UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM
COMMISSION FILE NUMBER 0-24341

Central European Distribution Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware	**54-1865271**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
Two Bala Plaza, Suite #300, Bala Cynwyd, PA	**19004**
(Address of Principal Executive Offices)	**(Zip code)**

Registrant's telephone number, including area code: (610) 660-7817

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, par value $0.01 per share
(Title of Class)

Securities registered pursuant to Section 12(g) of the Act:
Not Applicable

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2008, was approximately $797,718,384.30 (based on the closing price of the registrant's common stock on the NASDAQ Global Select Market)

As of February 25, 2009, the registrant had 49,444,874 shares of common stock outstanding.

Documents Incorporated by Reference

Portions of the proxy statement for the annual meeting of stockholders to be held on April 30, 2009 are incorporated by reference into Part III.

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The disclosure and analysis of Central European Distribution Corporation, or the Company, in this report contain forward-looking statements, which provide the Company's current expectations or forecasts of future events. Forward-looking statements in this report include, without limitation:

- information concerning possible or assumed future results of operations, trends in financial results and business plans, including those relating to earnings growth and revenue growth, liquidity, prospects, strategies and the industry in which the Company and its subsidiaries operate;
- statements about the level of the Company's costs and operating expenses relative to its revenues, and about the expected composition of its revenues;
- statements about the Company's consummation and integration of its acquisitions, including future acquisitions the Company may make;
- information about the impact of Polish, Hungarian and Russian regulations on the Company's business;
- other statements about the Company's plans, objectives, expectations and intentions; and
- other statements that are not historical facts.

Words such as "believes", "anticipates" and "intends" may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. The Company's actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the factors described in the section entitled "Risk Factors" in this report. Other factors besides those described in this report could also affect actual results. You should carefully consider the factors described in the section entitled "Risk Factors" in evaluating the Company's forward-looking statements.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. The Company undertakes no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this report, or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks the Company describes in the reports it files from time to time with the Securities and Exchange Commission, or SEC.

In this Form 10-K and any amendment or supplement hereto, unless otherwise indicated, the terms "CEDC", the "Company", "we", "us", and "our" refer and relate to Central European Distribution Corporation, a Delaware corporation, and, where appropriate, its subsidiaries.

PART I

Item 1. Business

Central European Distribution Corporation ("CEDC"), a Delaware corporation incorporated on September 4, 1997, and its subsidiaries (collectively referred to as "we," "us," "our," or the "Company") operate primarily in the alcohol beverage industry. We are Central and Eastern Europe's largest integrated spirit beverages business with our primary operations in Poland, Hungary and Russia. In Poland, we are the largest vodka producer by value and volume and produce the Absolwent, Zubrówka, Bols and Soplica brands, among others. In Russia, we produce and sell one of the leading vodkas in the premium segment, Parliament Vodka. Through our investment in the Russian Alcohol Group, referred to as RAG, we also produce and sell the number one selling vodka in Russia, Green Mark, a mainstream brand. In addition, we produce and distribute Royal Vodka, the number one selling vodka in Hungary. We also currently export our products to many markets around the world.

We are also the leading distributor of alcoholic beverages in Poland and a leading importer of spirits, wine and beer in Poland, Russia and Hungary. We currently import to those countries on an exclusive basis many leading brands of spirits and wine, including internationally recognized brands.

The production, sales and distribution of alcoholic beverages is typically a seasonal business. The fourth quarter is typically the busiest quarter and the first quarter is typically the least busy quarter. For the 12 months ending December 31, 2008, we realized almost 28% of our sales and 39% of our operating profit during the fourth quarter, as compared to 19% of sales and 13% of operating profit during the first quarter of 2008. We do not believe we are dependant on any customer in our sales activities.

In addition, measures of our revenue and long-lived assets, broken down by geographic region, can be found in Note 25 to our consolidated financial statements. and measures of net revenues, operating profit and operating assets broken down by business segment in Note 21 to our consolidated financial statements.

Our Competitive Strengths as a Group

Strong portfolio and distribution leverage in Poland—We are the largest vodka producer by value and volume in Poland. In 2008, the companies in our group produced and sold approximately 30.1 million nine-liter cases of vodka in the four main vodka segments in Poland: top—premium, premium, mainstream and economy. We have a leading import portfolio of premium wines and spirits which, together with our vodka brands, is run through our distribution network: the largest next-day delivery service in Poland. We currently import on an exclusive basis many leading brands of spirits, wine from over 40 producers and 5 brands of beer, including internationally recognized brands such as Corona, Budvar, Guinness, Carlo Rossi Wines, Concha y Toro wines, Metaxa Brandy, Rémy Martin Cognac, Guinness, Sutter Home wines, Grant's Whisky, Jagermeister, E&J Gallo wines, Jim Beam Bourbon, Sierra Tequila, Teacher's Whisky, Campari, Cinzano, Skyy Vodka and Old Smuggler.

We believe that being both the largest producer of domestic vodkas and a leading importer of premium wines, beer and spirits provides us with strong portfolio leverage and bargaining power to develop sales in the Polish market, including large retail chains and on-premise accounts. Additionally, our own distribution infrastructure provides us with the distribution leverage to serve independent retailers, which still represent the majority of spirit and wine sales in Poland.

Solid platform for further expansion in the fragmented Russian spirit market—Through our Parliament acquisition, and our investment in Russian Alcohol Group, we have become the largest vodka producer in Russia. Both Parliament and RAG have strong brand equity in their leading vodka brands as they are leaders in their respective categories. These brands are backed by a sales force of over 1,800 that are in the market place every day ensuring that our brands are at the forefront of the market. Parliament accomplishes this with a sales force of

over 300. RAG accomplishes this with a sales force of over 1,500 employees that is separated into Exclusive Sales Teams . The Exclusive Sales Teams work within each designated wholesaler that they are assigned to cover, meaning that, day in and day out, a RAG sales person is monitoring and promoting our brands in each of the major wholesaler accounts throughout Russia. We believe this structure gives us a great advantage over our competitors who do not have such a dynamic sales system. We believe our sales structure will continue to prove effective in gaining market share especially in the next few years of expected market consolidation.

Attractive platform for international spirit companies to market and sell products in Poland, Russia and Hungary—Our existing import and distribution platforms (whether direct in Poland or indirect in Hungary and Russia) and our proven sales and marketing infrastructure in Poland, Russia and Hungary provide us with an opportunity to continue to expand our import portfolio. We believe we are well-placed financially and structurally to service the needs of existing and other international alcoholic beverage companies that wish to sell their products in these markets by taking advantage of our sales and marketing infrastructure, as Gallo Wines has recently done by signing an exclusive agency contract with us to import their Carlo Rossi wines into Russia. We have had Carlo Rossi wine as an exclusive agency brand in Poland over the last two years and, during that time, Carlo Rossi has become the number one selling wine in Poland both in value and volume terms.

Attractive market dynamics—We believe that a combination of factors make Poland and Russia attractive markets for well-positioned companies involved in the alcoholic beverages industry.

- Poland and Russia have historically been large markets for vodka consumption. Poland and Russia rank as the fourth largest and largest markets of vodka in the world, respectively, by volume, where vodka accounts for over 90% of all spirits consumed in both markets. In Poland, we believe, based on industry statistics and our own experience, that approximately 60-65% of vodka sales are still made through the so-called “traditional trade,” which consists primarily of smaller stores, usually owned and operated by independent entrepreneurs, and local supermarkets. The traditional trade provides our primary source of sales, which we serve through our nation-wide next day distribution platform. In Russia, our large, dedicated sales force especially our Exclusive Sales Teams, gives us a competitive advantage over our competitors in a fragmented wholesaler environment.
- As consumers in Poland and Russia demand a wider range of alcoholic beverages from mainstream to super premium in wine and spirits both domestically produced and imported, we are well-positioned to meet the demand with number one selling brands by value and volume in the domestic vodka mainstream and sub-premium categories. Unlike many of our competitors, we believe we are well-positioned to meet that demand with the combination of our market-leading domestically produced products and our exclusive import products which provide top quality and the right value proposition to meet the changing economic times.

Professional and experienced management team—Our management team has significant experience in the alcoholic beverage industry in Poland and has increased profitability and implemented effective internal control over financial reporting. William Carey, our chairman, chief executive officer and president, was one of our founders and has been a key contributor to the growth and success of our business since its inception. Our Chief Operating Officer, Evangelos Evangelou, has been with our company since 1998 and has been instrumental in leading our acquisition strategy and integration program both in Poland and Russia. Christopher Biedermann, our Chief Financial Officer, has been with the company since 2005 and has built and oversees a strong team of business analysts and internal control experts both in Poland and Russia.

Recent Acquisitions

On March 11, 2008, the Company and certain of its affiliates acquired from White Horse Intervest Limited, a British Virgin Islands Company, and certain of White Horse’s affiliates, 85% of the share capital of Copecresto Enterprises Limited, a Cypriot company. Copecresto owns various alcoholic beverage production and distribution assets in Russia, including the Parliament vodka brand, which is a top selling premium vodka brand in Russia.

On May 23, 2008, the Company and certain of its affiliates acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interests, in the Whitehall Group. The Whitehall Group is a leading importer of premium spirits and wines in Russia.

On July 9, 2008, the Company closed a strategic investment in RAG through an equity investment which provided the Company with an effective indirect stake of approximately 42% in RAG. This transaction is in connection with Lion Capital LLP's acquisition of a controlling stake in RAG. RAG is the largest vodka producer in Russia and produces leading vodka brands such as Green Mark, which is the number one vodka brand in Russia, and Zhuravli, a top selling premium vodka brand behind CEDC's Parliament.

Industry Overview

Poland

The total net value of the alcoholic beverage market in Poland was estimated to be approximately $6 to $8 billion in 2008. Total sales value of alcoholic beverages at current prices increased by approximately 5-8% from December 2007 to December 2008. The increase was the result of increased sales value of all main groups of alcoholic products**,** for which we estimate the following growth: beer (by approximately 2%), spirit products (by approximately 6-8%) and wine (by approximately 10-12%). Beer and vodka account for approximately 91% of the value of sales of all alcoholic beverages.

The alcoholic beverage distribution industry in Poland is competitive. We compete primarily with other distributors and indirectly with hypermarkets. We compete with various regional distributors in all regions where our distribution centers and satellite branches are located. Competition with these regional distributors is greatest with respect to domestic vodka brands. We address this regional competition, in part through offering our customers competitive pricing, reliable service and in-store promotions of our own brands, which we believe gives us an advantage over our competitors. In addition, we have over 16 years of sales experience in establishing and developing relationships with our clients throughout Poland.

The number of hypermarkets (which have been the primary threat to alcoholic beverage distributors in Western Europe because they purchase directly from suppliers) has recently stabilized in Poland. However, various socio-economic factors also work against the hypermarkets, such as smaller average living spaces which limit consumers' ability to buy in bulk. In addition, there has been on-going legislation that has restricted hypermarkets' growth in order to protect smaller stores. For these reasons, we expect growth of hypermarkets to be flat in the coming years. We also expect the growth of discount stores to continue based on the same aforementioned trends in the market place.

Spirits

The production of spirits in Poland is also competitive. We compete primarily with eight other major spirit producers in Poland, some of which are privately-owned while others are still state-owned. The spirit market in Poland is dominated by the vodka market. The vodka market is broken down into four main segments: Top Premium (imported products represent 95% of segment), Premium, Mainstream and Economy. We produce vodka in all four segments and have our largest market share in the mainstream segment. Though vodka brands compete against each other from segment to segment, the most competition is found within each segment. As we have a presence in each category and have four of the top ten best selling vodka brands in Poland, and as we have approximately a 29% market share measured by value, we are in a good position to compete effectively in all four segments.

Domestic vodka consumption dominates the Polish spirits market with over 96% market share, as Poland is the fourth largest market in the world for the consumption of vodka and one of the top 25 markets for total alcohol consumption worldwide. The Polish vodka market is divided into four segments based on quality and price(*):

- Top premium and imported vodkas, with such brands as *Finlandia*, *Absolut*, ***Bols Excellent***, *Chopin*, and *Królewska*;

- Premium segment, with such brands as ***Bols Vodka***, *Sobieski*, *Wyborowa*, *Smirnoff*, *Maximus*, and ***Palace Vodka***;
- Mainstream segment, with such brands as ***Absolwent***, ***Batory***, ***Zlota Gorzka***, *Luksusowa,* ***Soplica***, ***Zubrówka***, *Zoladkowa Gorzka, Polska*; and
- Economy segment, with such brands as *Starogardzka, Krakowska,* ***Boss***, ***Niagara***, ***Czysta Slaska***, *Prezydent, Z Czerwona Kartka, and* ***Ludowa***.

(*) Brands in bold face type are produced by us.

In terms of value, the top premium and imported segment accounts for approximately 6% of total sales volume of vodka, while the premium segment accounts for approximately 20% of total sales volume. The mainstream segment, which is the largest, now represents 47% of total sales volume. Sales in the economy segment have declined such that the economy segment currently represents 28% of total sales volume.

Wine

The Polish wine market, which grew to an estimated 95.6 million liters in 2008, is represented primarily by two categories: table wines, which account for 3.6% of the total alcohol market, and sparkling wines, which account for 1% of the total alcohol market. As Poland has almost no local wine production, the wine market has traditionally been dominated by imports, with lower priced Bulgarian wines representing the bulk of sales. However, over the last three years, sales of new world wines from regions such as the United States, Chile, Argentina and Australia have seen rapid growth. In 2008, it is estimated that sales of wine from these regions grew by 28% in value as compared to a decrease in sales of wine in value from Bulgaria of 4% in value. Also in 2008, our exclusive agency brand, Carlo Rossi, became the number one selling wine in Poland in value and volume terms replacing wines from old Warsaw Pact nations.

We believe that consumer preference is trending towards higher priced table wines. The best selling wines in Poland previously retailed for under $3 per bottle. Currently, the best selling wines retail in the $3 to $6 range. As the price point for wine stabilizes in the short term, we believe we are in a good position to take advantage of this trend as our import wine portfolio has a concentration in the $3 to $9 retail price range.

Beer

Poland is the fourth largest beer market in Europe and has been growing since 1993. Sales of beer account for 51.2% of the total sales value of alcoholic beverages in Poland. Consumption grew approximately 1.7% during 2008 to reach approximately 35.1 million hectoliters. As a result, beer consumption in Poland has reached average European Union levels of approximately 96 liters per capita per annum in 2008. Therefore, we anticipate that future growth in the beer market is likely to slow to approximately 1% to 2% per year in the next few years or even decrease 3% to 4% depending on the weather in summer months.

Three major international producers, Heineken, SAB Miller and Carlsberg, control 88% of the market through their local brands. Imported brands represent less than 2.5% of the total beer market in Poland.

Russia

Russia, with its official production of approximately 1.21 billion liters in 2008, is by far the largest vodka market worldwide, leaving its competitors behind in terms of volume. The Russian vodka market is fragmented, with the top 5 producers having a combined market share of approximately 37% in 2008 and the top eleven producers only having a market share of approximately 52%. These numbers are up from 2007 when the top 5 producers had approximately only a 28% market share and the top eleven producers had approximately a 45% market share. Further sector consolidation has been ongoing in recent years, with the potential to continue in the

near term. The number of vodka producers on the market has halved over the last five years, and the number of licensed vodka and other spirits manufacturers has dropped from 351 in 2006 to 275 in 2007 and to 240 in 2008. The Russian vodka market is well protected from foreign competition and imports, mainly due to efficient mass production, limited advertising and high logistics costs, making it difficult to compete with local producers.

The competitive landscape in Russia has seen a consolidation over the last few years, and we expect this consolidation to continue in 2009. During the last year, our market share grew by value approximately 33% over 2007 results. Synergy, one of our competitors, also gained market share in 2008 albeit at a slower rate. However, according to Rosstat and Business Analytica, many of our competitors, including the Veda Group, the SPI Group, Gross, Cristall and Tatspritprom substantially lost market share in the same period.

We believe we are well-positioned to continue to gain market share in 2009 as we have the leading brands by volume and value in the mainstream and sub-premium categories, we have dedicated Exclusive Sales Teams in place, we have experienced management not only at the corporate level but also at the operating level and although the credit environment remains difficult in the region and throughout the world, we believe we are well-financed compared to our competitors. In addition, the Russian government has put in place very restrictive policies on the advertising of spirits. We believe these policies make it difficult for any competitor to buy market share by out-spending its rivals.

Spirits

Vodka consumption dominates the Russian spirits market with over 95% market share. In terms of value, the super-premium segment accounts for approximately 0.5% of total sales volume of vodka, while the sub and premium segment accounts for approximately 8% of total sales volume. The mainstream and middle-price segment, which is the largest, now represents 64% of total sales volume. Sales in the economy segment have declined such that the economy segment currently represents 28% of total sales volume.

Vodka represented 95% of the total Russian spirits market in 2008. It is estimated that the Russian market for vodka in value will continue to grow in value by over 7% per annum from 2007 to 2012, although it is also estimated that total volume in Russia may decline in 2009 and 2010. We believe this will be primarily driven by premiumization among Russian consumers. Over the next few years, we believe that some consumers will move between the premium sector and the mainstream sector. Therefore, companies like ours that have leading brands in the mainstream and premium categories are in a good position for solid growth and to capture additional market share in the next few years. We have not yet seen, nor do we expect to see in 2009, a dramatic shift to the economy sector. As noted above, the Russian vodka market is also quite fragmented, with the top five producers having only a 35% market share in 2008 as compared to a 78% market share in Poland. We believe that the Russian market will experience trends similar to those experienced in the Polish market and will continue to see further consolidation of the market as the retail infrastructure further consolidates and develops.

Wine

According to market data, Russia has relatively low wine consumption per capita (about 8 liters per year). It is expected to grow at an 8.6% compound annual growth rate during the period 2007- 2012. The Russian wine market is recovering after the crisis in 2006 caused by the introduction of the Unified State Automated Information System (USAIS/EGAIS) and bans on imports of wines from Georgia and Moldova. Renaissance Capital estimates that, the Russian wine market has grown by 10% in 2008 and will grow at an 8.1% compound annual growth rate in volume terms during the period 2007- 2012, and even more in value terms.

Currently the fastest growing category in the Russian wine market is sparkling wine. In 2008, sparkling wine sales grew 12% by volume and 22% by value terms, according to Euromonitor. Despite the fact that domestic wines prevail on the market, the share of imported higher quality wines is constantly growing. We believe we can benefit in the future from the growing Russian wine market through the import and distribution of

high-margin wines and the addition of new wines to our import and distribution portfolio in Russia. We have recently signed with Gallo to import on an exclusive basis Gallo's Carlo Rossi wine selection. Through our Whitehall subsidiary, we import wines from Constellation, Concho Toro and LVMH as well as others.

Hungary

Spirits

The Hungarian spirit market is dominated mainly by bitters and brown spirits. Currently, the most popular spirit drinks are Jägermeister, Royal Vodka, Kalinka vodka, Unicom, Metaxa and Johnnie Walker. The current significant trends in the Hungarian spirit market are the overall decrease in total spirit consumption and a pronounced move by the consumer to branded imported spirits. Our Royal Vodka brand is the number one selling vodka in Hungary. In addition, Hungary is now the third largest market for sales of our exclusive agency brand, Jägermeister.

We believe that the total size of the spirit market in Hungary is approximately 58 million liters which has declined in 2008 by approximately 6.9%. However despite the decreasing total sales volume of spirits, we believe that the share of imported spirits, the segment in which we operate, is growing (increasing 5% from 2007 to 2008, and 16.2% in the past 5 years), while the consumption of local spirits is in decline. The increasing share of import was a result of eliminated custom duty and the improving purchasing power since the EU accession, as well as the continuous marketing and advertising activities of the imported spirit brands.

The spirit market is split into two major segments in Hungary: local producers and importers. The local producers are mainly dealing with low-cost, mainstream or below, local products, as well as with premium fruit-based spirits (palinka). The import spirit market is more competitive and relatively fragmented. The major players are the market leader Zwack Unicum Zrt (with an interest in both the local and import spirit segment), CEDC in Hungary as the biggest spirit importer company, and Bacardi-Martini, Pernod Ricard Hungary, Heinemann and Brown-Forman (distributed by Coca-Cola Beverages). CEDC's advantage in Hungary is in part its wide portfolio with the number one leading brands in the vodka, bitter and imported brandy categories, while also having key top 3 brands in the whisky, tequila and liqueur categories, as well as an experienced sales and marketing team offering premium service and building strong brand equities.

