etc. for placing the bottles of alcohol beverages, to the operating expenses immediately after it is taken for use.

Accounts receivable

Receivables are stated at the fair value of the consideration given and are carried at amortised cost, after the provision for impairment.
The Group provides a reserve for potential losses based on an evaluation of specific doubtful accounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, 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.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortized 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 a short duration are not discounted.

Divdends

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

Liabilities

Liabilities are initially recognized at fair value less direct costs related to occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Short-term liabilities are not discounted.

Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2. Significant accounting policies (cont'd)

Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise 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. Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

Revenue from the services rendered is recognized in the income statement as the services are rendered. The revenue recognized is net of discounts provided.

Rental income is recognized in the income statement on a straight-line basis over the term of the lease.
Revenue from disposal of assets is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of assets disposed also continuing management involvement with the assets.

Expenses

Operating expenses comprise costs regarding sales personnel, advertising, administrative staff, management, office premises and office expenses etc., including depreciation and amortisation.

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

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

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.
Current 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.

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 ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. During reporting periods there were no any dilutive potential ordinary shares issued by the Company.

Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(LTL '000 unless otherwise stated)

3. Intangible assets

The amortiziation charge amounts to LTL 155 thousand for the six month period ended 30 June 2007.

4. Property, plant and equipment

The Group acquired property, plant and equipment amounts to LTL 3,775 thousand, disposed and wrote off of LTL 158 thousand, the depreciation charge amounts to LTL 4,368 thousand for the six month period ended 30 June 2007.

5. Non-current financial asset

Available-for-sale investments

Available-for-sale investments consist of the following:

	30 June 2007	31 December 2006
AB Šiaulių Bankas shares	6.179	6.379
Other securities	-	1
Total	6.179	6.380
Impairment in the beginning of the year	(1)	(751)
Available-for-sale investments written-off	1	750
Impairment at the end of the year	-	(1)
Increase in value in the beginning of the year	11.851	9.328
Disposal of available-for-sale investments	(584)	-
Increase in value during the year	489	2.523
Increase in value at the end of the year	11.756	11.851
Total	17.935	18.230

In 2007 ended 30 June due to increase of the share capital of AB Šiaulių Bankas AB Alita received 489,546 free of charge ordinary registered shares and for the same period disposed 200,000 ordinary registered shares. On 30 June 2007 AB Alita held 4,939,964 ordinary registered shares with a nominal value of 1 Litas each.

6. Inventories

Inventories consist of:

	30 June 2007	31 December 2006
Raw materials	5.908	1.870
Packing materials	5.749	6.021
Auxiliary materials and supplies	1.974	1.180
Work-in-process	11.252	12.462
Finished goods:		
- alcoholic beverages	8.837	4.924
- apple products	225	4.629
Goods for resale	3.746	69
	37.691	31.155
Impairment of inventories in the beginning of the year	(2.574)	(2.491)
Reversal of impairment	600	16
Impairment during the year		(99)
Impairment of inventories at the end of the year	(1.974)	(2.574)
Total	35.717	28.581

7. Prepayments and deferred cost

Prepayments and deferred cost consist of:

	30 June 2007	31 December 2006
Prepayments to local suppliers	1.267	269
Prepayments to foreign suppliers	45	203
Other taxes prepaid	66	-
Deferred cost	644	388
Total	2.022	860

8. Trade accounts receivable

Trade accounts receivable consist of:

	30 June 2007	31 December 2006
Trade accounts receivable	26.259	36.200
Impairment in the beginning of the year	(1.837)	(1.848)
Doubtful accounts receivable recovered		12
Doubtful accounts receivable write off	2	-
Additional impairment during the year		(1)
Impairment at the end of the year	(1.835)	(1.837)
Total	24.424	34.363

9. Other accounts receivable

Other accounts receivable consist of:

	30 June 2007	31 December 2006
Import VAT	488	-
Import excise	2.512	-
Other accounts receivable	536	320
Impairment	(130)	(130)
Total	3.406	190

Import excise and import VAT receivable as of 30 June 2007 is recorded both as an asset and a liability (Note 13). In accordance with the prevailing legislation, import excise and import VAT incurred is recorded as a payable to the Customs Department. However, until the 16th of next month payment of import excise and import VAT due to the Customs Department the amount paid is refundable or might be anulled by the State Tax Inspectorate, the central tax administrator in Lithuania. Due to this, the import excise and the import VAT amount recorded as a liability is also an asset to the Company.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	30 June 2007	31 December 2006
Cash in banks	5.383	3.648
Cash on hand	217	28
Total	5.600	3.676

11. Shareholders' equity

Revaluation reserve

	30 June 2007	31 December 2006
Increase in value of AB Šiaulių Bankas shares	11.757	11.851
Deferred income tax to equity	(1.778)	(1.778)
Total	9.979	10.073

Profit distribution

On 27 April 2007 the General Shareholders' Meeting allowed for the shareholders to pay 8,132 thousand Litas dividends.

12. Basic earnings per share

Basic earnings per share are calculated as follows:

	For the six month period ended 30 June	
	2007	2006
Net profit, attributable to the shareholders	3.993	4.559
Number of shares (thousands)	50.827	50.827
Earnings per share (LTL)	0,08	0,09

AB Alita has no dilutive potential shares or convertibles. The diluted earnings per share are the same as the basic earnings per share.

Notes to the consolidated interim financial statements
for the six month period ended 30 June 2007
(LTL '000 unless otherwise stated)

13. Accrued liabilities

Accrued liabilities are listed below:

	30 June 2007	31 December 2006
Excise duty	7.532	12.184
Import excise (Note 9)	2.752	-
Value added tax (VAT)	2.829	5.519
Import VAT (Note 9)	488	-
Advances received	1.822	2.164
Salaries	853	491
Accrued social security tax	557	372
Withholding income tax	323	121
Vacation pay	1.226	1.003
Other accrued liabilities	8.295	2.095
Total	26.677	23.949

14. Long-term and short-term bank loans and leasing liabilities

	30 June 2007	31 December 2006
Long-term loan payable by AB Alita	3.396	3.396
Long-term leasing liabilities payable by UAB Alita Distribution	974	-
Long-term leasing liabilities payable by UAB Vilkmergės alus	89	-
Total long-term liabilities	4.459	3.396
Current portion of long-term loan payable by AB Anykščių Vynas	414	1.657
Current portion of long-term loan payable by AB Alita	11.400	22.800
Credit line payable by AB Alita	20.000	10.000
Overdraft by AB Alita	3.643	-
Short-term loan payable by AB Anykščių Vynas	2.762	1.485
Short-term loan payable by UAB Alita Distribution	1.661	-
Curent portion of long-term leasing liabilities payable by UAB Alita Distribution	168	-
Curent portion of long-term leasing liabilities payable by UAB Vilkmergės alus	24	-
Total short-term liabilities	40.072	35.942

15. Information about audit

Concolidated financial statemens for the six month period ended 30 June 2007 was not audited. An audit will be perform for the full financial year 2007.

The comparative information is taken from consolidated financial statements for the year 2006, which was prepared and audited in accordance with International Financial Reporting Standarts as adopted by European Union.