Operations by Country

Poland

We are the largest vodka producer by value and volume in Poland, and one of the largest producers of vodka in the world. We own two production sites in Poland: Bols and Polmos Białystok. In the Bols distillery, we produce the *Bols* and *Soplica* vodka brands, among other spirit brands. *Bols Vodka* is the number one selling premium vodka in Poland by volume and value. *Soplica* has consistently been one of the top ten mainstream selling vodkas in Poland. Polmos Białystok produces *Absolwent*, which has been the number one selling vodka in Poland for the last eight years. In addition to the *Absolwent* brand, Polmos Białystok also produces *Zubrówka*, which also is exported out of Poland to many markets around the world, including the United States, England, Japan and also France, where it is the number two imported premium vodka by volume.

We are the leading importer of spirits, wine and beer in Poland. We currently import on an exclusive basis approximately 40 leading brands of spirits, wine from over 40 producers and 5 brands of beer.

We are also the leading national distributor of alcoholic beverages in Poland by value, and we believe we offer one of the broadest portfolios of alcoholic beverages with over 700 brands. We operate in a highly fragmented market served by an estimated 170 distributors. We operate the largest nationwide delivery service in Poland, and we provide next day delivery through our 19 distribution centers, 124 satellite branches and large fleet of delivery trucks. We believe that we are the leading distributor in each category of alcoholic beverages we distribute in Poland, except for domestic beer.

Brands

We produced and sold approximately 10.1 million nine-liter cases of vodka through our Polish business in 2008 in the four main vodka segments in Poland: top premium, premium, mainstream and economy.

Our mainstream Absolwent brand has been the number one selling vodka in Poland for the last eight years, based on volume and value. Bols vodka is the number one selling premium vodka in Poland and number 2 in Hungary by value. Soplica, a mainstream brand, has consistently been one of the top 10 selling vodkas in Poland. Our *Zubrówka* brand is the second best selling flavored/colored vodka in Poland and is exported to markets around the world. In 2008, we sold abroad approximately 166 thousand nine-liter cases of *Zubrówka*. In addition, we produce the top selling vodka in Hungary, Royal Vodka, which we distribute through our subsidiary Bols Hungary.

Import Portfolio

We have exclusive rights to import and distribute approximately 40 leading brands of spirits, wine and beer into Poland and distribute these products throughout the country. We also provide marketing support to the suppliers who have entrusted us with their brands.

Our exclusive import brands in Poland include the following:

LIQUEURS	WHITE SPIRITS	BROWN SPIRITS	VERMOUTH & BITTERS	WINE & CHAMPAGNES	BEER	NON ALCOHOLIC
Disaronno Amaretto	Skyy vodka	Jim Beam	Cinzano—vermouth	Sutter Home	Guinness	Evian
Sambuca	Tequila Sierra	Cognac Camus	Campari	Miguel Torres	Kilkenny	Badoit
Amaretto Gozio	Cana Rio Cachaca	Cognac Remy Martin	Jaegermeister	Concha y Toro	Bitburger	
Amaretto Florence	Gin Finsbury	Metaxa		Gallo	Budwar	
Amaretto Venice	Nostalgia Ouzo	Brandy Torres		Carlo Rossi	Corona	
Cointreau	Grappa Piave	Brandy St Remy		B. P. Rothschild		
Passoa	Grappa Primavera	Whisky William's		Frescobaldi		
Bols Liqueurs	Tequila Sauza	Whisky Teacher's		Codorniu		
		Whisky Old Smuggler		Piper Heidsieck		
		Whisky Glen Grant		Penfolds		
		Grant's		Trivente		
		Glenfiddich		Rosemount		
		Balvenie		Trinity Oaks		
		Clan MacGregor		Terra d'oro		
		Rum Old Pascas		M.Chapoutier		
				Boire Manoux		
				Faustino		
				J.Moreau & Fils		
				Kressmann		
				Laroche		

Sales Organization and Distribution

Our business involves the distribution of products that we import on an exclusive basis and products we produce from our two distilleries (Bols and Polmos Białystok). In addition, we handle the distribution of a range of products from the local and international drinks companies operating in Poland for which we are the largest distributor for many of such suppliers.

We operate the largest nationwide next-day alcoholic beverage delivery service with 19 distribution centers and 124 satellite branches located throughout Poland. We distribute over 700 brands of alcoholic beverages consisting of a wide range of alcoholic products, including spirits, wine and beer, as well as non-alcoholic beverages.

The following table illustrates the breakdown of our sales in Poland in the twelve months ended December 31, 2008, 2007 and 2006:

Sales Mix by Product Category	2008	2007	2006
Vodka	76%	72%	75%
Beer	9%	9%	9%
Wine	7%	8%	8%
Spirits other than vodka	6%	10%	7%
Other	2%	1%	1%
Total	100%	100%	100%

We distribute products throughout Poland directly to approximately 39,000 outlets, including off-trade establishments, such as small and medium-size retail outlets, petrol stations, duty free stores, supermarkets and hypermarkets, and on-trade locations, such as bars, nightclubs, hotels and restaurants, where the products we distribute are consumed. These accounts are serviced by approximately 650 salespeople in Poland. One of our key objectives is to distribute more of our own products over time and, to that end, we have established an incentive compensation system for our salespeople for both products that we produce and products that we import exclusively into Poland.

Beginning in 2006, we implemented a more targeted sales approach. We narrowed the focus of our domestically located salespeople by assigning each sales person to a specific channel: key accounts (hypermarkets, discount stores and gas stations), on-trade accounts or traditional trade accounts. We believe that a specific targeted sales focus in each of these channels is key to delivering future growth.

The hypermarket and discount channels require a dedicated national sales team to handle their specific requirements. This team is responsible for promoting our brands in these national chains by implementing below the line activities, such as price promotions and pallet displays.

The use of a national, dedicated on-trade only sales team, the largest sales team of its kind in Poland to date, to work closely with bar, restaurant and hotel owners provides us with a key opportunity to promote and sell our brands and build brand awareness and brand equity with consumers. This is especially important given the restrictions on media advertising for spirits. The traditional trade sales force continues to focus on the channel in Poland that is still the dominant area in terms of sales volume. In addition, each of these account groups is also assigned a marketing and merchandizing team that works in conjunction with the sales team to serve the client.

Export activities

Our export team works separately from our domestic sales team and reports directly to our Director of Export. Our primary export is *Zubrówka,* which is exported to the United States, the United Kingdom, Japan and France, where it maintains its position as the top Premium vodka by value and volume in the French market. It is also exported to over 30 other markets with plans to enter a number of new markets in 2009. Absolwent (Graduate in export) is showing double digit growth in its key markets of the U.K., Ireland, the U.S. and Japan.

The CEDC Export team has assumed responsibility for Parliament Russian Vodka. The brand is well established within the CIS countries and is currently also exported to a number of European Union markets, with Germany being the most important export market by volume and value. Parliament Russian Vodka is a positive addition to our export portfolio. CEDC has also become a supplier of choice for both private label brands and high quality bulk spirit. Customers range from major retail chains in Europe, to premium brand owners in the United States.

Sources and Availability of Raw Materials for Spirits that We Produce

The principal components in the production of our distilled spirits are products of agricultural origin, such as rectified spirit, as well as flavorings, such as bison grass for *Zubrówka*, and packaging materials, such as

bottles, labels, caps and cardboard boxes. We purchase raw spirit, bison grass and all of our packaging materials from various sources in Poland by contractual arrangement and through purchases on the open market. Agreements with the suppliers of these raw materials are generally negotiated with indefinite terms, subject to each party's right of termination upon six months' prior written notice. The prices for these raw materials are negotiated every year.

We have several suppliers for each raw material in order to minimize the effect on our business if a supplier terminates its agreement with us or if disruption in the supply of raw materials occurs for any other reason. We have not experienced difficulty in satisfying our requirements with respect to any of the products needed for our spirit production and consider our sources of supply to be adequate at the present time. We do not believe that we are dependent on any one supplier in our production activities.

Employees

As of December 31, 2008, we employed in Poland 3,262 employees including 3,132 persons employed on a full time basis.

Polish labor laws require that certain benefits be provided to employees, such as a certain number of vacation days, maternity leave and retirement bonuses. The law also restricts us from terminating employees without cause and, in most instances, requires a severance payment of one to three months' salary. Additionally, we are required to contribute monthly payments to the governmental health and pension system. Most of our employees are not unionized, and we have had no significant employee relations issues. In addition to the required Polish labor law requirements, we maintain an employee incentive stock option plan for key management and provide supplemental health insurance for qualified employees.

Government Regulations

The Company is subject to a range of regulations in Poland, including laws and regulations on the environment, trademark and brand registration, packaging and labeling, distribution methods and relationships, pricing and price changes, sales promotions and public relations, and may be required to obtain permits and licenses to operate its facilities. The Company is also subject to rules and regulations relating to changes in officers or directors, ownership or control.

The Company believes it is in compliance in all material respects with all applicable governmental laws and regulations in Poland, and expects all material governmental permits and consents to be renewed by the relevant governmental authorities upon expiration. The Company also believes that the cost of administration and compliance with, and liability under, such laws and regulations does not have, and is not expected to have, a material adverse impact on its financial condition, results of operations or cash flows.

Environmental Matters

We are subject to a variety of laws and regulations relating to land use and environmental protection, including the Polish Environmental Protection Law of April 27, 2001 (Dz.U. 2006. 129.902, as amended), the Polish Waste Law of April 27, 2001 (Dz.U. 2001. 62.628 as amended), the Polish Water Management Law of April 18, 2001 (Dz.U.2005.239. 2019, as amended) and the Polish Act on Entrepreneurs' obligations regarding the management of some types of waste and deposit charges of May 11, 2001 (Dz.U. 2001.63.639, as amended). We are not required to receive an integrated permit to operate our Polmos Białystok and Bols production plants. However, we receive certain permits for the economic use of the environment, including water permits, permits for production and storage of waste and permits for discharge of pollutants into the atmosphere. In addition, we have entered into certain agreements related to the servicing and disposal of our waste, including raw materials and products unsuitable for consumption or processing, paper, plastic, metal, glass and cardboard packaging, filtration materials (used water filter refills), used computer parts, unsegregated (mixed) residential waste,

damaged thermometers and alcoholmeters, used engine and transmission oils, batteries and other waste containing hazardous substances. In addition, we pay required environmental taxes and charges related primarily to packaging materials and fuel consumption and we believe we are in material compliance with our regulatory requirements in this regard. While we may be subject to possible costs, such as clean-up costs, fines and third-party claims for property damage or personal injury due to violations of or liabilities under environmental laws and regulations, we believe that we are in material compliance with applicable requirements and are not aware of any material breaches of said laws and regulations.

Trademarks

With the acquisitions of the Bols and Polmos Białystok distilleries, we became the owners of vodka brand trademarks. The major trademarks we have acquired are: Bols Vodka brand (we have a perpetual, exclusive, royalty-free and sub-licensable trademark agreement for Poland, Russia and, as of September 26, 2006, Hungary), Soplica, which we own through Bols, and the Absolwent and Zubrówka brands, which we own through Polmos Białystok. In addition, in July of 2006, we acquired the trademark for Royal Vodka, which is produced in Poland and which we currently sell in Hungary through our Bols Hungary subsidiary. See "Risk Factors—We may not be able to protect our intellectual property rights".

Alcohol Advertising Restrictions

Polish regulations do not allow any form of "above-the-line advertising and promotion", which is an advertising technique that is conventional in nature and impersonal to customers, using current traditional media such as television, newspapers, magazines, radio, outdoor, and internet mass media, for alcoholic beverages with greater than 18% alcohol content.

We believe we are in material compliance with the government regulations regarding above-the-line advertising and promotion. To date, we have not been notified of any violation of these regulations.

Russia

We are the leading integrated spirits beverages business in Russia with an approximate 20% market share in vodka production. Through our Parliament acquisition, we own the rights to the leading sub-premium vodka brand *Parliament*. The Russian Alcohol Group, the largest vodka producer in Russia has an approximate 16% (at year end 2008) market share. The Russian Alcohol Group, in which the Company has a 42% stake, is consolidated using the equity method, produces *Green Mark*, the number one selling vodka in Russia and produces *Zhuravli*, the second best selling sub-premium brand, as well as other local vodka brands and premixed drinks.

The hypermarkets and large retail chains are expanding throughout Russia with different sized formatted stores, which is expected to better cover and penetrate those areas outside of the major cities of Russia. As we have central agreements in place with these hypermarkets and large retail chains and as we have the largest trademark budget for spirits in Russia and the leverage it brings, we expect to benefit from this expansion along with the hypermarkets and large retail chains.

In 2008, The Russian Alcohol Group completed construction on a distillery in Novosibersk, a city east of the Ural Mountain Range. This new production facility has added production capabilities for the group as we continue to grab market share in the spirit industry consolidation occurring in Russia. This facility also dramatically shortens the supply chain to the eastern provinces and reduces associated logistic costs and time of delivery.

We also completed our acquisition of 75% of the economic interests in the Whitehall Group, which holds the exclusive rights to the import of such premium wine brands as Concha y Toro and Constellation Brands, as well as certain Gruppo Campari brands. The company is also involved in a joint venture with Moet Hennessy—the French spirits and champagne business of LVMH. In addition to these import activities, Whitehall is also the

owner of distribution centers in Moscow, Saint Petersburg, Rostov and Siberia as well as a wine and spirits retail network located in Moscow. In February 2009, we concluded an amendment to our Whitehall share purchase agreement pursuant to which we have among other things subsequently increased our economic ownership in the Whitehall Group to 80%.

Brands

The Parliament Group in Russia, which owns various alcoholic beverage production and distribution assets, produces *Parliament* vodka, which is a top selling sub-premium vodka brand in Russia. It reached sales of over 3 million nine-liter cases in 2008. Parliament is also one of the leading export brands in Western Europe with sales of over 200,000 9L cases.

The Russian Alcohol Group ("Russian Alcohol") produces *Green Mark*, the number one selling brand in Russia, which is in the mainstream sector, and *Zhuravli*, a top selling sub-premium vodka brand in Russia behind our Parliament brand. Russian Alcohol is also the largest vodka producer in Russia with 2008 sales volume in excess of 17 million nine-liter cases.

Import Portfolio

We are one of the leading importers of wine and spirits in Russia through the Whitehall Group, which we refer to as Whitehall. Whitehall has exclusive rights to import and distribute a number of brands of spirits and wines into Russia. Exclusively imported brands include the following:

BROWN SPIRITS	*CHAMPAGNES*	*WINES*
Hennessy	Krug	Asti Mondoro
Cortel Brandy	Veuve Clicquot	Concha y Toro
Glenmorangie	Dom Perignon	Hardy's
Ardbeg	Moet & Chandon	Robert Mondavi
Old Smuggler		Paul Masson
Glen Grant		Nobilo
Gautier		

Sales Organization and Distribution

In Russia, Whitehall, Parliament and RAG have strong sales teams that sell direct to the key retail accounts and primarily relies on third-party distribution through wholesalers to reach the small to medium sized outlets. RAG has Exclusive Sales Teams that were introduced back in 2006. The total number of staff in Exclusive Sales Teams is over 1,500 people (42 teams) that currently cover 36 regions. The mission of these teams is to maintain direct relationships with retailers and ensure that the Company's products are properly positioned on the shelf. Members of Exclusive Sales Teams are mostly on the distributors' payrolls—indirectly remunerated by RAG via discounts granted to distributors. Exclusive Sales Teams exclusively deal with products of RAG and currently control deliveries to approximately 28,000 points-of-sale (which is about 33% of all points-of-sale in Russia).

The following table illustrates the breakdown of our sales in Russia in for 2008:

Sales Mix by Product Category	**2008**
Vodka	49%
Wine and spirits other than vodka	51%
Total	100%

Sources and Availability of Raw Materials for Spirits that We Produce

The principal components in the production of our distilled spirits are products of agricultural origin, such as rectified spirit and packaging materials, such as bottles, labels, caps and cardboard boxes. We purchase raw

spirit, and all of our packaging materials from various sources in Russia by contractual arrangement and through purchases on the open market. Agreements with the suppliers of these raw materials are generally negotiated with indefinite terms, subject to each party's right of termination upon six months' prior written notice. The prices for these raw materials are negotiated every year.

We have several suppliers for each raw material in order to minimize the effect on our business if a supplier terminates its agreement with us or if disruption in the supply of raw materials occurs for any other reason. We have not experienced difficulty in satisfying our requirements with respect to any of the products needed for our spirit production and consider our sources of supply to be adequate at the present time. We do not believe that we are dependent on any one supplier in our production activities.

Employees

As of December 31 2008, we directly employed in Russia 1,431 employees including 1,349 persons employed on a full time basis. Including employees of the Russian Alcohol Group, in which we have a minority stake and account for under the equity method we employed 5,291 employees in Russia as of December 31, 2008.

Government Regulations

The Company is subject to a range of regulations in Russia, including laws and regulations on the environment, trademark and brand registration, packaging and labeling, distribution methods and relationships, pricing and price changes, sales promotions and public relations, and may be required to obtain permits and licenses to operate its facilities. The Company is also subject to rules and regulations relating to changes in officers or directors, ownership or control.

The Company believes it is in compliance in all material respects with all applicable governmental laws and regulations in Russia, and expects all material governmental permits and consents to be renewed by the relevant governmental authorities upon expiration. The Company also believes that the cost of administration and compliance with, and liability under, such laws and regulations does not have, and is not expected to have, a material adverse impact on its financial condition, results of operations or cash flows.

Alcohol Advertising Restrictions

Russian regulations do not allow any form of "above-the-line advertising and promotion", which is an advertising technique that is conventional in nature and impersonal to customers, using current traditional media such as television, newspapers, magazines, radio, outdoor, and internet mass media, for alcoholic beverages with greater than 18% alcohol content.

We believe we are in material compliance with the government regulations regarding above-the-line advertising and promotion. To date, we have not been notified of any violation of these regulations.

Trademarks

With the acquisition of Parliament and our equity investment in Russian Alcohol we became the owners of vodka brand trademarks in Russia. The primary trademark we have acquired is the Parliament Vodka trademark. In addition through our equity stake in Russian Alcohol we indirectly own brands such as Zielna Marka (Green Mark), Zhuravli and others. See "Risk Factors—We may not be able to protect our intellectual property rights".

Hungary

Brands

In July of 2006, we acquired the trademark for Royal Vodka, which we produce in Poland and which we currently sell in Hungary through our Bols Hungary subsidiary. Royal Vodka is the number one selling vodka in Hungary with market share of approximately 27.6%.

Import Portfolio

With the acquisition of Bols Hungary, we became an exclusive importer of such brands as: *Jägermeister*, which is the top-selling bitter in Hungary, *Metaxa* and others.

Exclusive imported brands to Hungary include the following:

CEDC BRANDS	***LIQUEURS***	***WHITE VODKAS***	***BROWN SPIRITS***
Bols Vodka	Jaegermeister	Jose Cuervo	Cognac Remy Martin
Zubrówka	Bols Liqueurs	Silver Top Dry Gin	Metaxa
Royal Vodka	Cointreau	Calvados Boulard	Brandy St Remy
	Carolans		Grant's
	Passoa		Glenfiddich
	Galliano		Tulamore Dew
	Irish Mist		

Sales Organization and Distribution

In Hungary, we employ approximately 20 salespeople who cover primarily on-trade and key account customers throughout the country.

Employees

As of December 31, 2008, in Bols Hungary we employed 54 employees including 52 persons employed on a full time basis.

Government Regulations

The Company is subject to a range of regulations in Hungary, including laws and regulations on trademark and brand registration, packaging and labeling, distribution methods and relationships, pricing and price changes, sales promotions and public relations. The Company is also subject to rules and regulations relating to changes in officers or directors, ownership or control.

The Company believes it is in compliance in all material respects with all applicable governmental laws and regulations in Hungary, and expects all material governmental permits and consents to be renewed by the relevant governmental authorities upon expiration. The Company also believes that the cost of administration and compliance with, and liability under, such laws and regulations does not have, and is not expected to have, a material adverse impact on its financial condition, results of operations or cash flows.

Recent developments

On February 24, 2009, the Company and the seller amended the terms of the Stock Purchase Agreement governing the Whitehall acquisition to satisfy the Company's obligations to the seller pursuant to a share price guarantee in the original Stock Purchase Agreement. Pursuant to the terms of this amendment, the Company paid to the seller $5,876,351 in cash, and issued to the seller 2,100,000 shares of its common stock, in settlement of a

minimum share price guarantee by the Company. The Company is further obligated to make an additional cash payment of $2,000,000 on March 15, 2009. Deferred payments already due under the original Stock Purchase Agreement are to be paid with €8,050,411 due on June 15, 2009 and €8,303,630 due on September 15, 2009. In consideration for these payments, the Company received an additional 375 Class B shares of Whitehall, which represents an increase in the Company's economic stake from 75% to 80%. Additionally, if, during the 210 day period immediately following the effectiveness of the registration statement the Company is obligated to file to register the shares of Company common stock obtained by the seller in this transaction, the seller sells any of the Company common stock it acquired in the transaction for an average sales price per share, weighted by volume, that is less than $12.03, per share, the Company must pay to the seller the excess, if any, of $12.03 over the volume weighted average sales price per share of the Company's common stock on the day the sale took place, multiplied by the total number of shares sold. Finally, the Company may be obligated to make an additional cash payment to the seller, ranging from €0 to €1,500,000, based upon whether and to what extent the price of a share of the Company's common stock exceeds $12.03 during that same 210 day period. If the Company must make any such payment, it will receive in return up to an additional 75 Class B shares, which represents up to an additional 1% economic stake of Whitehall, based on the sized of the payment.

In addition, in connection with the execution of the amendment to the Stock Purchase Agreement, the parties also entered into an amendment to the Shareholders' Agreement that governs the ongoing governance of Whitehall, pursuant to which the exercise price of the Company's right to require the seller to sell, and the seller's right to require the Company to buy, all of the capital stock of Whitehall held by the seller was increased by the time-adjusted value of any dividends paid by Whitehall.

Also on February 24, 2009, the Company signed a new credit agreement for refinancing PLN 240,000,000 of its short term debt, with substantially the same terms and conditions of the existing credit facility. The new credit agreement provides that, subject to the fulfillment of certain customary conditions, Fortis Bank Polska S.A. and Fortis Bank S.A./NV, Austrian Branch will assign their interests as lenders under the existing credit facility to Bank Polska Kasa Opieki S.A. The new credit facility will accrue interest at an initial interest margin over the Warsaw Interbank Offer Rate of 2%, an increase of 80 basis points over the existing credit facility and will extend the maturity date from March 31, 2009 to February 24, 2011. The Company must repay PLN 60,000,000 on August 24, 2010, and PLN 180,000,000 on February 24, 2011.

We are engaged in discussions with Lion Capital to restructure the current agreement regarding the buyout of the remaining 58% stake in the Russian Alcohol Group, the largest spirit producer in Russia. Although the discussions are not final, and remain subject to further legal, accounting and tax analysis, as well as board approval, we are in general agreement with Lion Capital on the main commercial objectives. We expect an agreement would include a fixed price for the remaining 58% interest in the Russian Alcohol Group that we do not own (including the conversion of our $103.5 million plus accrued interest of loan notes) at a valuation that is more reflective of current market conditions and the positive sales performance of the business. Our payments would be spread out over 5 years ending in the year 2013, with smaller payments for 2009 and 2013 and more equal payments from years 2010 to 2012, and we would agree to certain security arrangements to Lion. We would not take control over the Russian Alcohol Group until 2011, though we would receive significantly enhanced minority rights. We would expect to finance the transaction over the 5 years through a combination of cash, debt and equity. We cannot provide any assurances as to whether, or on what terms, we may reach an agreement to restructure our arrangements in respect of the Russian Alcohol Group.

Corporate Operations and Other

The Corporate Operations and Other division includes traditional corporate-related items including executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal and public relations.

Taxes

We operate in the following tax jurisdictions: Poland, the United States, Hungary, Russia, and the Netherlands. In Poland, Russia and Hungary we are primarily subject to Value Added Tax (VAT), Corporate Income Tax, Payroll Taxes, Excise Taxes and Import Duties. In the United States we are primarily subject to Federal and Pennsylvania State Income Taxes, Delaware Franchise Tax and Local Municipal Taxes. We believe we are in material compliance with all relevant tax regulations.

Excise taxes comprise significant portions of the price of alcohol and their calculations differ by country. In Poland and Russia, where our production takes place, the value of excise tax rates for 2008 amounted to PLN 45.5 ($15.4) and RUB 173.5 ($5.9) per liter of 100% alcohol.

Research and Development

We do not have a separate research and development unit, as new product developments are primarily performed by our marketing department. Our activity in this field is generally related to improvements in packaging and extensions to our existing brand portfolio, or revised production processes, leading to improved taste.

Available Information

We maintain an Internet website at http://www.cedc.com. Please note that our Internet address is included in this annual report as an inactive textual reference only. The information contained on our website is not incorporated by reference into this annual report and should not be considered part of this report.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. We make our annual report, on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and most of our other SEC filings available free of charge through our Internet website as soon as reasonably practicable after we electronically file these materials with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These filings are also available to the public over the Internet at the SEC's website at http://www.sec.gov. In addition, we provide paper copies of our SEC filings free of charge upon request. Please contact the Corporate Secretary of the Company at 1-610-660-7817 or at our address set forth on the cover page of this annual report.

We have adopted a code of ethics applicable to all of our officers, directors and employees, including our Chief Executive Officer and Chief Financial Officer (who is also our Principal Accounting Officer). The code of ethics is publicly available on the investor relations page of our website at http://www.cedc.com. We intend to disclose any amendment to, or waiver from, any provision in our code of ethics that applies to our Chief Executive Officer and Chief Financial Officer by posting such information in the investor relations section of our website at http://www.cedc.com and in any required SEC filings.

Item 1A. Risk Factors.

Risks related to our business

We operate in highly competitive industries, and competitive pressures could have a material adverse effect on our business.

The alcoholic beverages distribution and production industries in our region are intensely competitive. The principal competitive factors in these industries include product range, pricing, distribution capabilities and responsiveness to consumer preferences, with varying emphasis on these factors depending on the market and the product.

In Poland, with respect to individual customers, we face significant competition from various regional distributors, wholesalers, who compete principally on price, in regions where our distribution centers and satellite

branches are located. The effect of this competition could adversely affect our results of operations. The majority of alcohol sales in Poland are still made through traditional trade outlets. Other sales are made in hypermarkets and large discount stores.

In Russia, the hypermarket and large retail chains continue to grow their share of the trade. Traditional trade outlets typically provide us with higher margins from sales as compared to hypermarkets and large retail chains. There is a risk that the expansion of hypermarkets and large retail chains will continue to occur in the future, thus reducing the margins that we may derive from sales to wholesalers that primarily serve the traditional trade. This potential margin reduction, however, will be partially offset by lower distribution costs due to direct, bulk deliveries associated with sales to the modern trade.

In Poland and Russia, we face competition from various producers in the vodka production industry. We compete with other alcoholic and nonalcoholic beverages for consumer purchases in general, as well as shelf space in retail stores, restaurant presence and distributor attention.

Our results are linked to economic conditions and shifts in consumer preferences, including a reduction in the consumption of alcoholic beverages.

Our results of operations are affected by the overall economic trends in Poland and Russia, the level of consumer spending, the rate of taxes levied on alcoholic beverages and consumer confidence in future economic conditions. In periods of economic slowdown, consumer purchase decisions may be increasingly affected by price considerations, thus creating negative pressure on the sales volume and margins of many of our products. Reduced consumer confidence and spending may result in reduced demand for our products and limitations on our ability to increase prices and finance marketing and promotional activities. A major shift in consumer preferences or a large reduction in sales of alcoholic beverages generally could have a material adverse effect on us. The current negative economic conditions and outlook, including volatility in energy costs, severely diminished liquidity and credit availability, falling equity market values, weakened consumer confidence and increased unemployment rates, have created fears of a recession. A continued recessionary environment likely would make it more difficult to forecast operating results and to make decisions about future investments and would negatively impact our business, financial condition and results of operations, including by potentially reducing demand for our products or shifting demand toward lower margin products, increasing pressure on the prices of our products, decreasing the collectibility of accounts receivable and reducing access to the credit markets.

Loss of key management would threaten our ability to implement our business strategy.

The management of future growth will require our ability to retain William Carey, our Chairman, Chief Executive Officer and President. William Carey, who founded our company, has been a key person in our ability to implement our business plan and grow our business. If William Carey were to leave us, our business could be materially adversely affected.

Changes in the prices of supplies and raw materials could have a material adverse effect on our business.

Price increases for raw materials used for vodka production may take place in the future, and our inability to pass on increases to our customers could reduce our margins and profits and have a material adverse effect on our business. We recently constructed storage tanks In Poland that will store up to six months use of raw spirit. This gives us the flexibility to purchase raw spirit throughout the year at times when there are dips in raw spirit pricing. We expect these steps to help mitigate our exposure to price increases; however, we cannot assure you that shortages or increases in the prices of our supplies or raw materials will not have a material adverse effect on our financial condition and results of operations.

We are exposed to exchange-rate and interest rate movements that could adversely affect our financial results and comparability of our results between financial periods.

Our functional currencies are the Polish zloty and the Hungarian forint and, in connection with our recently completed acquisitions in Russia, the Russian ruble. Our reporting currency, however, is the U.S. dollars, and the translation effects of fluctuations in exchange rates of our functional currencies into U.S. dollars may materially impact our financial condition and net income and may affect the comparability of our results between financial periods.

In addition, our Senior Secured Notes and our Convertible Senior Notes are denominated in euro and U.S. dollar, respectively, and have been on-lent to certain of our operating subsidiaries that have the Polish zloty as their functional currency. Movements in the exchange rate of the euro and U.S. dollar to Polish zloty could therefore increase the amount of cash, in Polish zloty, that must be generated in order to pay principal and interest on our Senior Secured Notes and Convertible Senior Notes.

The impact of translation of our Senior Secured Notes and convertible notes could have a materially adverse effect on our reported earnings. For example, a 1% change in the euro-Polish zloty exchange rate as compared to the exchange rate applicable on December 31, 2008, would result in an unrealized exchange pre-tax gain or loss of approximately $3.5 million per annum. A 1% change in the U.S. dollar-Polish zloty exchange rate as compared to the exchange rate applicable on December 31, 2008, would result in an unrealized exchange pre-tax gain or loss of approximately $3.0 million per annum.

Weather conditions may have a material adverse effect on our sales or on the price of grain used to produce spirits.

We operate in an industry where performance is affected by the weather. Changes in weather conditions may result in lower consumption of vodka and other alcoholic beverages than in comparable periods. In particular, unusually cold spells in winter or high temperatures in the summer can result in temporary shifts in customer preferences and decrease demand for the alcoholic beverages we produce and distribute. Similar weather conditions in the future may have a material adverse effect on our sales which could affect our financial condition and results of operations. In addition, inclement weather may affect the availability of grain used to produce raw spirit, which could result in a rise in raw spirit pricing that could negatively affect margins and sales.

We are subject to extensive government regulation; changes in or violations of law or regulations could materially adversely affect our business and profitability.

Our business of producing, importing and distributing alcoholic beverages is subject to regulation by national and local Polish governmental agencies and European Union authorities. In addition, in connection with our recently completed and planned acquisitions in Russia, our business there is subject to extensive regulation by Russian authorities. These regulations and laws address such matters as licensing and permit requirements, competition and anti-trust matters, trade and pricing practices, taxes, distribution methods and relationships, required labeling and packaging, advertising, sales promotion and relations with wholesalers and retailers. Also, new regulations or requirements or increases in excise taxes, customs duties, income taxes, or sales taxes could materially adversely affect our business, financial condition and results of operations.

In addition, we are subject to numerous environmental and occupational, health and safety laws and regulations in Poland and Russia. We may also incur significant costs to maintain compliance with evolving environmental and occupational, health and safety requirements, to comply with more stringent enforcement of existing applicable requirements or to defend against challenges or investigations, even those without merit. Future legal or regulatory challenges to the industry in which we operate or to us or our business practices and arrangements could give rise to liability and fines, or cause us to change our practices or arrangements, which could have a material adverse effect on us, our revenues and our profitability.

Governmental regulation and supervision as well as future changes in laws, regulations or government policy (or in the interpretation of existing laws or regulations) that affect us, our competitors or our industry generally strongly influence our viability and how we operate our business. Complying with existing regulations is burdensome, and future changes may increase our operational and administrative expenses and limit our revenues. For example, we are currently required to have permits to produce, to import products, maintain and operate our warehouses, and distribute our products to wholesalers. Many of these permits, such as our general permit for wholesale trade, must be renewed when they expire. Although we believe that our permits will be renewed upon their expiration, there is no guarantee that such will be the case. Revocation or non-renewal of permits that are material to our business could have a material adverse affect on our business. Our permits could also be revoked prior to their expiration date due to nonpayment of taxes or violation of health requirements. Our business would be materially and adversely affected if there were any adverse changes in relevant laws or regulations or in their interpretation or enforcement. Our ability to introduce new products and services may also be affected if we cannot predict how existing or future laws, regulations or policies would apply to such products or service.

We may not be able to protect our intellectual property rights.

We own and license trademarks (for, among other things, our product names and packaging) and other intellectual property rights that are important to our business and competitive position, and we endeavor to protect them. However, we cannot assure you that the steps we have taken or will take will be sufficient to protect our intellectual property rights or to prevent others from seeking to invalidate our trademarks or block sales of our products as a violation of the trademarks and intellectual property rights of others. In addition, we cannot assure you that third parties will not infringe on or misappropriate our rights, imitate our products, or assert rights in, or ownership of, trademarks and other intellectual property rights of ours or in marks that are similar to ours or marks that we license and/or market. In some cases, there may be trademark owners who have prior rights to our marks or to similar marks. Moreover, Russia generally offers less intellectual property protection than in Western Europe or North America. We are currently involved in opposition and cancellation proceedings with respect to marks similar to some of our brands and other proceedings, both in the United States and elsewhere. If we are unable to protect our intellectual property rights against infringement or misappropriation, or if others assert rights in or seek to invalidate our intellectual property rights, this could materially harm our future financial results and our ability to develop our business.

Our import contracts may be terminated.

As a leading importer of major international brands of alcoholic beverages in Poland and Hungary, we have been working with the same suppliers in those countries for many years and either have verbal understandings or written distribution agreements with them. In addition, we have recently acquired distribution contracts in Russia through our acquisition of Whitehall. Where a written agreement is in place, it is usually valid for between one and five years and is terminable by either party on three to six months' notice. However, our ability to continue to distribute imported products on an exclusive basis depends on some factors which are out of our control, such as ongoing consolidation in the wine, beer and spirit industry worldwide, as a result of which producers decide from time to time to change their distribution channels, including in the markets in which we operate.

Although we believe we are currently in compliance with the terms and conditions of our import and distribution agreements, there is no assurance that all our import agreements will continue to be renewed on a regular basis, or that, if they are terminated, we will be able to replace them with alternative arrangements with other suppliers.

Our results of operations and financial condition may be adversely affected if we undertake acquisitions of businesses that do not perform as we expect or that are difficult for us to integrate.

. We make public disclosure of pending and completed acquisitions when appropriate and required by applicable securities laws and regulations.

Acquisitions involve numerous risks and uncertainties. If we complete one or more acquisitions, our results of operations and financial condition may be affected by a number of factors, including: the failure of the acquired businesses to achieve the results we have projected in either the near or long term; the assumption of unknown liabilities; the fair value of assets acquired and liabilities assumed; the difficulties of imposing adequate financial and operating controls on the acquired companies and their management and the potential liabilities that might arise pending the imposition of adequate controls; the difficulties in integration of the operations, technologies, services and products of the acquired companies; and the failure to achieve the strategic objectives of these acquisitions.

Acquisitions in developing economies, such as Russia, involve unique risks in addition to those mentioned above, including those related to integration of operations across different cultures and languages, currency risks, and the particular economic, political, and regulatory risks associated with specific countries.

Future acquisitions or mergers may result in a need to issue additional equity securities, spend our cash, or incur debt, liabilities, or amortization expenses related to intangible assets, any of which could reduce our profitability.

Sustained periods of high inflation in Russia may materially adversely affect our business there.

Russia has experienced periods of high levels of inflation since the early 1990s. Despite the fact that inflation has remained relatively stable in Russia during the past few years, our profit margins from our Russian business could be adversely affected if we are unable to sufficiently increase our prices to offset any significant future increase in the inflation rate.

The developing legal system in Russia creates a number of uncertainties that could adversely affect our Russian business.

Russia is still developing the legal framework required to support a market economy, which creates uncertainty relating to our Russian business. Prior to our recent acquisitions in Russia, we did not have experience operating there, which could increase our vulnerability to the risks relating to these uncertainties. Risks related to the developing legal system in Russia include:

- inconsistencies between and among the Constitution, federal and regional laws, presidential decrees and governmental, ministerial and local orders, decisions, resolutions and other acts;
- conflicting local, regional and federal rules and regulations;
- the lack of judicial and administrative guidance on interpreting legislation;
- the relative inexperience of judges and courts in interpreting legislation;
- the lack of an independent judiciary;
- a high degree of discretion on the part of governmental authorities, which could result in arbitrary or selective actions against us, including suspension or termination of licenses we need to operate in Russia; and
- poorly developed bankruptcy procedures that are subject to abuse.

The recent nature of much of Russian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of this legal system in ways that may not always coincide with market developments place the enforceability and underlying constitutionality of laws in doubt and result in ambiguities, inconsistencies and anomalies. Any of these factors could adversely affect our Russian business.

An unpredictable tax system in Russia gives rise to significant uncertainties and risks that complicate our tax planning and decisions relating to our Russian business.

The tax system in Russia is unpredictable and gives rise to significant uncertainties, which complicate our tax planning and decisions relating to our Russian business. Tax laws in Russia have been in force for a relatively short period of time as compared to tax laws in more developed market economies and we have less experience operating under Russian tax regulations than those of other countries.

Russian companies are subject to a broad range of taxes imposed at the federal, regional and local levels, including but not limited to value added tax, excise duties, profit tax, payroll-related taxes, property taxes, taxes or other liabilities related to transfer pricing and other taxes. Russia's federal and local tax laws and regulations are subject to frequent change, varying interpretations and inconsistent or unclear enforcement. It is not uncommon for differing opinions regarding legal interpretation to exist both between companies subject to such taxes and the ministries and organizations of the Russian government and between different branches of the Russian government such as the Federal Tax Service and its various local tax inspectorates, resulting in uncertainties and areas of conflict. Tax declarations are subject to review and investigation by a number of tax authorities, which are enabled by law to impose penalties and interest charges. The fact that a tax declaration has been audited by tax authorities does not bar that declaration, or any other tax declaration applicable to that year, from a further tax review by a superior tax authority during a three-year period. As previous audits do not exclude subsequent claims relating to the audited period, the statute of limitations is not entirely effective. In some instances, even though it may potentially be considered unconstitutional, Russian tax authorities have applied certain taxes retroactively. Within the past few years the Russian tax authorities appear to be taking a more aggressive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. In addition, our Russian business is and will be subject to periodic tax inspections that may result in tax assessments and additional amounts owed by us for prior tax periods.

Uncertainty relating to Russian transfer pricing rules could lead tax authorities to impose significant additional tax liabilities as a result of transfer pricing adjustments or other similar claims, and could have a material adverse effect on our Russian business and our company.

Risks Relating to our Indebtedness

We require a significant amount of cash to make payments on our Senior Secured Notes and to service our other debt.

Our ability to finance our debt depends on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, some of which are beyond our control, as well as the other factors discussed in these "Risk Factors."

Historically, we met our debt service and other cash requirements with cash flows from operations and our existing revolving credit facilities. As a result of certain acquisitions and related financing transactions, however, our debt service requirements have increased significantly. We cannot assure you that our business will generate sufficient cash flows from operating activities, or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including our Senior Secured Notes, or to fund our other financing needs.

Our indebtedness under the Senior Secured Notes, Convertible Senior Notes and other credit facilities as of December 31, 2008 amounted to $930.3 million, and additionally $14.7 million of accrued interest. In addition, Russian Alcohol Group currently has approximately $286 million in outstanding indebtedness, which under the terms of our current indebtedness would have to be refinanced in the event we acquire control of Russian Alcohol Group.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including our Senior Secured Notes, on or before maturity.

The above factors all contain an inherent risk regarding our ability to execute them. Additionally, our Senior Secured Notes and covenants made in connection therewith may limit our ability to borrow additional funds or increase the cost of any such borrowing. Furthermore, recent significant changes in market liquidity conditions resulting in a tightening in the credit markets and a reduction in the availability of debt and equity capital could impact our access to funding and our related funding costs, which could materially and adversely affect our ability to obtain and manage liquidity, to obtain additional capital and to restructure or refinance any of our existing debt.

We are subject to restrictive debt covenants.

The indenture governing our Senior Secured Notes, and our other senior credit facilities, contain, and other financing arrangements we enter into in the future may contain, provisions which limit our ability and the ability of our subsidiaries to enter into certain transactions, including the ability to make certain payments, including dividends or other cash distributions; incur or guarantee additional indebtedness and issue preferred stock; make certain investments; prepay or redeem subordinated debt or equity; create certain liens or enter into sale and leaseback transactions; engage in certain transactions with affiliates; sell assets or consolidate or merge with or into other companies; issue or sell share capital of certain subsidiaries; and enter into other lines of business.

Risks related to our common stock

The price of our common stock historically has been volatile. This volatility may affect the price at which you could sell your common stock, and the sale of substantial amounts of our common stock could adversely affect the price of our common stock.

The sale price for our common stock has varied between a high of $77.48 and a low of $17.16 in the twelve month period ended December 31, 2008. This volatility may affect the price at which you could sell the common stock and the sale of substantial amounts of our common stock could adversely affect the price of our common stock. Our stock price is likely to continue to be volatile and subject to significant price and volume fluctuations in response to market and other factors, including the other factors discussed in "Risks related to our business" and in the documents we have incorporated by reference into this prospectus supplement; variations in our quarterly operating results from our expectations or those of securities analysts or investors; downward revisions in securities analysts' estimates; and announcement by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments.

In addition, the sale of substantial amounts of our common stock, or the perception that these sales may occur, could adversely impact its price. As of December 31, 2008, we had outstanding 47,098,837 shares of our common stock and options to purchase approximately 1,342,700 shares of our common stock (of which approximately 1,038,175 were exercisable as of that date). We also had outstanding approximately 68,568 restricted stock units as of December 31, 2008, 400 of which were exercisable. As a result of our acquisition of Botapol Holding B.V., which we completed on August 17, 2005, Takirra Investment Corporation N.V. as of December 31, 2008 owned a total of 2,537,128 shares of our common stock. Takirra Investment Corporation N.V. has the right to cause us to register resale of the shares of our common stock that it owns or to include its shares in future registration statements filed by us with the SEC. We have filed a registration statement relating

to the shares with the SEC. Pursuant to that registration statement, Takirra Investment Corporation N.V. will be able to sell its shares to the public in the United States. In addition, as a result of our acquisition of 85% of the share capital of Copecresto Enterprises Limited, which we completed on March 13, 2008, White Horse Intervest Limited as of December 31, 2008 owned a total of 2,238,806 shares of our common stock. White Horse Intervest Limited has the right to cause us to register resale of the shares of our common stock that it owns or to include its shares in future registration statements filed by us with the SEC. Finally, as a result of our acquisition of 50% minus one vote of the voting power, and 75% of the economic interests, in the Whitehall Group, which we completed on May 23, 2008, Barclays Wealth Trustees (Jersey) Limited, in its capacity as trustee of the First National Trust owns a total of 843,524 shares of our common stock and Mark Kaoufman owns a total of 2,100,000 shares of our common stock which we have agreed to register for resale. If any of the foregoing were to sell a large number of their shares in a short period of time, the market price of our common stock could decline. The sale or the availability for sale of a large number of shares of our common stock in the public market could cause the price of our common stock to decline.

Delaware law and provisions in our charter documents may impede or discourage a takeover, which could cause the market price of our shares to decline.

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders. In addition, our board of directors has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock. The ability of our board of directors to create and issue a new series of preferred stock, our stockholders rights plan and certain provisions of Delaware law and our certificate of incorporation and bylaws could impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the market price of our common stock. See "Description of capital stock."

We do not intend to pay cash dividends on our common stock in the foreseeable future.

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any cash dividends in the foreseeable future.

Enforcing legal liability against us and our directors and officers might be difficult.

We are organized under the laws of the State of Delaware of the United States. Therefore, investors are able to effect service of process in the United States upon us and may be able to effect service of process upon our directors and executive officers. We are a holding company, however, and substantially all of our operating assets are located in Poland, Hungary and, in connection with our recently completed acquisitions, Russia. Further, most of our directors and executive officers, and those of most of our subsidiaries, are non-residents of the United States, and our assets and the assets of our directors and executive officers are located outside the United States. As a result, you may not be able to enforce against our assets (or those of certain of our directors or executive officers) judgments of United States courts predicated upon the civil liability provisions of United States laws, including federal securities laws of the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Poland or Russia.

Item 2. Properties.

Our significant properties can be divided into the following categories:

Production and rectification facilities. Our production facilities comprise two plants with one located in Białystok, Poland for Polmos Białystok and the other one located in Oborniki Wielkopolskie, Poland for Bols. The Białystok facility is located on 78,665 square meters of land which is leased from the government on a perpetual usufruct basis. The production capacity of our plant in Bialystok is approximately 24 million liters of

100% alcohol per year and currently, we use approximately 75% to 85% of its production capacity. In the Polmos Białystok distillery we produce *Absolwent* and its taste variations*, Batory, Białowieska, Cytrynówka, Czekoladowa, Kompleet, Vodka, Liberty Blue, Lider, Ludowa, Nalewka Wisniowa, Nalewka Miodowa* and *Palace Vodka, Winiak Białostocki, Winiak Pałacowy, Wódka Imbirowa, Zubrówka.* The plot on which the Białystok facility is located is unencumbered.

The Bols facility is located on 80,519 square meters of which 58,103 square meters are owned by us and 22,416 square meters are leased from the government on a perpetual usufruct basis. The production capacity of our plant in Oborniki Wielkopolskie is 34.2 million liters of 100% alcohol per year. Currently we use about 50% to 60% of the plant's production capacity. In the Bols distillery we produce *Bols Excellent, Bols Vodka* and its taste variations*, Soplica, Soplica Szlachetna Polska, Soplica Tradycyjna Polska, Soplica Wisniowa Polska, Soplica Staropolska, Boss, Slaska, Niagara* and *Royal Vodka.* The plot on which the Bols facility is located in unencumbered.

Office, distribution, warehousing and retail facilities. We own five warehousing and distribution sites located in various regions of Poland as well as nine retail facilities located in various regions of Poland. In Russia we own the land and buildings in Balahikha, Moscow Region where the Parliament facilities are located.

Leased Facilities. Our primary corporate office is located in Warsaw, Poland, and we have a rented corporate office in Budapest Hungary. In addition we operate over 85 warehousing and distribution sites and 45 retail facilities located in various regions of Poland. In Russia we lease over 10 office, warehouse and retail locations primarily related to the Whitehall business. The lease terms expire at various dates and are generally renewable.

Research and Development, Intellectual Property, Patents and Trademarks

We do not have a separate research and development unit. Our activity in this field is generally related to improvements in packaging and extensions to our existing brand portfolio or revised production processes, leading to improved taste.

Item 3. Legal Proceedings.

From time to time we are involved in legal proceedings arising in the normal course of our business, including opposition and cancellation proceedings with respect to trademarks similar to some of our other brands, and other proceedings, both in the United States and elsewhere. We are not currently involved in or aware of any pending or threatened proceedings that we reasonably expect, either individually or in the aggregate, will result in a material adverse effect on our consolidated financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2008.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Market Information

The Company's common stock has been traded on the NASDAQ National Market, and its successor, the NASDAQ Global Select Market, under the symbol "CEDC" since June 1999. Prior thereto it traded on the NASDAQ Small Cap Market since our initial public offering in July 1998. On September 22, 2008 the Company's stock was added to the NASDAQ Q-50 Index. The following table sets forth the high and low bid prices for the common stock, as reported on the NASDAQ Global Select Market, for each of the Company's fiscal quarters in 2007 and 2008. These prices represent inter-dealer quotations, which do not include retail mark-ups, mark-downs or commissions and do not necessarily represent actual transactions.

	High	Low
2007		
First Quarter	$30.65	$24.71
Second Quarter	36.90	28.59
Third Quarter	50.95	34.07
Fourth Quarter	61.08	42.10
2008		
First Quarter	$62.52	$46.50
Second Quarter	75.47	56.32
Third Quarter	77.48	28.95
Fourth Quarter	46.52	17.16

On February 25, 2009, the last reported sales price of the Common Stock was $7.89 per share.

Holders

As of February 25, 2009, there were approximately 39,088 beneficial owners and 51 shareholders of record of common stock.

Dividends

CEDC has never declared or paid any dividends on its capital stock. CEDC currently intends to retain future earnings for use in the operation and expansion of its business. Future dividends, if any, will be subject to approval by CEDC's board of directors and will depend upon, among other things, the results of the Company's operations, capital requirements, surplus, general financial condition and contractual restrictions and such other factors as the board of directors may deem relevant. In addition, the indenture for the Company's outstanding Senior Secured Notes may limit the payment of cash dividends on its common stock to amounts calculated in accordance with a formula based upon our net income and other factors.

Equity Compensation Plans

The following table provides information with respect to our equity compensation plans as of December 31, 2008:

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Security Holders	1,418,806	$29.29	1,145,945
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	1,418,806	$29.29	1,145,945

Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data for the periods indicated and should be read in conjunction with and is qualified by reference to "Management's Discussion and Analysis of Financial Condition and Results of Operations", the consolidated financial statements, the notes thereto and the other financial data contained in Items 7 and 8 of this report on Form 10-K.

Income Statement Data:	Year ended December 31,				
	2004	2005	2006	2007	2008
Net sales	$580,744	$ 749,415	$ 944,108	$1,189,822	$ 1,647,004
Cost of goods sold	506,413	627,368	745,721	941,060	1,224,899
Gross profit	74,331	122,047	198,387	248,762	422,105
Sales, general and administrative expenses	45,946	70,404	106,805	130,677	223,373
Operating income	28,385	51,643	91,582	118,085	198,732
Non-operating income / (expense), net					
Interest income / (expense), net	(2,115)	(15,828)	(31,750)	(35,829)	(50,360)
Other financial income / (expense), net	(19)	(7,678)	17,212	13,594	(132,936)
Other income / (expense), net	193	(262)	1,119	(1,770)	410
Income before income taxes	26,444	27,875	78,163	94,080	15,846
Income taxes	(4,614)	(5,346)	(13,986)	(15,910)	(12,952)
Minority interests	—	2,261	8,727	1,068	10,483
Equity in net earnings of affiliates	—	—	—	—	(9,002)
Net income	$ 21,830	$ 20,268	$ 55,450	$ 77,102	($ 16,591)
Net income per common share, basic	$ 0.89	$ 0.72	$ 1.55	$ 1.93	($ 0.38)
Net income per common share, diluted	$ 0.87	$ 0.70	$ 1.53	$ 1.91	($ 0.38)
Average number of outstanding shares of common stock at year end	24,462	28,344	35,799	39,871	44,088

Balance Sheet Data:					
	2004	2005	2006	2007	2008
Cash and cash equivalents	$ 10,491	$ 60,745	$ 159,362	$ 87,867	$ 107,601
Working capital	50,910	85,950	182,268	170,913	205,712
Total assets	291,704	1,084,472	1,326,033	1,782,168	2,483,686
Long-term debt and capital lease obligations, less current portion	4,013	369,039	394,564	469,958	822,947
Stockholders' equity	120,316	374,942	520,973	815,436	945,849

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following analysis should be read in conjunction with the Consolidated Financial Statements and the notes thereto appearing elsewhere in this report.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 Regarding Forward-Looking Information.

This report contains forward-looking statements, which provide our current expectations or forecasts of future events. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology, but the absence of these words does not necessarily mean that a statement is not forward-looking. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include, without limitation:

- information concerning possible or assumed future results of operations, trends in financial results and business plans, including those relating to earnings growth and revenue growth, liquidity, prospects, strategies and the industry in which the Company and its affiliates operate, as well as the integration of recent acquisition and the effect of such acquisitions on the Company;
- statements about the level of our costs and operating expenses relative to the Company revenues, and about the expected composition of the Company's revenues;
- statements about integration of the Company's acquisitions;
- information about the impact of Polish regulations on the Company business;
- statements about local and global credit markets, currency exchange rates and economic conditions;
- other statements about the Company's plans, objectives, expectations and intentions; and
- other statements that are not historical facts.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, the development of the industry in which we operate, and the effects of acquisitions on us may differ materially from those anticipated in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods.

We urge you to read and carefully consider the items of the other reports that we have filed with or furnished to the SEC for a more complete discussion of the factors and risks that could affect our future performance and the industry in which we operate, including the risk factors described elsewhere in this Annual Report on Form 10-K. In light of these risks, uncertainties and assumptions, the forward-looking events described in this report may not occur as described, or at all.

You should not unduly rely on these forward-looking statements, because they reflect our judgment only as of the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement to reflect circumstances or events after the date of this report, or to reflect on the occurrence of unanticipated events. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report.

The following discussion and analysis provides information which management believes is relevant to the reader's assessment and understanding of the Company's results of operations and financial condition and should be read in conjunction with the Consolidated Financial Statements and the notes thereto found elsewhere in this report.

Overview

We believe that the Company's 2008 fiscal year should be viewed in two distinct halves. In the first half of the year, the Company accomplished the goals set out for the year, which was expansion into the vodka and spirits sector in Russia. We initiated our entry into the Russian spirit market through our strategic acquisition of the Parliament Group in March 2008 and our acquisitions of ownership positions in the Whitehall Group in May 2008 and the Russian Alcohol Group in July 2008. These acquisitions have expanded our geographical reach into Russia, making us the leading producer of vodka in Russia as well as Poland.

We are now Central and Eastern Europe's largest integrated spirit beverages business with our primary operations in Poland, Hungary and, as of 2008, Russia. In 2008, the companies in our group produced and sold approximately 30.1 million nine-liter cases of vodka, primarily in Poland, Russia and Hungary, making us the region's largest vodka producer by value and volume.

In Poland, the business environment for us was positive in the first half of 2008 as spirit pricing continued to go down, our exclusive import brands were growing favorably and the overall alcohol market was expected to continue to grow. Our Bols brand grew by 12% over 2007 results and our Soplica brand grew by 14% over 2007 results as the overall Polish vodka market grew by approximately 6%. In Russia, we closed our first acquisition in March acquiring the number one selling sub-premium brand, Parliament. In May, we took a 75% economic interest in the leading importer of premium wine and spirits, Whitehall. And, in June, we acquired a 42% stake in the Russian Alcohol Group, which has the best selling vodka in Russia, Green Mark, and the second best selling sub-premium vodka brand, Zhuravli, among other brands.

The second half of fiscal year 2008 however saw significant changes in the global economic environment, which continue to this day as the world-wide financial crisis began to affect Central and Eastern Europe. During the last months of 2008 and continuing into 2009 there has been a significant depreciation of the Polish zloty and the Russian ruble against the U. S. dollar and the Euro which has had a material impact on our foreign currency translation. In addition, we recognized a material non cash foreign exchange translation loss primarily due to our liabilities under the Senior Secured Notes and the Senior Convertible Notes, denominated in Euro and U.S. Dollars, respectively.

Mitigating the effects of some of these broader negative economic trends, there have been other aspects of our business that have improved through the last half of 2008 and continue to improve thus far in 2009. We have seen spirit pricing continue to be favorable. In Russia, spirit pricing has dropped approximately 20% from December 2008 to January 2009, and in Poland, spirit pricing has continued to drop. Labor costs continue to come down as well as other key cost components including but not limited to petrol costs and materials for packaging.

We have taken certain actions to attempt to lessen any potential fallout from the world wide economic crisis, including re-evaluating our capital expenditure plans, by continuing to consolidate distribution branches in Poland and by starting to reduce headcount both in Poland and Russia. In addition, as discussed below, we were able to renegotiate $240 million of our short term debt with Polish banks which represents a majority of our short term debt. Overall, for the twelve months ending December 31, 2008, we were able to surpass our margin goals by achieving gross margins of over 25% and operating margins of over 12% for the full year, despite the challenges in the second half of the year.

Significant factors affecting our consolidated results of operations

Effect of Acquisitions of Production Subsidiaries

During 2008, we expanded our acquisition strategy outside of Poland and Hungary with our investments into the production and importation of alcoholic beverages in Russia by targeting leading two distilleries with the

leading premium and mainstream brands in Russia, Parliament and The Russian Alcohol Group as well as the leading importer the Whitehall Group. The acquisition and integration of these businesses into our operations have had a significant effect on our results of operations.

The Parliament Acquisition

On March 11, 2008, the Company and certain of its affiliates entered into a Share Sale and Purchase Agreement and certain other agreements with White Horse Intervest Limited, a British Virgin Islands Company, and certain of White Horse's affiliates, relating to the Company's acquisition from White Horse of 85% of the share capital of Copecresto Enterprises Limited, a Cypriot company,. In connection with this acquisition, the Company paid a consideration of approximately $180 million in cash and 2.2 million shares of common stock. On May 2, 2008 the Company delivered the remaining 250,000 shares of the share consideration. There is still $15 million of the cash consideration that is deferred pending the consummation of certain reorganization transactions expected to be completed over the next 3-9 months.

The Whitehall Acquisition

On May 23, 2008, the Company and certain of its affiliates entered into, and closed upon, a Share Sale and Purchase Agreement and certain other agreements whereby the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interests in the Whitehall Group. The Whitehall Group is a leading importer of premium spirits and wines in Russia. The aggregate consideration paid by the Company was $200 million, paid in cash at the closing. In addition, on October 21, 2008 the Company issued 843,524 shares of its common stock to the seller.

On February 24, 2009, the Company and the seller amended the terms of the Stock Purchase Agreement governing the Whitehall acquisition to satisfy the Company's obligations to the seller pursuant to a share price guarantee in the original Stock Purchase Agreement. Pursuant to the terms of this amendment, the Company paid to the seller $5,876,351 in cash, and issued to the seller 2,100,000 shares of its common stock, in settlement of a minimum share price guarantee by the Company. The Company is further obligated to make an additional cash payment of $2,000,000 on March 15, 2009. Deferred payments already due under the original Stock Purchase Agreement are to be paid with €8,050,411 due on June 15, 2009 and €8,303,630 due on September 15, 2009. In consideration for these payments the Company received an additional 375 Class B shares of Whitehall, which represents on increase in the Company's economic stake from 75% to 80%. Additionally, if, during the 210 day period immediately following the effectiveness of the registration statement the Company is obligated to file to register the shares of Company common stock obtained by the seller in this transaction, the seller sells any of the Company common stock it acquired in the transaction for an average sales price per share, weighted by volume, that is less than $12.03, per share, the Company must pay to the seller the excess, if any, of $12.03 over the volume weighted average sales price per share of the Company's common stock on the day the sale took place, multiplied by the total number of shares sold. Finally, the Company may be obligated to make an additional cash payment to the seller, ranging from €0 to €1,500,000, based upon whether and to what extent the price of a share of the Company's common stock exceeds $12.03 during that same 210 day period. If the Company must make any such payment, it will receive in return up to an additional 75 Class B shares, which represents up to an additional 1% economic stake of Whitehall, based on the sized of the payment.

The Company has consolidated the Whitehall Group as a business combination as of May 23, 2008, on the basis that the Whitehall Group is a Variable Interest Entity and the Company has been assessed as being the primary beneficiary. Included within the Whitehall Group is a 50/50 joint venture with Möet Henessy. This joint venture is accounted for using the equity method and is recorded on the face of the balance sheet in investments with minority interest initially recorded at fair value on the face of the balance sheet. The current term of the joint venture is until June 2013 at which point the Whitehall Group will have the option to acquire the remaining shares of the entity.

The Investment in the Russian Alcohol Group

On July 9, 2008, the Company completed its strategic investment in Russian Alcohol Group and (1) paid $181.5 million for approximately 47.5% of the common equity of a newly formed Cayman Islands company ("Cayco") which indirectly acquired all of the outstanding equity of Russian Alcohol Group, and (2) purchased $103.5 million in subordinated exchangeable loan notes issued by a subsidiary of Cayco and exchangeable into equity of Cayco. Pursuant to the shareholders' agreement entered into in connection with this strategic investment, the Company has the right to purchase, and Cayco has the right to require the Company to purchase, all (but not less than all) of the outstanding capital stock of a majority-owned subsidiary of Cayco held by Cayco, which in either case would give the Company indirect control over Russian Alcohol Group. The Company has accounted for its investment in the Russian Alcohol Group utilizing the equity method, thus impact only equity earnings from affiliates on the profit and loss statement.

We are engaged in discussions with Lion Capital to restructure the current agreement regarding the buyout of the remaining 58% stake in the Russian Alcohol Group, the largest spirit producer in Russia. Although the discussions are not final, and remain subject to further legal, accounting and tax analysis, as well as board approval, we are in general agreement with Lion Capital on the main commercial objectives. We expect an agreement would include a fixed price for the remaining 58% interest in the Russian Alcohol Group that we do not own (including the conversion of our $103.5 million plus accrued interest of loan notes) at a valuation that is more reflective of current market conditions and the positive sales performance of the business. Our payments would be spread out over 5 years ending in the year 2013, with smaller payments for 2009 and 2013 and more equal payments from years 2010 to 2012, and we would agree to certain security arrangements to Lion. We would not take control over the Russian Alcohol Group until 2011, though we would receive significantly enhanced minority rights. We would expect to finance the transaction over the 5 years through a combination of cash, debt and equity. We cannot provide any assurances as to whether, or on what terms, we may reach an agreement to restructure our arrangements in respect of the Russian Alcohol Group.

During 2008 and continuing this year, we have been active in integrating the production companies into our group. The acquisition and integration of these businesses into our operations have had a significant effect on our results of operations. As discussed below, these acquisitions have impacted our net sales, cost of goods sold, operating profit and equity earnings from affiliates. In addition, the issuance of our $310 million Senior Convertible Notes related to these acquisitions has increased our financing costs.

Effect of Exchange Rate and Interest Rate Fluctuations

Substantially all of the Company's operating cash flows and assets are denominated in Polish Zloty, Russian Ruble and Hungarian Forint. This means that the Company is exposed to translation movements both on its balance sheet and income statement. The impact on working capital items is demonstrated on the cash flow statement as the movement in exchange on cash and cash equivalents. The impact on the income statement is by the movement of the average exchange rate used to restate the income statement from Polish Zloty, Russian Ruble and Hungarian Forint to U.S. Dollars. The amounts shown as exchange rate gains or losses on the face of the income statement relate only to realized gains or losses on transactions that are not denominated in Polish Zloty, Russian Ruble or Hungarian Forint.

Because the Company's reporting currency is the U.S. Dollar, the translation effects of fluctuations in the exchange rate have impacted the Company's financial condition and results of operations and have affected the comparability of our results between financial periods. For example, the average Zloty/Dollar exchange rate used to create our income statement appreciated by approximately 13%. The actual year end Zloty/Dollar exchange rate used to create our balance sheet depreciated by approximately 22%.

However, as discussed above, recently the Polish Zloty and Russian Ruble have depreciated sharply against the U.S. Dollar. From September 2008 to February 2009, the Polish Zloty depreciated by approximately 50%

against the U.S. Dollar, and the Russian Ruble depreciated by approximately 45% against the U.S. Dollar. Should this trend continue, our results of operations may be negatively impacted due to a reduction in revenue in U.S. Dollar terms from the currency translation effects of that depreciation. This may be partially offset by a similar decrease in costs in U.S. Dollar terms. Conversely if the trend reverses our results of operations may be positively impacted due to an increase in revenue in U.S. Dollar terms from the currency translation effects of that appreciation

As a result of the issuance of the Company's €325 million Senior Secured Notes due 2012 of which €245 million in principal amount is currently outstanding, we are exposed to foreign exchange movements in relation to the Euro. Movements in the euro-Polish zloty exchange rate will require us to revalue our liability on the Senior Secured Notes accordingly, the impact of which will be reflected in the results of the Company's operations. Every one percent change in the euro-Polish zloty exchange rate as compared to the exchange rate applicable on December 31, 2008, would result in an unrealized exchange pre-tax gain or loss of approximately $3.5 million per annum. In order to manage the cash flow impact of foreign exchange changes, the Company has entered into certain hedge agreements. As of December 31, 2008, the Company had outstanding a hedge contract for a seven year interest rate swap agreement. The swap agreement exchanges a fixed Euro based coupon of 8%, with a variable Euro based coupon (IRS) based upon the 6 month Euribor rate plus a margin.

Similarly, we are exposed to foreign exchange movements in respect of our $310 million Senior Convertible Notes, the proceeds of which have been on-lent to subsidiaries that have the Polish zloty as the functional currency. Movements in the USD-Polish zloty exchange rate will require us to revalue our liability on the Senior Convertible Notes accordingly, the impact of which will be reflected in the results of the Company's operations. Every one percent movement in the USD-Polish zloty exchange rate will have an approximate $3.0 million change in the valuation of the liability with the offsetting pre-tax gain or losses recorded in the profit and loss of the Company.

The effect of having debt denominated in currencies other than the Company's functional currencies (primarily the Company's Senior Secured Notes and Senior Convertible Notes) is to increase or decrease the value of the Company's liabilities on that debt in terms of the Company's functional currencies when those functional currencies depreciate or appreciate in value respectively. As the Polish Zloty and Russian Ruble have fallen in value in recent months, the conversion of these U.S. Dollars or Euro liabilities in the subsidiaries of CEDC that have the Polish Zloty or Russian Ruble as their functional currency will require an increased valuation of that liability in the functional currency. This revaluation impacts the Company's results of operations through the recognition of unrealized non cash foreign exchange rate gains or losses in our results of operations. In the case of the Senior Secured Notes and Senior Convertible Notes the full principal amount is due in 2012 and 2013 respectively; therefore, final local currency obligations will only be recognized then as a realized gain or loss.

Twelve months ended December 31, 2008 compared to twelve months ended December 31, 2007

A summary of the Company's operating performance (expressed in thousands except per share amounts) is presented below.

	Twelve months ended	
	December 31, 2008	December 31, 2007
Sales	**$ 2,136,569**	**$1,483,344**
Excise taxes	(489,566)	(293,522)
Net Sales	**1,647,004**	**1,189,822**
Cost of goods sold	1,224,899	941,060
Gross Profit	**422,105**	**248,762**
Operating expenses	223,373	130,677
Operating Income	**198,732**	**118,085**
Non operating income / (expense), net		
Interest (expense), net	(50,360)	(35,829)
Other financial income, net	(132,936)	13,594
Other non operating income / (expense), net	410	(1,770)
Income before taxes	**15,846**	**94,080**
Income tax expense	12,952	15,910
Minority interests	10,483	1,068
Equity in net earnings of affiliates	(9,002)	0
Net income	**($ 16,591)**	**$ 77,102**
Net income per share of common stock, basic	($ 0.38)	$ 1.93
Net income per share of common stock, diluted	($ 0.38)	$ 1.91

Net Sales

Net sales represents total sales net of all customer rebates, excise tax on production and value added tax. Total net sales increased by approximately 38.4%, or $457.2 million, from $1,189.8 million for the twelve months ended December 31, 2007 to $1,647.0 million for the twelve months ended December 31, 2008. This increase in sales is due to the following factors:

Net Sales for twelve months ended December 31, 2007	$1,189,822
Increase from acquisitions	346,826
Existing business sales growth	43,321
Excise tax reduction	(97,089)
Impact of foreign exchange rates	164,124
Net sales for twelve months ended December 31, 2008	$1,647,004

Factors impacting our existing business sales for the twelve months ending December 31, 2008 include the growth of our key vodka brands, with *Bols Vodka*, our flagship premium vodka, growing by 12% and *Soplica* by 14% in volume terms as compared to the twelve months ending December 31, 2007. Also impacting our sales growth has been our focus on reducing lower margin SKU's, primarily beer, and reducing as well the related sales and distribution costs for these products. We plan to continue the streamlining process going into 2009.

As of January 2008, sales of products which we produce at Polmos Bialystok and Bols to certain key accounts were moved from our distribution companies to the producer, Polmos Bialystok and Bols in order to reduce distribution costs. When a sale is reported directly from a producer, excise tax is eliminated from net sales and when a sale is made from a distribution company the sales are recorded gross with excise tax. Therefore the

movement of the sales contracts from a distributor to the producer reduces the amount of net sales reported through the elimination of excise tax and also increases gross profit as a percent of sales. The impact of this sales reduction for the twelve months ended December 31, 2008 was $97.1 million.

Based upon average exchange rates for the twelve months ended December 31, 2008 and 2007, the Polish Zloty appreciated by approximately 13%. This resulted in an increase of $164.1 million of sales in U.S. Dollar terms. However, as discussed above, the Polish Zloty and Russian Ruble recently have depreciated sharply against the U.S. Dollar. As the Polish Zloty and Russian Ruble depreciate, sales will decrease in U.S. Dollar terms.

As a result of our recent acquisitions in Russia, we have moved to a segmental approach to our business split by our primary geographic locations of operations, Poland, Russia and Hungary. Included in the sales growth from acquisitions of $346.8 million was $297.9 million of sales related to the newly acquired Russian businesses of Parliament and Whitehall, which is reflected in our Russian Segment in the below table.

	Segment Net Revenues Twelve months ended December 31,	
	2008	2007
Segment		
Poland	$1,305,629	$1,152,601
Russia	$ 297,892	—
Hungary	$ 43,483	$ 37,221
Total Net Sales	$1,647,004	$1,189,822

Gross Profit

Total gross profit increased by approximately $173.3 million, to $422.1 million for the twelve months ended December 31, 2008, from $248.8 million for the twelve months ended December 31, 2007, reflecting sales growth for the factors noted above in the twelve months ended December 31, 2008. Gross margin increased from 20.9% of net sales for the twelve months ended December 31, 2007 to 25.6% of net sales for the twelve months ended December 31, 2008. Factors impacting our margins include improved sales mix, lower spirit costs, the impact of excise tax as described above as well as the consolidation of Parliament and Whitehall from the first quarter and second quarter of 2008 respectively. Parliament and Whitehall which, as producer and importer, operate on a higher gross profit margin than the Polish business, which is more heavily impacted by lower margin distribution operations. Margins were further improved from lower spirit pricing for the twelve months ended December 31, 2008 as well as the growth of the exclusive import brands.

Operating Expenses

Operating expenses consist of selling, general and administrative, or "S,G&A" expenses, advertising expenses, non-production depreciation and amortization, and provision for bad debt. Total operating expenses increased by approximately 70.9%, or $92.7 million, from $130.7 million for the twelve months ended December 31, 2007 to $223.4 million for the twelve months ended December 31, 2008. Approximately $31.4 million of this increase resulted from the effects of the acquisition of Parliament in March 2008, approximately $24.9 million of this increase resulted from the effects of the acquisition of the Whitehall Group, approximately $5.5 million of this increase resulted from the effects of the acquisition of PHS completed in September 2007 and the remainder of the increase resulted primarily from the growth of the business and the impact of foreign exchange expenses as detailed below.

Operating expenses for twelve months ended December 31, 2007	$130,677
Increase from acquisitions	61,797
Increase from existing business growth	10,322
Impact of foreign exchange rates	20,577
Operating expenses for twelve months ended December 31, 2008	$223,373

The table below sets forth the items of operating expenses.

	Twelve Months Ended December 31,	
	2008	2007
	($ in thousands)	
S,G&A	$168,584	$106,401
Marketing.	43,954	16,937
Depreciation and amortization	10,835	7,339
Total operating expense	$223,373	$130,677

S,G&A increased by approximately 58.5%, or $62.2 million, from $106.4 million for the twelve months ended December 31, 2007 to $168.6 million for the twelve months ended December 31, 2008. Approximately $47.1 million of this increase resulted primarily from the effects of the acquisitions discussed above and the remainder of the increase resulted primarily from the growth of the business and the appreciation of the Polish Zloty against the U.S. Dollar. However, as discussed above, the Polish Zloty and Russian Ruble recently have depreciated sharply against the U.S. Dollar. As the Polish Zloty and Russian Ruble depreciate, S,G&A will decrease in U.S. Dollar terms. As a percent of sales, S,G&A has increased from 8.9% of net sales for the twelve months ended December 31, 2007 to 10.2% of net sales for the twelve months ended December 31, 2008.

Depreciation and amortization increased by approximately 47.9%, or $ 3.5 million, from $7.3 million for the twelve months ended December 31, 2007 to $10.8 million for the twelve months ended December 31, 2008. This increase resulted primarily from our existing business growth and the acquisitions of Parliament and Whitehall.

Operating Income

Total operating income increased by approximately 68.2%, or $80.6 million, from $118.1 million for the twelve months ended December 31, 2007 to $198.7 million for the twelve months ended December 31, 2008. Operating income as a percent of sales increased from 9.9% for the twelve months ended December 31, 2007 to 12.1% for the twelve months ended December 31, 2008. This increase resulted primarily from the factors described under “Net Sales” above. The table below summarizes the segmental split of operating profit.

	Operating Profit Twelve months ended December 31,	
	2008	2007
Segment		
Poland	$124,920	$116,862
Russia	73,374	—
Hungary	7,641	7,491
Corporate Overhead		
General corporate overhead	(3,353)	(4,398)
Option Expense	(3,850)	(1,870)
Total Operating Profit	$198,732	$118,085

Income Tax

Our effective tax rate for the twelve months ending December 31, 2008 was 81.7%, which was driven by a combination of the blended statutory tax rates in the tax jurisdictions in which we operate, as well as a true up of our deferred tax asset. The Company has taken an additional non-cash provisions for tax loss carry forwards in the Carey Agri subsidiary. Due to the level of foreign exchange losses incurred in 2008 as described above, management has determined that a portion of prior period tax losses will not be utilized in the future. As of December 31, 2008, the Company has provided for approximately $7 million, or 50%, of the available tax loss carry forwards in its Carey Agri subsidiary. Effective January 1, 2009, the statutory tax rate in Russia has been reduced from 24% to 20%.

Minority Interests and Equity in Net Earnings

Minority interest for the twelve months ending December 31, 2008 relates mainly to minority stakes of 25% in Whitehall Group and 15% in Parliament.

Equity in net earnings for the twelve months ending December 31, 2008 include CEDC's proportional share of net income from its investments accounted for under the equity method. This includes $8.5 million of income from the investment in the MHWH J.V. and $17.5 million of losses from the investment in the Russian Alcohol Group. Included in the results of the Russian Alcohol Group were non cash foreign exchange losses related to the revaluation of debt instruments denominated in U.S. Dollars.

Non Operating Income and Expenses

Total interest expense increased by approximately 40.8%, or $14.6 million, from $35.8 million for the twelve months ended December 31, 2007 to $50.4 million for the twelve months ended December 31, 2008. This increase resulted from a combination of additional borrowings to finance the purchase of Russian Alcohol Group shares completed in July 2008, the issuance of our Convertible Senior Notes to finance the Parliament acquisition and the Whitehall acquisition and increased interest rates in 2008 as compared to 2007.

The Company recognized $131.0 million of unrealized foreign exchange rate loss in the twelve months ended December 31, 2008, primarily related to the impact of movements in exchange rates on our Senior Secured and Senior Convertible Notes, as these borrowings have been lent down to entities that have the Polish Zloty as the functional currency, as compared to $23.9 million of gains for the twelve months ended December 31, 2007.

Twelve months ended December 31, 2007 compared to twelve months ended December 31, 2006

A summary of the Company's operating performance (expressed in thousands except per share amounts) is presented below.

	Twelve months ended	
	December 31, 2007	December 31, 2006
Sales	**$1,483,344**	**$1,193,248**
Excise taxes	(293,522)	(249,140)
Net Sales	**1,189,822**	**944,108**
Cost of goods sold	941,060	745,721
Gross Profit	**248,762**	**198,387**
Operating expenses	130,677	106,805
Operating Income	**118,085**	**91,582**
Non operating income / (expense), net		
Interest (expense), net	(35,829)	(31,750)
Other financial income, net	13,594	17,212
Other non operating income / (expense), net	(1,770)	1,119
Income before taxes	**94,080**	**78,163**
Income tax expense	15,910	13,986
Minority interests	1,068	8,727
Net income	**$ 77,102**	**$ 55,450**
Net income per share of common stock, basic	$ 1.93	$ 1.55
Net income per share of common stock, diluted	$ 1.91	$ 1.53

Net Sales

Total net sales increased by approximately 26.0%, or $245.7 million, from $944.1 million for the twelve months ended December 31, 2006 to $1,189.8 million for the twelve months ended December 31, 2007. This increase in sales is due to the following factors:

Net Sales for twelve months ended December 31, 2006	$ 944,108
Increase from acquisitions	53,910
Existing business sales growth	69,756
Impact of foreign exchange rates	122,048
Net sales for twelve months ended December 31, 2007	$1,189,822

Factors impacting our existing business sales for the twelve months ending December 31, 2007 include the growth of our key vodka brands, with *Bols Vodka*, our flagship premium vodka, growing by 19% in volume terms and *Soplica* by 22% in volume terms as compared to the twelve months ending December 31, 2006. In addition to the growth of our own brands, our sales of imports and other third party brands increased due in part to new contracts, including the distribution contract with Orlen, the largest gas station chain in Poland, as well as market share gains taken from other distributors in Poland. Sales of our exclusive import brands grew by 46% in value terms for the twelve months ending December 31, 2007 as compared to the same period in 2006.

Based upon average exchange rates for the twelve months ended December 31, 2007 and 2006, the Polish Zloty appreciated by approximately 10%. This resulted in an increase of $122.0 million of sales in U.S. Dollars.

Gross Profit

Total gross profit increased by approximately 25.4%, or $50.4 million, to $248.8 million for the twelve months ended December 31, 2007, from $198.4 million for the twelve months ended December 31, 2006, reflecting sales growth for the factors noted above in the twelve months ended December 31, 2007. Gross margin remained constant at 21% for the twelve months ended December 31, 2006 and 2007. Factors impacting our margins include the consolidation of PHS from the third quarter of 2007, which operates primarily as a wholesaler with lower margins, as well as higher growth in our distribution business. The impact of both of these items has offset higher margin growth from increased sales of our own brands.

Operating Expenses

Total operating expenses increased by approximately 22.4%, or $23.9 million, from $106.8 million for the twelve months ended December 31, 2006 to $130.7 million for the twelve months ended December 31, 2007. Approximately $3.4 million of this increase resulted primarily from the effects of the acquisition of Bols Hungary in August 2006, $3.0 million resulted from the effects of the acquisition of PHS in July 2007 and the remainder of the increase resulted primarily from the growth of the business and the impact of foreign exchange expenses, as detailed below.

Operating expenses for twelve months ended December 31, 2006	$106,805
Increase from acquisitions	6,599
Increase from existing business growth	3,684
Impact of foreign exchange rates	13,589
Operating expenses for twelve months ended December 31, 2007	$130,677

The table below sets forth the items of operating expenses.

	Twelve Months Ended December 31,	
	2007	2006
	($ in thousands)	
S,G&A	$106,401	$ 86,421
Marketing	16,937	14,078
Depreciation and amortization	7,339	6,306
Total operating expense	$130,677	$106,805

S,G&A increased by approximately 23.1%, or $20.0 million, from $86.4 million for the twelve months ended December 31, 2006 to $106.4 million for the twelve months ended December 31, 2007. Approximately $3.1 million of this increase resulted primarily from the effects of the Bols Hungary acquisition in August 2006, $2.9 million resulted from the effects of the PHS acquisition in July 2007 and the remainder of the increase resulted primarily from the growth of the business and the appreciation of the Polish Zloty against the U.S. Dollar. As a percent of sales, S,G&A has decreased from 9.2% of net sales for the twelve months ended December 31, 2006 to 8.9% of net sales for the twelve months ended December 31, 2007, primarily due to improved costs management.

Depreciation and amortization increased by approximately 15.9%, or $1.0 million, from $6.3 million for the twelve months ended December 31, 2006 to $7.3 million for the twelve months ended December 31, 2007. This increase resulted primarily from our existing business growth.

Operating Income

Total operating income increased by approximately 28.9%, or $26.5 million, from $91.6 million for the twelve months ended December 31, 2006 to $118.1 million for the twelve months ended December 31, 2007. This increase resulted primarily from the factors described under “Net Sales” above. Operating margin increased from 9.7% of net sales for the twelve months ended December 31, 2006 to 9.9% of net sales for the twelve months ended December 31, 2007. The increase in operating margin is due primarily to improved costs management.

Non Operating Income and Expenses

Total interest expense increased by approximately 12.6%, or $4.0 million, from $31.8 million for the twelve months ended December 31, 2006 to $35.8 million for the twelve months ended December 31, 2007. This increase resulted from a combination of additional borrowings for the purchase of Polmos Bialystok shares completed in June 2007, increased interest rates in 2007 as compared to 2006, and a strong Euro as compared to the U.S. dollar.

In order to reduce the Company’s overall cost of borrowings, in 2007 the Company completed a redemption of a portion of its Senior Secured Notes. In connection with this redemption, the Company incurred one-off early debt retirement costs of approximately $6.9 million relating to the 8% premium for early debt redemption and $4.9 million of written off financing costs and hedges associated with the retired debt. For detailed information regarding these costs please refer to Note 14 to our consolidated financial statements. In addition, the Company recognized $23.9 million of foreign exchange rate gains related to the impact of movements in exchange rates on our Senior Secured Notes.

Included in other financial income were foreign exchange gains from the revaluation of our Senior Secured Notes of $23.9 million for the twelve months ending December 31, 2007, as discussed above, and $3.3 million for the twelve months ending December 31, 2006. These gains are a result of the revaluation of our Euro Senior Secured Notes to Polish Zloties.

Income Tax

In August 2007, the Company received confirmation from the Polish tax office regarding a change in tax treatment for unrealized gains. As such the Company recognized a one time increase in a deferred tax asset during the period. Partially offsetting this was an increase in the provision for unutilized tax loss carry forwards in Poland, which resulted in a reduction of a deferred tax asset. The net difference was fully recognized in the current year resulting in an effective tax rate of 16.9% for the twelve months ended December 31, 2007 as compared to a historic rate of 18%-19%.

Statement of Liquidity and Capital Resources

During the periods under review, the Company's primary sources of liquidity were cash flows generated from operations, credit facilities, the equity offerings, the Convertible Senior Notes offering and proceeds from options exercised. The Company's primary uses of cash were to fund its working capital requirements, service indebtedness, finance capital expenditures and fund acquisitions. The following table sets forth selected information concerning the Company's consolidated cash flow during the periods indicated.

	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006
	($ in thousands)		
Cash flow from operating activities	72,196	23,084	71,691
Cash flow used in investing activities	(667,928)	(159,122)	(41,922)
Cash flow from financing activities	646,210	56,923	60,786

Fiscal year 2008 cash flow

Net cash flow from operating activities

Net cash flow from operating activities represents net cash from operations and interest. Net cash provided by operating activities for the twelve months ended December 31, 2008 was $72.2 million as compared to $23.1 million for the twelve months ended December 31, 2007. The primary drivers for the change were overall growth in the business and improved working capital management. Working capital movements utilized $64.0 million of cash outflows for the twelve months ended December 31, 2008 as compared to $72.1 million of cash outflows for the twelve months ended December 31, 2007. Also included in working capital movements was a significant utilization of cash flow from the Parliament entities acquired in Russia which were newly formed legal entities with no receivables, inventory and accounts payable balances as of acquisition date. Therefore approximately $27 million was funded into the business during the 12 months ending December 31, 2008 in order to build up a normalized working capital base. Adding back the funding provided to the Parliament Group of $27 million, our adjusted cash flow from operations would have been $99.2 million. Additionally the company acquired 75% of the economic interest in the Whitehall Group in May 2008. Furthermore the first quarter of the year traditionally is the highest cash flow generation period and the last quarter traditionally is the highest cash utilization period. Therefore, in 2008 the Company experienced the higher cash utilization in the fourth quarter in connection with its Russian acquisitions, but not the higher cash generation in the first quarter.

Net cash flow used in investing activities

Net cash flows used in investing activities represent net cash used to acquire subsidiaries and fixed assets as well as proceeds from sales of fixed assets. Net cash used in investing activities for the twelve months ended December 31, 2008 was $667.9 million as compared to $159.1 million for the twelve months ended December 31, 2007. The primary cash outflows from investing activities for the twelve months ended December 31, 2008 were the cash consideration and expenses related to the Parliament, Whitehall and Russian Alcohol Group acquisitions and the acquisition of $103.5 million in subordinated exchangeable notes in connection with the investment in Russian Alcohol Group.

Net cash flow from financing activities

Net cash flow from financing activities represents cash used for servicing indebtedness, borrowings under credit facilities and cash inflows from private placements and exercise of options. Net cash provided by financing activities was $646.2 million for the twelve months ended December 31, 2008 as compared to $56.9 million for the twelve months ended December 31, 2007. The primary source of cash from financing activities was the Company's offering of $310 million of Convertible Secured Notes to fund the Parliament and Whitehall acquisition, which resulted in net proceeds of $304.4 million, and the proceeds from the common equity offering of $233.8 million, which were used to fund the investment in the Russian Alcohol Group, completed in July 2008.

Fiscal year 2007 cash flow

Net cash flow from operating activities

Net cash flow from operating activities represents net cash from operations, servicing of finance and taxation. Net cash provided by operating activities for the twelve months ended December 31, 2007 was $23.1 million as compared to $71.7 million for the twelve months ended December 31, 2006. The primary drivers impacting the movements in working capital were related to the timing of payments for excise tax, as discussed below, as well as the overall growth of our business. Included in the working capital movements is an increase in other accrued liabilities and payables of $16.3 million in 2007 as compared to a $14.6 million decrease in 2006 reflecting the impact of timing of excise payments. Due to the timing of production, a greater amount of excise tax was paid in December in 2007 as compared to December 2006 which resulted in a $31 million swing in the other accrued liabilities and payables line. In order to drive sales, more products were released into the market in November 2007 requiring excise tax payments in December 2007 as compared to the prior year sales where a greater portion of excise tax was paid in January 2007. Other working capital items grew in line with business growth in 2007. However in 2006 the Company benefited from a one time cash inflow when the trade terms with wholesalers were changed, requiring either cash on delivery payments or a bank guarantee at the end of 2005. Thus, cash outflows from accounts receivables were $7.6 million for the twelve months ended December 31, 2006 as compared to $38.8 million for the twelve months ended December 31, 2007.

Net cash flow used in investing activities

Net cash flows used in investing activities represents net cash used to acquire subsidiaries and fixed assets as well as proceeds from sales of fixed assets. Net cash used in investing activities for the twelve months ended December 31, 2007 was $159.1 million as compared to $41.9 million for the twelve months ended December 31, 2006. The primary expenditures in 2007 were the additional purchase of shares in Polmos Bialystok for $132.8 million, and investment in the new rectification facilities for $16 million. Included in cash flows from investing activities are net cash inflows of $5.0 million from the final purchase price adjustment from our Botalpol acquisition completed in 2005.

Net cash flow from financing activities

Net cash flow from financing activities represents cash used for servicing indebtedness, borrowings under credit facilities and cash inflows from private placements and exercise of options. Net cash provided by financing activities was $56.9 million for the twelve months ended December 31, 2007 as compared to $60.8 million for the twelve months ended December 31, 2006. In January and March of 2007, the Company completed redemption of 20% of its outstanding Senior Secured Notes for a total of €65.0 million which was financed by equity offerings completed in December 2006 and February 2007. In order to finance the acquisition of the additional share of Polmos Bialystok as noted above, the Company drew down $123 million of funds from a new credit facility during 2007.

The Company's Future Liquidity and Capital Resources

Financing Arrangements

Bank Facilities

As of December 31, 2008, $13.0 million remained available under the Company's overdraft facilities. These overdraft facilities are renewed on an annual basis. As of December 31, 2008, the Company had utilized approximately $81.1 million of a multipurpose credit line agreement in connection with the 2007 tender offer in Poland to purchase the remaining outstanding shares of Polmos Bialystok S.A. The Company's obligations under the credit line agreement are guaranteed through promissory notes by certain subsidiaries of the Company. The indebtedness under the credit line agreement matures on March 31, 2009, however a new credit agreement, with substantially the same terms and conditions of the existing credit facility, was signed on February 24, 2009 extending the facility to February 24, 2011. The Company also has received a firm bank commitment to roll over the short term working capital facility of approximately $32.4 million due March 31, 2009 to March 31, 2010.

On April 24, 2008, the Company signed a credit agreement with Bank Zachodni WBK SA in Poland to provide up to $50 million of financing to be used to finance a portion of the Parliament and Whitehall acquisition, as well as general working capital needs of the Company. The agreement provides for a $30 million five year amortizing term facility and a one year $20 million short term facility with annual renewal.

On July 2, 2008, the Company entered into a Facility Agreement with Bank Handlowy w Warszawie S.A., which provided for a term loan facility of $40 million. The term loan matures on July 4, 2011 and is guaranteed by CEDC, Carey Agri and certain other subsidiaries of the Company and is secured by all of the shares of capital stock of Carey Agri and subsequently will be further secured by shares of capital stock in certain other subsidiaries of CEDC.

Senior Secured Notes

In connection with the Bols and Polmos Bialystok acquisitions, on July 25, 2005 the Company completed the issuance of € 325 million 8% Senior Secured Notes due 2012. Interest is due semi-annually on the 25th of January and July, and the Senior Secured Notes are guaranteed on a senior basis by certain of the Company's subsidiaries. The Indenture governing our Senior Secured Notes contains certain restrictive covenants, including covenants limiting the Company's ability to: make certain payments, including dividends or other distributions, with respect to the share capital of the parent or its subsidiaries; incur or guarantee additional indebtedness or issue preferred stock; make certain investments; prepay or redeem subordinated debt or equity; create certain liens or enter into sale and leaseback transactions; engage in certain transactions with affiliates; sell assets or consolidate or merge with or into other companies; issue or sell share capital of certain subsidiaries; and enter into other lines of business.

During the twelve months ending December 31, 2008, the Company purchased on the open market and retired € 14.6 million of outstanding Senior Secured Notes.

As of December 31, 2008 and December 31, 2007, the Company had accrued interest of $12.0 million and $15.8 million respectively related to the Senior Secured Notes, with the next coupon due for payment on January 25, 2009. Total obligations under the Senior Secured Notes are shown net of deferred finance costs, amortized over the life of the borrowings using the effective interest rate method and fair value adjustments from the application of hedge accounting.

Senior Convertible Notes

On March 7, 2008, the Company completed the issuance of $310 million aggregate principal amount of 3% Convertible Senior Notes due 2013. Interest is due semi-annually on the 15th of March and September, beginning on September 15, 2008. The Convertible Senior Notes are convertible in certain circumstances into cash and, if applicable, shares of our common stock, based on an initial conversion rate of 14.7113 shares per

$1,000 principle amount, subject to certain adjustments. Upon conversion of the notes, the Company will deliver cash up to the aggregate principle amount of the notes to be converted and, at the election of the Company, cash and/or shares of common stock in respect to the remainder, if any, of the conversion obligation. The proceeds from the Convertible Notes were used to fund the cash portions of the acquisition of Copecresto Enterprises Limited and Whitehall. As of December 31, 2008 the Company had accrued interest included in other accrued liabilities of $2.7 million related to the Convertible Senior Notes, with the next coupon due for payment on March 15, 2009. Total obligations under the Convertible Senior Notes are shown net of deferred finance costs, amortized over the life of the borrowings using the effective interest rate method.

Equity Offerings

On March 11, 2008, the Company and certain of its affiliates entered into a Share Sale and Purchase Agreement and certain other agreements with White Horse Intervest Limited, a British Virgin Islands Company, and certain of White Horse's affiliates, relating to the Company's acquisition from White Horse of 85% of the share capital of Copecresto Enterprises Limited, a Cypriot company, owner of the Parliament group. In connection with this acquisition, the Company paid a consideration of approximately $180 million in cash and 2.2 million shares of common stock. According to the agreement the shares are to remain locked up and can not be sold for a period of one year from closing, subject to certain limited exceptions.

On May 23, 2008, the Company and certain of its affiliates entered into, and closed upon, a Share Sale and Purchase Agreement and certain other agreements whereby the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interests in the Whitehall Group. The Whitehall Group is a leading importer of premium spirits and wines in Russia. The aggregate consideration paid by the Company was $200 million, paid in cash at the closing. In addition, on October 21, 2008 the Company issued to the Seller 843,524 shares of its common stock, par value $0.01 per share.

On February 24, 2009, the Company and the seller amended the terms of the Stock Purchase Agreement governing the Whitehall acquisition to satisfy the Company's obligations to the seller pursuant to a share price guarantee in the original Stock Purchase Agreement. Pursuant to the terms of this amendment, the Company paid to the seller $5,876,351 in cash, and issued to the seller 2,100,000 shares of its common stock, in settlement of a minimum share price guarantee by the Company. The Company is further obligated to make an additional cash payment of $2,000,000 on March 15, 2009. Deferred payments already due under the original Stock Purchase Agreement are to be paid with €8,050,411 due on June 15, 2009 and €8,303,630 due on September 15, 2009. In consideration for these payments, the Company received an additional 375 Class B shares of Whitehall, which represents an increase in the Company's economic stake from 75% to 80%. Additionally, if, during the 210 day period immediately following the effectiveness of the registration statement the Company is obligated to file to register the shares of Company common stock obtained by the seller in this transaction, the seller sells any of the Company common stock it acquired in the transaction for an average sales price per share, weighted by volume, that is less than $12.03, per share, the Company must pay to the seller the excess, if any, of $12.03 over the volume weighted average sales price per share of the Company's common stock on the day the sale took place, multiplied by the total number of shares sold. Finally, the Company may be obligated to make an additional cash payment to the seller, ranging from €0 to €1,500,000, based upon whether and to what extent the price of a share of the Company's common stock exceeds $12.03 during that same 210 day period. If the Company must make any such payment, it will receive in return up to an additional 75 Class B shares, which represents up to an additional 1% economic stake of Whitehall, based on the size of the payment.

On June 25, 2008, the Company completed a public offering of 3,250,000 shares of common stock, at an offering price to the public of $68.00 per share. In addition, pursuant to the terms of the offering the underwriters exercised their over-allotment option for an additional 325,000 shares. The net proceeds from the offering, including the sale of shares in accordance with the over-allotment option, was $233.8 million, after deducting underwriting discounts and commissions and estimated offering expenses. The majority of the proceeds of the equity offering were used to fund a portion of the Company's investment in the Russian Alcohol Group.

The Company's primary uses of cash in the future will be to fund its working capital requirements, service indebtedness, finance capital expenditures and fund acquisitions, including pursuant to existing arrangements described below. The Company expects to fund these requirements in the future with cash flows from its operating activities, cash on hand, the financing arrangements described above and other financing arrangements it may enter into from time to time. However, recent significant changes in market liquidity conditions resulting in a tightening in the credit markets and a reduction in the availability of debt and equity capital could impact our access to funding and our related funding costs (and we cannot provide assurances as to whether or on what terms such funding would be available), which could materially and adversely affect our ability to obtain and manage liquidity, to obtain additional capital and to restructure or refinance any of our existing debt.

Acquisitions—Purchase/Sale Rights

On March 13, 2008, the Company acquired 85% of the share capital of Copecresto Enterprises Limited, a producer and distributor of beverages in Russia, for $180,335,257 in cash and 2,238,806 shares of the Company's common stock. In addition, on May 23, 2008, the Company's subsidiary, Polmos Bialystok, closed on its acquisition of 50% minus one vote of the voting power and 75% of the economic interests in the Whitehall Group, a leading importer of premium spirits and wines in Russia, for $200 million in cash paid at closing, plus 843,524 shares of the Company's common stock issued on October 21, 2008, plus an additional payment of $5,876,351 in cash and an additional issuance of 2,100,000 shares of the Company's common stock, both made on February 24, 2009, as well as the obligation to make additional cash payments of $2,000,000 on March 15, €8,050,411 on June 15, 2009 and €8,303,630 on September 15, 2009, plus potential further cash payments based on the per share price of the Company's common stock on a go-forward basis. In consideration for these payments, the Company received an additional 375 Class B shares of Whitehall, which represents an increases the Company's economic stake from 75% to 80%. Finally, on July 9, 2008, the Company closed on its acquisition of approximately 47.5% of the common equity of a Cayman Islands company, referred to as Cayco, for approximately $181.5 million in cash, and purchased $103.5 million in subordinated exchangeable loan notes from a subsidiary of Cayco. Lion Capital LLP and certain of its affiliates and other financial investors own the remaining common equity of Cayco, which indirectly own approximately 88.4% of the outstanding equity of the Russian Alcohol Group. The Russian Alcohol Group, also referred to as "RAG," is the leading vodka producer in Russia. The Company entered into shareholders' agreements with the other shareholders of Copecresto, Whitehall and RAG, respectively, that include purchase and sale rights relating to the Company's potential acquisition of the equity interests in these entities that are owned by the other shareholders thereof. The exercise of these rights could affect the Company's liquidity.

Copecresto Acquisition

Pursuant to the Copecresto shareholders' agreement, the Company has the right to purchase all (but not less than all) of the shares of Copecresto capital stock held by the other shareholder. The other shareholder has the right to require the Company to purchase any or all of the shares of Copecresto capital stock held by such other shareholder; provided, that such other shareholder may not exercise this right other than in respect of all of the shares of Copecresto capital stock it holds if the amount of Copecresto capital stock subject to such exercise is less than 1% of the total outstanding capital stock of Copecresto.

The Company's right may be exercised beginning on March 13, 2015 and will terminate on the earliest to occur of (1) the delivery of a notice of default under the shareholders' agreement, (2) the delivery of a notice of the other shareholder's exercise of its right in respect of all of the Copecresto capital stock held by such shareholder and (3) the date that is ten years after the date of completion of certain reorganization transactions relating to Copecresto. The other shareholder's right may be exercised beginning on March 13, 2011 and will terminate on the earliest to occur of (A) the delivery of a notice of default under the shareholders' agreement, (B) the Company's exercise of its right and (C) the date that is ten years after the date of completion of certain reorganization transactions relating to Copecresto. The other shareholder also may exercise its right one or more times within the three months following any change in control of the Company or of Bols Sp. z o.o., a subsidiary of the Company.

The aggregate price that the Company would be required to pay in the event either of these rights is exercised will be equal to the product of (x) a fraction, the numerator of which is the total number of shares of capital stock of Copecresto covered by the exercise of the right, and the denominator of which is the total number of shares of capital stock of Copecresto then outstanding, multiplied by (y) the EBITDA of Copecresto from the year immediately preceding the year in which the right is exercised, multiplied by (z) 12, if the right is exercised in 2010 or before, 11, if the right is exercised in 2011, or 10, if the right is exercised in 2012 or later; provided, that in no event will the product of (y) and (z), above, be less than $300,000,000.

Whitehall Acquisition

On May 23, 2008, the Company and certain of its affiliates, entered into, and closed upon, a Share Sale and Purchase Agreement and certain other agreements whereby the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interests, in the Whitehall Group. The Whitehall Group is a leading importer of premium spirits and wines in Russia. The aggregate consideration paid by the Company was $200 million, paid in cash at the closing. In addition, on October 21, 2008 the Company issued to the Seller 843,524 shares of its common stock, par value $0.01 per share.

On February 24, 2009, the Company and the seller amended the terms of the Stock Purchase Agreement governing the Whitehall acquisition to satisfy the Company's obligations to the seller pursuant to a share price guarantee in the original Stock Purchase Agreement. Pursuant to the terms of this amendment, the Company paid to the seller $5,876,351 in cash, and issued to the seller 2,100,000 shares of its common stock, in settlement of a minimum share price guarantee by the Company. The Company is further obligated to make an additional cash payment of $2,000,000 on March 15, 2009. Deferred payments already due under the original Stock Purchase Agreement are to be paid with €8,050,411 due on June 15, 2009 and €8,303,630 due on September 15, 2009. In consideration for these payments, the Company received an additional 375 Class B shares of Whitehall, which represents an increase in the Company's economic stake from 75% to 80%. Additionally, if, during the 210 day period immediately following the effectiveness of the registration statement the Company is obligated to file to register the shares of Company common stock obtained by the seller in this transaction, the seller sells any of the Company common stock it acquired in the transaction for an average sales price per share, weighted by volume, that is less than $12.03, per share, the Company must pay to the seller the excess, if any, of $12.03 over the volume weighted average sales price per share of the Company's common stock on the day the sale took place, multiplied by the total number of shares sold. Finally, the Company may be obligated to make an additional cash payment to the seller, ranging from €0 to €1,500,000, based upon whether and to what extent the price of a share of the Company's common stock exceeds $12.03 during that same 210 day period. If the Company must make any such payment, it will receive in return up to an additional 75 Class B shares, which represents up to an additional 1% economic stake of Whitehall, based on the sized of the payment.

Pursuant to the Whitehall shareholders' agreement, Polmos Bialystok has the right to purchase, and the other shareholder has the right to require Polmos Bialystok to purchase, all (but not less than all) of the shares of Whitehall capital stock held by such shareholder. Either of these rights may be exercised at any time, subject, in certain circumstances, to the consent of third parties. The aggregate price that the Company would be required to pay in the event either of these rights is exercised will fall within a range determined based on Whitehall's EBIT as well as the EBIT of certain related businesses, during two separate periods: (1) the period from January 1, 2008 through the end of the year in which the right is exercised, and (2) the two full financial years immediately preceding the end of the year in which the right is exercised, plus, in each case, the time-adjusted value of any dividends paid by Whitehall. Subject to certain limited exceptions, the exercise price will be (A) no less than the future value as of the date of exercise of $32.0 million and (B) no more than the future value as of the date of exercise of $89.0 million, plus, in each case, the time-adjusted value of any dividends paid by Whitehall.

Russian Alcohol Group Acquisition

Pursuant to the RAG shareholders' agreement, the Company has the right to purchase, and Cayco has the right to require the Company to purchase, all (but not less than all) of the outstanding capital stock of a majority-owned subsidiary of Cayco held by Cayco, which in either case would give the Company indirect control over RAG.

The Company's right is exercisable during two 45-day periods, the first commencing on the later of (1) the date that the audited 2009 Operating Group accounts are approved by Cayco Sub and (2) the date on which all earnout payments that are payable in connection with the acquisition of RAG have been paid, which period is referred to as the "2010 Period", and the second commencing on the date that the audited 2010 Operating Group accounts are approved by Cayco Sub, which period is referred to as the "2011 Period". The Company's right may be extended after the end of the 2011 Period in a limited circumstance to a period commencing on the date that the audited 2011 Operating Group accounts are approved by Cayco Sub, which period is referred to as the "2012 Period". If the Company exercises its right, Cayco will be obligated to exercise its drag-along rights under the shareholders agreement governing Cayco Sub to cause the transfer to the Company, on the same terms, the remaining capital stock of Cayco Sub not held by Cayco. Cayco's right will be exercisable during the 2010 Period and the 2011 Period and will expire one day after the end of the 2011 Period, and will be extended if the Company's right is extended to the 2012 Period.

The price the Company would be required to pay in the event either of these rights is exercised will be equal to the adjusted equity value of Russian Alcohol Group, determined based on EBITDA multiplied by the product of Cayco's ownership percentage and 14.05, 13.14, or 12.80, depending on when the right is exercised, less the debt of Russian Alcohol Group plus certain adjustments for cash and working capital. That price, however, in the case of the Company's right, is subject to a floor equal to the total original euro equivalent amount (based upon a exchange rate of 1.57) invested by the other party in Cayco multiplied by 2.05 in 2010 or 2.20 in 2009 and converted back to U.S. dollars at the spot rate at the time, depending on when the right is exercised (in either case less any dividends or distributions actually received). Russian Alcohol Group has approximately $200 million of net indebtedness in place that, following any exercise of the Company's or Cayco's rights described above, may be required to be refinanced or retired by the terms of our other indebtedness. The Company's management estimates that the amount the Company would be required to pay would be between $350 million and $650 million (payable in mid- 2010) if the above rights are exercised. This estimate is based on currently available information and management's current views with respect to future events and the future financial performance of Russian Alcohol Group, as of the date hereof. These estimates, projections and views are subject to risks and uncertainties that may cause actual results to differ from management's current estimates, projections and views, including the effects of fluctuations in currency valuations between the U.S. dollar and the Russian ruble and U.S. dollar and Euro, and the risks and uncertainties identified in the Company's filings with the Securities and Exchange Commission.

We are engaged in discussions with Lion Capital to restructure the current agreement regarding the buyout of the remaining 58% stake in the Russian Alcohol Group, the largest spirit producer in Russia. Although the discussions are not final, and remain subject to further legal, accounting and tax analysis, as well as board approval, we are in general agreement with Lion Capital on the main commercial objectives. We expect an agreement would include a fixed price for the remaining 58% interest in the Russian Alcohol Group that we do not own (including the conversion of our $103.5 million plus accrued interest of loan notes) at a valuation that is more reflective of current market conditions and the positive sales performance of the business. Our payments would be spread out over 5 years ending in the year 2013, with smaller payments for 2009 and 2013 and more equal payments from years 2010 to 2012, and we would agree to certain security arrangements to Lion. We would not take control over the Russian Alcohol Group until 2011, though we would receive significantly enhanced minority rights. We would expect to finance the transaction over the 5 years through a combination of cash, debt and equity. We cannot provide any assurances as to whether, or on what terms, we may reach an agreement to restructure our arrangements in respect of the Russian Alcohol Group.

In the event that the Company is required to refinance or retire the indebtedness described above, and/or acquires the capital stock of Copecresto, Whitehall or Cayco Sub, such transactions would be financed through additional sources of debt or equity funding. We cannot provide assurances as to whether or on what terms such funding would be available.

Capital Expenditure

Our net capital expenditure on tangible fixed assets for the twelve months ending December 31, 2008, 2007, and 2006 was $15.6 million, $23.1 million and $9.7 million, respectively. Capital expenditures during the twelve

months ended December 31, 2008 were used primarily for production equipment and fleet. Capital expenditures during the twelve months ended December 31, 2007 were used primarily for investments in rectification of approximately $16 million, as well as fleet, information systems and plant maintenance. Capital expenditures during the twelve months ended December 31, 2006 were used primarily for investments in fleet, information systems and plant maintenance.

We have estimated that maintenance capital expenditure for 2009, 2010 and 2011 for our existing business combined with our acquired businesses will be approximately $8.0 to $12.0 million per year. Future capital expenditure is expected to be used for our continued investment in information technology, trucks, and routine improvements to production facilities. Pursuant to our acquisition of Polmos Bialystok, the Company is required to ensure that Polmos Bialystok will make investments of at least 77.5 million Polish Zloty (approximately $26.2 million based on year end exchange rate) during the five years after the consummation of the acquisition. As of December 31, 2008 the company has completed 80% of these investment commitments.

A substantial portion of these future capital expenditure amounts are discretionary, and we may adjust spending in any period according to our needs. We currently intend to finance all of our capital expenditure through cash generated from operating activities.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2008:

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(unaudited) ($ in thousands)		
Long-term debt obligations	$ 826,482	$ —	$155,510	$670,972	$—
Interest on long-term debt	164,896	45,218	86,858	32,820	
Short-term debt obligations	109,552	109,552	—	—	—
Deferred payments related to acquisitions	42,819	41,087	1,732	—	—
Operating leases	18,784	4,631	8,438	5,715	—
Capital leases	4,579	2,385	2,194	—	—
Contracts with suppliers	8,636	3,499	4,683	454	—
Total	**$1,175,748**	**$206,372**	**$259,415**	**$709,961**	**$—**

Effects of Inflation and Foreign Currency Movements

Actual inflation in Poland was 4.2% in 2008, compared to inflation of 2.5% in 2007.

Substantially all of Company's operating cash flows and assets are denominated in Polish Zloty, Russian Ruble and Hungarian Forint. This means that the Company is exposed to translation movements both on its balance sheet and income statement. The impact on working capital items is demonstrated on the cash flow statement as the movement in exchange on cash and cash equivalents. The impact on the income statement is by the movement of the average exchange rate used to restate the income statement from Polish Zloty, Russian Ruble and Hungarian Forint to U.S. Dollars. The amounts shown as exchange rate gains or losses on the face of the income statement relate only to realized gains or losses on transactions that are not denominated in Polish Zloty, Russian Ruble or Hungarian Forint.

The average Zloty/Dollar exchange rate used to create our income statement appreciated by approximately 13%. The actual year end Zloty/Dollar exchange rate used to create our balance sheet depreciated by approximately 22% as compared to December 31, 2007.

However, as discussed above, recently the Polish Zloty and Russian Ruble have depreciated sharply against the U.S. Dollar. From September 2008 to February 2009, the Polish Zloty depreciated by approximately 50% against the U.S. Dollar, and the Russian Ruble depreciated by approximately 45% against the U.S. Dollar. Should this trend continue, our results of operations may be negatively impacted due to a reduction in revenue in U.S. Dollar terms from the currency translation effects of that depreciation. This may be partially offset by a similar decrease in costs in U.S. Dollar terms. Conversely if the trend reverses our results of operations may be positively impacted due to an increase in revenue in U.S. Dollar terms from the currency translation effects of that appreciation.

As a result of the issuance of the Company's Senior Secured Notes due 2012 of which €245 million in principal amount is currently outstanding, we are exposed to foreign exchange movements. Movements in the EUR-Polish Zloty exchange rate will require us to revalue our liability on the Senior Secured Notes accordingly, the impact of which will be reflected in the results of the Company's operations. Every one percent movement in the EUR-Polish Zloty exchange rate will have an approximate $3.5 million change in the valuation of the liability with the offsetting pre-tax gain or losses recorded in the profit and loss of the Company. In order to manage the cash flow impact of foreign exchange changes, the Company has entered into certain hedge agreements. As of December 31, 2008, the Company had outstanding a hedge contract for a seven year interest rate swap agreement. The swap agreement exchanges a fixed Euro based coupon of 8%, with a variable Euro based coupon (IRS) based upon the six month Euribor rate plus a margin.

The proceeds of our $310 million Senior Convertible Notes have been on-lent to subsidiaries that have the Polish Zloty as the functional currency. Movements in the USD-Polish Zloty exchange rate will require us to revalue our liability on the Senior Convertible Notes accordingly, the impact of which will be reflected in the results of the Company's operations. Every one percent movement in the USD-Polish Zloty exchange rate will have an approximate $3.0 million change in the valuation of the liability with the offsetting pre-tax gain or losses recorded in the profit and loss of the Company.

The effect of having debt denominated in currencies other than the Company's functional currencies (primarily the Company's Senior Secured Notes and Senior Convertible Notes) is to increase or decrease the value of the Company's liabilities on that debt in terms of the Company's functional currencies when those functional currencies depreciate or appreciate in value, respectively. As the Polish Zloty and Russian Ruble have fallen in value in recent months, the conversion of these U.S. Dollars or Euro liabilities in the subsidiaries of CEDC that have the Polish Zloty or Russian Ruble as their functional currency will require an increased valuation of that liability in the functional currency. This revaluation impacts the Company's results of operations through the recognition of unrealized non cash foreign exchange rate gains or losses in our results of operations. In the case of the Senior Secured Notes and Senior Convertible Notes the full principal amount is due in 2012 and 2013 respectively; therefore, final local currency obligations will only be recognized then as a realized gain or loss.

Critical Accounting Policies and Estimates

General

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of net sales, expenses, assets and liabilities. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

Revenue Recognition

Revenues of the Company include sales of its own produced spirit brands, imported wine, beer and spirit brands as well as other third party alcoholic products purchased locally in Poland, the sale of each of these revenues streams are all processed and accounted for in the same manner. For all of its sources of revenue, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery of product has occurred, the sales price charged is fixed or determinable and collectability is reasonably assured. This generally means that revenue is recognized when title to the products are transferred to our customers. In particular, title usually transfers upon shipment to or receipt at our customers' locations, as determined by the specific sales terms of the transactions.

Sales are stated net of sales tax (VAT) and reflect reductions attributable to consideration given to customers in various customer incentive programs, including pricing discounts on single transactions, volume discounts, promotional listing fees and advertising allowances, cash discounts and rebates. Net sales revenue includes excise tax except in the case where the sales are made from the production unit, in which case it is recorded net of excise tax.

Goodwill and Intangibles

Following the adoption of SFAS 141 and SFAS 142, goodwill and certain intangible assets having indefinite lives are no longer subject to amortization. Their book values are tested annually for impairment, or more frequently, if facts and circumstances indicate the need. Fair value measurement techniques, such as the discounted cash flow methodology, are utilized to assess potential impairments. The testing is performed at each reporting unit level. In the discounted cash flow method, the Company discounts forecasted performance plans to their present value. The discount rate utilized is the weighted average cost of capital for the reporting unit. US GAAP requires the impairment test to be performed in two stages. If the first stage does not indicate that the carrying values of the reporting units exceed the fair values, the second stage is not required. When the first stage indicates potential impairment, the company has to complete the second stage of the impairment test and compare the implied fair value of the reporting units' goodwill to the corresponding carrying value of goodwill.

Intangibles are amortized over their effective useful life. In estimating fair value, management must make assumptions and projections regarding such items as future cash flows, future revenues, future earnings, and other factors. The assumptions used in the estimate of fair value are generally consistent with the past performance of each reporting unit and are also consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. If these estimates or their related assumptions change in the future, the Company may be required to record an impairment loss for the assets. The fair values calculated have been adjusted where applicable to reflect the tax impact upon disposal of the asset.

In connection with the Bols and Bialystok acquisitions, the Company has acquired trademark rights to various brands, which were capitalized as part of the purchase price allocation process. As these brands are well established they have been assessed to have an indefinite life. These trademarks rights will not be amortized; however, management assesses them at least once a year for impairment.

In connection with Parliament acquisition the Company has included in non-amortizable intangible assets the valuation of the Parliament trademark, which was capitalized as part of the purchase price allocation process. As this brand is well established it has been assessed to have an indefinite life. This trademark right will not be amortized; however, management assesses it at least once a year for impairment.

In order to perform the test of the impairment for goodwill and indefinite lived intangible assets, it requires the use of estimates. We based our calculations as at December 31, 2008 on the following assumptions:

- Risk free rates for Poland, Russia and Hungary used for calculation of discount rate were based upon current market rates of long term Polish Government Bonds rates, long term Russian Government Bonds rates and long term Hungarian Government Bonds. When estimating discount rates to be used for the calculation we have taken into account current market conditions in Poland, Russia and Hungary separately. As a result of our assumptions and calculations, we have determined discount rates of 8.81%, 14.24% and 14.56% for Poland, Russia and Hungary, respectively. Factoring in a deviation of 10% for the discount rate as compared to management's estimate, there would still be no need for an impairment charge against goodwill.
- We have tested goodwill for impairment separately for the following reporting units: Vodka Production, Domestic Distribution, Hungary Distribution, Parliament Group and Whitehall Group.
- We estimated the growth rates in projecting cash flows for each of our reporting generating unit separately, based on a detailed five year plan related to each reporting unit.

Taking into account estimations supporting our calculations under current market trends and conditions we believe that no impairment charge is considered necessary through the date of the accompanying financial statements.

Accounting for Business Combinations

The acquisition of businesses is an important element of the Company's strategy. We account for our acquisitions under the purchase method of accounting in accordance with SFAS 141, Business Combinations, and allocate the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The determination of the values of the assets acquired and liabilities assumed, as well as associated asset useful lives, requires management to make estimates. The Company's acquisitions typically result in goodwill and other intangible assets; the value and estimated life of those assets may affect the amount of future period amortization expense for intangible assets with finite lives as well as possible impairment charges that may be incurred.

The calculation of purchase price allocation requires judgment on the part of management in determining the valuation of the assets acquired and liabilities assumed.

The Company has consolidated the Whitehall Group as a business combination, on the basis that the Whitehall Group is a Variable Interest Entity in accordance with FIN 46R, Consolidation of Variable Interest Entities and the Company has been assessed as being the primary beneficiary.

Derivative Instruments

The Company is exposed to market movements from changes in foreign currency exchange rates that could affect the Company's results of operations and financial condition. In accordance with SFAS 133, Accounting for Derivative Instruments and Hedging Activities, the Company recognizes all derivatives as either assets or liabilities on the balance sheet and measures those instruments at fair value.

The fair values of the Company's derivative instruments can change with fluctuations in interest rates and/or currency rates and are expected to offset changes in the values of the underlying exposures. The Company's derivative instruments are held to hedge economic exposures. The Company follows internal policies to manage interest rate and foreign currency risks, including limitations on derivative market-making or other speculative activities.

At the inception of a transaction the Company documents the relationship between the hedging instruments and hedged items, as well as its risk management objective. This process includes linking all derivatives designated to specific firm commitments or forecasted transitions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

Involvement of the Company in variable interest entities("VIEs") and continuing involvement with transferred financial assets.

On May 23, 2008, the Company and certain of its affiliates, entered into, and closed upon, a Share Sale and Purchase Agreement and certain other agreements whereby the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interests, in the Whitehall Group.

Transfers of Financial Assets

Except for the amount of $7.5 million that was lent at market rates as a working capital by the Company to the Whitehall Group there were no transfers of financial assets to VIE as the Whitehall Group is a self financing body. Including the $7.5 million transfer, the Company does not have any continuing involvement with transferred financial assets that allow the transferors to receive cash flows or other benefits from the assets or requires the transferors to provide cash flows or other assets in relation to the transferred financial assets.

Variable Interest Entities

CEDC consolidated the Whitehall Group as a business combination as of May 23, 2008, on the basis that the Whitehall Group is a Variable Interest Entity ("VIE") and the Company has been assessed as being the primary beneficiary. Included within the Whitehall Group is a 50/50 joint venture with Möet Henessy. This joint venture is accounted for using the equity method and is recorded on the face of the balance sheet in investments with minority interest initially recorded at fair value on the face of the balance sheet. The current term of the joint venture is until June 2013 at which point the Whitehall Group will have the option to acquire the remaining shares of the entity.

Based upon the review of Paragraph 4 CEDC management has concluded that its interest in Puella Enterprises, the special purpose vehicle ("SPV"), being a Cyprus company in which CEDC has 49.9% voting power, would not fall under any of scope exceptions. Therefore CEDC has evaluated whether the SPV is a variable interest entity under the provisions of paragraph 5 and thus the SPV subject to consolidation accounting.

In determining the accounting treatment if the Whitehall Group is a VIE and needs to be consolidated by CEDC, we considered the conditions outlined in Paragraphs 5 (a), (b), or (c) of FIN 46R.

- *Paragraph 5(a)—Equity Investment at Risk*—We concluded that the SPV would not meet the requirement of a VIE based upon paragraph 5(a) as the interest would be classified as equity under US GAAP, the at risk equity is sufficient to permit the entity to finance its activities. Neither equity holder will provide any additional material capital into the SPV. The SPV will be utilized solely as a holding company with its economics determined by the underlying Whitehall Group.
- *Paragraph 5(b)—Controlling Financial* Interests—Both shareholders, Mark Kaufmann acting through a Jersey trust ("the Trust") and CEDC, are able to direct the activities and operations of the Whitehall Group through their roles on the Board of Directors and their responsibilities for selection of executive level officers. However, the ultimate obligation to absorb losses of the entity or right to receive the residual benefits will lie with CEDC at the time the put/call term ends. Should the business not perform, the Trust will have the right to put his shares to CEDC with a pre-agreed floor on the value of the put option. Thus the Company is at risk of absorbing a greater portion of losses upon the Trust's exit than the Trust itself. Conversely at the end of the term, CEDC can call and if the business has over

performed, the amount paid to the Trust on the call is capped at a pre-agreed amount. As such, because the Trust is both limited in its losses and returns through the terms of the put/call with caps and floors, this criterion is met and would cause Whitehall Group to be considered a VIE.

- *Paragraph 5(c)—Disproportionate Voting* Rights—The voting rights of the Trust and CEDC (50.1% and 49.9%) are not proportionate to their economic interests (25% and 75%). In this structure, it appears CEDC has disproportionately fewer voting rights in relation to its economic rights.

  Further, the below activities of the entity that are more closely associated with the activities of CEDC, thereby having substantially of the entity's activities conducted on its behalf. As CEDC has disproportionately fewer rights while substantially all of Whitehall Group's activities are for CEDC, this would indicate that Whitehall Group lacks characteristic:

  - The operations of Whitehall Group are substantially similar in nature to the activities of CEDC;
  - CEDC has a call option to purchase the interests of the other investors in the entity;
  - The Trust has an option to put his interests to CEDC.

Both the Trust and CEDC are precluded from transferring its interests in the SPV to any third-party without consent from the other party. Transfers are subject to an absolute other party discretion standard, other than limited permitted transfers (i.e., to affiliates). As such, it appears a de facto relationship exists.

The primary factor to be considered here is the design and intent of the variable interest entity. The SPV that holds the Whitehall Group and the related shareholders agreement were created with the clear intent to maximize the financial exposure that CEDC has to the Whitehall Group business and to ultimately allow CEDC to take full control of the business in 2012. CEDC bears the greatest level of economic share of the entities performance, both in terms of profit allocation (75%) and valuation of the put/call option at the end with a clear floor and cap on payment. The put/call structure in place provide near assurance that at the end of the term CEDC will take full ownership of the business. Should the business perform at or above plan, CEDC valuation is capped therefore would elect to call, and should the business under perform, the Trust will put the shares receiving the guaranteed minimum valuation.

Share Based Payments

As of January 1, 2006, the Company adopted SFAS No. 123(R) "Share-Based Payment" requiring the recognition of compensation expense in the Condensed Consolidated Statements of Income related to the fair value of its employee share-based options. SFAS No. 123(R) revises SFAS No. 123 "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25 "Accounting for Stock Issued to Employees". SFAS No. 123(R) is supplemented by SEC Staff Accounting Bulletin ("SAB") No. 107 "Share-Based Payment". SAB No. 107 expresses the SEC staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations including the valuation of share-based payments arrangements.

Grant-date fair value of stock options is estimated using a lattice-binomial option-pricing model. We recognize compensation cost for awards over the vesting period. The majority of our stock options have a vesting period between one to three years.

See Note 14 to our Consolidated Financial Statements for more information regarding stock-based compensation.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141-R, "Business Combinations". This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which are business combinations in the year

ending December 31, 2009 for the Company. The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (SFAS 160), which the Company will adopt on January 1, 2009. SFAS 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements" (ARB 51) and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the accounting for future ownership changes with respect to those subsidiaries. The most significant impact of the standard, at adoption, will be to retrospectively reclassify our minority interests ($48 million at December 31, 2008) from a liability to a separate component of stockholders equity and to retrospectively reclassify income from minority interests from a component of net income to income attributable to the parent company ($10 million for the year ended December 31, 2008) which will be presented below net income. All other components of SFAS 160 will be applied prospectively.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—An Amendment of SFAS No. 133". SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. SFAS 161 is effective for us on January 1, 2009. We are in the process of evaluating the new disclosure requirements under SFAS 161.

In May 2008, the FASB issued FSP APB 14-1, which impacts the accounting treatment for convertible debt instruments that allow for either mandatory or optional cash settlements. FSP APB 14-1 will impact the accounting associated with our $310.0 million senior convertible notes. This FSP will require us to recognize significant additional (non-cash) interest expense based on the market rate for similar debt instruments without the conversion feature. Furthermore, it requires recognizing interest expense in prior periods pursuant to the retrospective accounting treatment. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 (our fiscal 2009) and early adoption is not permitted. We are currently evaluating the impact on our financial statements of applying the provisions of FSP APB 14-1. Assuming applicable market rate, we would be required to record additional non-cash interest expense of approximately $3.7 million annually. On a retrospective basis we would be required to reflect additional non-cash interest of approximately $2.8 million for fiscal 2008.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

Our operations are conducted primarily in Poland and Russia and our functional currencies are primarily the Polish Zloty, Hungarian Forint and Russian Ruble and the reporting currency is the U.S. Dollar. Our financial instruments consist mainly of cash and cash equivalents, accounts receivable, accounts payable, inventories, bank loans, overdraft facilities and long-term debt. All of the monetary assets represented by these financial instruments are located in Poland. Consequently, they are subject to currency translation movements when reporting in U.S. Dollars.

If the U.S. Dollar increases in value against the Polish Zloty, Russian Ruble or Hungarian Forint, the value in U.S. Dollars of assets, liabilities, revenues and expenses originally recorded in Polish Zloty, Russian Ruble or Hungarian Forint will decrease. Conversely, if the U.S. Dollar decreases in value against the Polish Zloty, Russian Ruble or Hungarian Forint, the value in U.S. Dollars of assets, liabilities, revenues and expenses originally recorded in Polish Zloty, Russian Ruble or Hungarian Forint will increase. Thus, increases and decreases in the value of the U.S. Dollar can have a material impact on the value in U.S. Dollars of our non-U.S. Dollar assets, liabilities, revenues and expenses, even if the value of these items has not changed in their original currency.

As discussed above, recently the Polish Zloty and Russian Ruble have depreciated sharply against the U.S. Dollar. Should this trend continue, our results of operations may be negatively impacted due to a reduction in revenue in U.S. Dollar terms from the currency translation effects of that depreciation. This may be partly offset by a similar decrease in costs in U.S. Dollar terms. Conversely if the trend reverses our results of operations may be positively impacted due to an increase in revenue in U.S. Dollar terms from the currency translation effects of that appreciation.

Our commercial foreign exchange exposure mainly arises from the fact that substantially all of our revenues are denominated in Polish Zloty, our Senior Secured Notes are denominated in Euros and our Senior Convertible Notes are denominated in US Dollars. This debt has been on-lent to the operating subsidiary level in Poland, thus exposing the Company to movements in the EUR/Polish Zloty and USD/Polish Zloty exchange rate. Every one percent movement in the EUR-Polish Zloty exchange rate will have an approximate $3.5 million change in the valuation of the liability with the offsetting pre-tax gain or losses recorded in the profit and loss of the Company. Every one percent movement in the USD-Polish Zloty exchange rate will have an approximate $3.0 million change in the valuation of the liability with the offsetting pre-tax gain or losses recorded in the profit and loss of the Company.

As a result of the remaining outstanding €245.44 million Senior Secured Notes and our $310 million of Senior Convertible Notes which have been on-lent to Polish Zloty operating companies, we are exposed to foreign exchange movements. Movements in the EUR/Polish Zloty and USD/Polish Zloty exchange rate will require us to revalue our liability accordingly, the impact of which will be reflected in the results of the Company's operations.

In order to manage the cash flow impact of foreign exchange changes, the Company has entered into certain hedge agreements. As of December 31, 2008, the Company had outstanding a hedge contract for a seven year interest rate swap agreement hedging 245.4 million EUR of the Senior Secured Notes. The swap agreement exchanges a fixed Euro based coupon of 8%, with a variable Euro based coupon (IRS) based upon the 6 month Euribor rate plus a margin. Any changes in Euribor will result in a change in the interest expense. Each basis point move in Euribor will result in an increase or a decrease in annual interest expense of €24,544.

In January 2009, the remaining portion of the IRS hedge related to the Senior Secured Notes was closed and written off with a net cash settlement of approximately $1.9 million.

The effect of having debt denominated in currencies other than the Company's functional currencies (as the Company's Senior Secured Notes and Senior Convertible Notes are) is to increase the value of the Company's liabilities on that debt in terms of the Company's functional currencies when those functional currencies depreciate in value. As the Polish Zloty and Russian Ruble have fallen in value in recent months, the value of the Company's liabilities on the Senior Secured Notes and Senior Convertible Notes has increased, which impacts the Company's results of operations through the recognition of significant non cash unrealized foreign exchange rate losses.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to consolidated financial statements:

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Central European Distribution Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Central European Distribution Corporation and its subsidiaries at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits (which were integrated audits in 2008 and 2007). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A, Management has excluded the Parliament Group and the Whitehall Group from its assessment of internal controls over financial reporting as of December 31, 2008, because these companies were acquired by the Company in purchase business combinations during the year ended December 31, 2008. The Parliament Group is a subsidiary of the Company that is controlled by ownership of a majority voting interest, whose total assets and total revenues represent 9.10% and 7.88%, respectively, of the related consolidated financial statements as of and

for the year ended December 31, 2008. With respect to the Whitehall Group, the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interest. Total assets and total revenues of the Whitehall Group represent 9.07% and 10.21%, respectively, of the related consolidated financial statements as of and for the year ended December 31, 2008.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland
March 2, 2009

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEET
Amounts in columns expressed in thousands
(except share information)

	December 31, 2008	December 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	$ 107,601	$ 87,867
Accounts receivable, net of allowance for doubtful accounts of $22,155 and $29,277 respectively	430,683	316,277
Inventories	180,304	141,272
Prepaid expenses and other current assets	22,894	16,536
Deferred income taxes	24,386	5,141
Total Current Assets	**765,868**	**567,093**
Intangible assets, net	570,505	545,697
Goodwill, net	745,256	577,282
Property, plant and equipment, net	92,221	79,979
Deferred income taxes	12,886	11,407
Equity method investment in affiliates	189,243	—
Subordinated intercompany loans	107,707	—
Other assets	—	710
	1,717,818	1,215,075
Total Assets	**$2,483,686**	**$1,782,168**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable	$ 234,948	$ 172,340
Bank loans and overdraft facilities	109,552	42,785
Income taxes payable	7,227	5,408
Taxes other than income taxes	125,774	101,929
Other accrued liabilities	80,270	71,959
Current portions of obligations under capital leases	2,385	1,759
Total Current Liabilities	**560,156**	**396,180**
Long-term debt, less current maturities	170,510	122,952
Long-term obligations under capital leases	2,194	2,708
Long-term obligations under Senior Notes	650,243	344,298
Deferred income taxes	106,486	100,113
Total Long Term Liabilities	**929,433**	**570,071**
Minority interests	48,248	481
Stockholders' Equity		
Common Stock ($0.01 par value, 80,000,000 shares authorized, 47,344,874 and 40,566,096 shares issued at December 31, 2008 and 2007, respectively)	473	406
Additional paid-in-capital	803,703	429,554
Retained earnings	188,595	205,186
Accumulated other comprehensive income	(46,772)	180,440
Less Treasury Stock at cost (246,037 shares at December 31, 2008 and 2007, respectively)	(150)	(150)
Total Stockholders' Equity	**945,849**	**815,436**
Total Liabilities and Stockholders' Equity	**$2,483,686**	**$1,782,168**

The accompanying notes are an integral part of the consolidated condensed financial statements.

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
Amounts in columns expressed in thousands
(except per share information)

	Year ended December 31,		
	2008	**2007**	**2006**
Sales	**$ 2,136,570**	**$1,483,344**	**$1,193,248**
Excise taxes	(489,566)	(293,522)	(249,140)
Net Sales	**1,647,004**	**1,189,822**	**944,108**
Cost of goods sold	1,224,899	941,060	745,721
Gross Profit	**422,105**	**248,762**	**198,387**
Operating expenses	223,373	130,677	106,805
Operating Income	**198,732**	**118,085**	**91,582**
Non operating income / (expense), net			
Interest (expense), net	(50,360)	(35,829)	(31,750)
Other financial (expense), net	(132,936)	13,594	17,212
Other non operating income / (expense), net	410	(1,770)	1,119
Income before taxes	**15,846**	**94,080**	**78,163**
Income tax expense	12,952	15,910	13,986
Minority interests	10,483	1,068	8,727
Equity in net earnings of affiliates	(9,002)	—	—
Net income	**($ 16,591)**	**$ 77,102**	**$ 55,450**
Net income per share of common stock, basic	($ 0.38)	$ 1.93	$ 1.55
Net income per share of common stock, diluted	($ 0.38)	$ 1.91	$ 1.53

The accompanying notes are an integral part of the consolidated condensed financial statements.

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Amounts in columns expressed in thousands
(except per share information)

	Common Stock				Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive income	Total
	Common Stock		Treasury Stock					
	No. of Shares	Amount	No. of Shares	Amount				
Balance at December 31, 2005	23,885	$239	164	($150)	$296,574	$ 72,634	$ 5,645	$ 374,942
Net income for 2006	—	—			—	55,450	—	55,450
Foreign currency translation adjustment	—	—			—	—	12,022	12,022
Comprehensive income for 2006	—	—			—	55,450	12,022	67,472
Contractual compensation	2	—			57			57
Effect of stock split June 12, 2006	11,977	120	82		(120)			—
Common stock issued in public placement	2,550	26			71,571			71,597
Common stock issued in connection with options	274	2			6,729	—		6,731
Common stock issued in connection with acquisitions	4	—			161	—	—	161
Other					13			13
Balance at December 31, 2006	38,692	$387	246	($150)	$374,985	$128,084	$ 17,667	$ 520,973
Net income for 2007	—	—	—	—	—	77,102	—	77,102
Foreign currency translation adjustment	—	—	—	—	—	—	162,773	162,773
Comprehensive income for 2007	—	—	—	—	—	77,102	162,773	239,875
Common stock issued in public placement	1,554	16	—	—	42,338	—	—	42,354
Common stock issued in connection with options	272	3	—	—	5,538	—	—	5,541
Common stock issued in connection with acquisitions	48	0	—	—	1,693	—	—	1,693
Refundable purchase price related to Botapol acquisition	—	—	—	—	5,000	—	—	5,000
Balance at December 31, 2007	40,566	$406	246	($150)	$429,554	$205,186	$ 180,440	$ 815,436
Net income for 2008	—	—	—	—	—	(16,591)	—	(16,591)
Foreign currency translation adjustment	—	—	—	—	—	—	(227,212)	(227,212)
Comprehensive income for 2008	—	—	—	—	—	(16,591)	(227,212)	(243,803)
Common stock issued in public placement	3,576	36	—	—	233,809	—	—	233,845
Common stock issued in connection with options	121	1	—	—	5,739	—	—	5,740
Common stock issued in connection with acquisitions	3,082	30	—	—	134,601	—	—	134,631
Balance at December 31, 2008	47,345	$473	246	($150)	$803,703	$188,595	($ 46,772)	$ 945,849

The accompanying notes are an integral part of the consolidated condensed financial statements.

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
Amounts in columns expressed in thousands

	Twelve months ended December 31,		
	2008	2007	2006
CASH FLOW			
Operating Activities			
Net income	($ 16,591)	$ 77,102	$ 55,450
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	14,786	9,968	8,739
Deferred income taxes	(19,282)	9,957	2,205
Minority interests	10,483	1,044	8,727
Hedge valuation	—	—	(13,118)
Unrealized foreign exchange (gains) / losses	133,528	(23,940)	(3,274)
Cost of debt extinguishment	1,156	11,864	—
Stock options expense	3,850	1,866	1,908
Equity income in affiliates	9,002	—	—
Other non cash items	(693)	7,308	1,079
Changes in operating assets and liabilities:			
Accounts receivable	(121,589)	(38,812)	(7,554)
Inventories	(41,712)	(21,986)	(3,165)
Prepayments and other current assets	17,100	5,865	(2,026)
Trade accounts payable	62,459	(880)	8,123
Other accrued liabilities and payables	19,699	(16,272)	14,597
Net Cash provided by Operating Activities	72,196	23,084	71,691
Investing Activities			
Investment in fixed assets	(22,572)	(25,787)	(11,713)
Proceeds from the disposal of fixed assets	6,943	2,670	2,045
Investment in trademarks	—	—	(1,210)
Purchase of financial assets	(103,500)	—	—
Proceeds from the disposal of financial assets	—	—	4,784
Refundable purchase price related to Botapol acquisition	—	5,000	—
Acquisitions of subsidiaries, net of cash acquired	(548,799)	(141,005)	(35,828)
Net Cash used in Investing Activities	(667,928)	(159,122)	(41,922)
Financing Activities			
Borrowings on bank loans and overdraft facility	120,586	13,225	15,379
Borrowings on long-term bank loans	43,192	122,508	—
Payment of bank loans and overdraft facility	(31,935)	(30,153)	(21,526)
Payment of long-term borrowings	—	8	(3)
Payment of Senior Secured Notes	(26,996)	(95,440)	—
Hedge closure	—	—	(7,323)
Movements in capital leases payable	1,216	445	(2,232)
Issuance of shares in public placement	233,845	42,354	71,719
Net Borrowings on Convertible Senior Notes	304,403	—	—
Options exercised	1,899	3,976	4,772
Net Cash provided by Financing Activities	646,210	56,923	60,786
Currency effect on brought forward cash balances	(30,744)	7,620	8,062
Net Increase / (Decrease) in Cash	19,734	(71,495)	98,617
Cash and cash equivalents at beginning of period	87,867	159,362	60,745
Cash and cash equivalents at end of period	$ 107,601	$ 87,867	$159,362
Supplemental Schedule of Non-cash Investing Activities			
Common stock issued in connection with investment in subsidiaries	$ 134,631	$ 1,693	$ 161
Supplemental disclosures of cash flow information			
Interest paid	$ 55,426	$ 40,136	$ 37,256
Income tax paid	$ 33,919	$ 21,362	$ 11,980

The accompanying notes are an integral part of the consolidated condensed financial statements.

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
Amounts in tables expressed in thousands, except per share information

1. Organization and Significant Accounting Policies

Organization and Description of Business

Central European Distribution Corporation ("CEDC"), a Delaware corporation, and its subsidiaries (collectively referred to as "we," "us," "our," or the "Company") operate primarily in the alcohol beverage industry. The Company is Central Europe's largest integrated spirit beverages business. The Company is the largest vodka producer by value and volume in Poland and produces the Absolwent, Zubrowka, Bols and Soplica brands, among others. The Company currently exports its products to many markets around the world. In addition, it produces and distributes Royal Vodka, the number one selling vodka in Hungary. The Company is the leading distributor and the leading importer of spirits, wine and beer in Poland and Hungary. In March 2008, the Company continued its expansion plans in the region by purchasing an 85% stake in Copecresto Enterprises Limited, which owns the leading premium vodka brand in Russia, Parliament Vodka. In May 2008, the Company also acquired a 75% economic stake in the Whitehall Group of companies in Russia, which is one of the leading importers of premium wines and spirits in Russia. In July 2008, the Company closed a strategic investment in the Russian Alcohol Group ("Russian Alcohol") providing the Company with an effective indirect equity stake of approximately 42% in Russian Alcohol.

Significant Accounting Policies

The significant accounting policies and practices followed by the Company are as follows:

Basis of Presentation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. Our Company consolidates all entities that we control by ownership of a majority voting interest. All inter-company accounts and transactions have been eliminated in the consolidated financial statements.

CEDC's subsidiaries maintain their books of account and prepare their statutory financial statements in their respective local currencies. The subsidiaries' financial statements have been adjusted to reflect accounting principles generally accepted in the United States of America (U.S. GAAP).

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. Our Company consolidates all entities that we control by ownership of a majority voting interest. All inter-company accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates and such differences may be material to the consolidated financial statements.

Foreign Currency Translation and Transactions

For all of the Company's subsidiaries the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each year-end. The Income Statements are

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
Amounts in tables expressed in thousands, except per share information

translated at the average rate of exchange prevailing during the respective year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of stockholders' equity. Transaction adjustments arising from operations as well as gains and losses from any specific foreign currency transactions are included in the reported net income for the period.

The accompanying consolidated financial statements have been presented in U.S. Dollars.

Tangible Fixed Assets

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation of tangible fixed assets is computed by the straight-line method over the following useful lives:

Type	Depreciation life in years
Transportation equipment including capital leases	5
Production equipment	10
Software	5
Computers and IT equipment	3
Beer dispensing and other equipment	2-10
Freehold land	Not depreciated
Freehold buildings	40

Leased equipment meeting appropriate criteria is capitalized and the present value of the related lease payments is recorded as a liability. Amortization of capitalized leased assets is computed on a straight-line method over the useful life of the relevant assets.

Where the cost of equipment is approximately $1,500 per transaction, it is expensed to the income statement as incurred.

The Company periodically reviews its investment in tangible fixed assets and when indicators of impairment exist, an impairment loss is recognized.

Goodwill

Following the adoption of SFAS 141 and SFAS 142, goodwill and certain intangible assets having indefinite lives are no longer subject to amortization. Their book values are tested annually for impairment, or more frequently, if facts and circumstances indicate the need. Fair value measurement techniques, such as the discounted cash flow methodology, are utilized to assess potential impairments. The testing is performed at each reporting unit level. In the discounted cash flow method, the Company discounts forecasted performance plans to their present value. The discount rate utilized is the weighted average cost of capital for the reporting unit. US GAAP requires the impairment test to be performed in two stages. If the first stage does not indicate that the carrying values of the reporting units exceed the fair values, the second stage is not required. When the first stage indicates potential impairment, the company has to complete the second stage of the impairment test and compare the implied fair value of the reporting units' goodwill to the corresponding carrying value of goodwill.

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Involvement of the Company in variable interest entities ("VIEs") and continuing involvement with transferred financial assets.

On May 23, 2008, the Company and certain of its affiliates, entered into, and closed upon, a Share Sale and Purchase Agreement and certain other agreements whereby the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interests, in the Whitehall Group ("the Whitehall Acquisition").

Transfers of Financial Assets

Except for the amount of $7.5 million that was lent at market rates as a working capital by the Company to the Whitehall Group there were no transfers of financial assets to VIE as the Whitehall Group is a self financing body. Including the $7.5 million transfer, the Company does not have any continuing involvement with transferred financial assets that allow the transferors to receive cash flows or other benefits from the assets or requires the transferors to provide cash flows or other assets in relation to the transferred financial assets.

Variable Interest Entities

CEDC consolidated the Whitehall Group as a business combination as of May 23, 2008, on the basis that the Whitehall Group is a Variable Interest Entity ("VIE") and the Company has been assessed as being the primary beneficiary. Included within the Whitehall Group is a 50/50 joint venture with Möet Henessy. This joint venture is accounted for using the equity method and is recorded on the face of the balance sheet in investments with minority interest initially recorded at fair value on the face of the balance sheet. The current term of the joint venture is until June 2013 at which point the Whitehall Group will have the option to acquire the remaining shares of the entity.

Based upon the review of Paragraph 4 CEDC management has concluded that its interest in Puella Enterprises, the special purpose vehicle ("SPV"), being a Cyprus company in which CEDC has 49.9% voting power, would not fall under any of scope exceptions. Therefore CEDC has evaluated whether the SPV is a variable interest entity under the provisions of paragraph 5 and thus the SPV subject to consolidation accounting.

In determining the accounting treatment if the Whitehall Group is a VIE and needs to be consolidated by CEDC, we considered the conditions outlined in Paragraphs 5 (a), (b), or (c) of FIN 46R.

- *Paragraph 5(a)—Equity Investment at Risk*—We concluded that the SPV would not meet the requirement of a VIE based upon paragraph 5(a) as the interest would be classified as equity under US GAAP, the at risk equity is sufficient to permit the entity to finance its activities. Neither equity holder will provide any additional material capital into the SPV. The SPV will be utilized solely as a holding company with its economics determined by the underlying Whitehall Group.
- *Paragraph 5(b)—Controlling Financial* Interests—Both shareholders, Mark Kaufmann acting through a Jersey trust ("the Trust") and CEDC, are able to direct the activities and operations of the Whitehall Group through their roles on the Board of Directors and their responsibilities for selection of executive level officers. However, the ultimate obligation to absorb losses of the entity or right to receive the residual benefits will lie with CEDC at the time the put/call term ends. Should the business not perform, the Trust will have the right to put his shares to CEDC with a pre-agreed floor on the value of the put option. Thus the Company is at risk of absorbing a greater portion of losses upon the Trust's exit than the Trust itself. Conversely at the end of the term, CEDC can call and if the business has over performed, the amount paid to the Trust on the call is capped at a pre-agreed amount. As such, because the Trust is both limited in its losses and returns through the terms of the put/call with caps and floors, this criterion is met and would cause Whitehall Group to be considered a VIE.

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- *Paragraph 5(c)—Disproportionate Voting* Rights—The voting rights of the Trust and CEDC (50.1% and 49.9%) are not proportionate to their economic interests (25% and 75%). In this structure, it appears CEDC has disproportionately fewer voting rights in relation to its economic rights.

  Further, the below activities of the entity that are more closely associated with the activities of CEDC, thereby having substantially of the entity's activities conducted on its behalf. As CEDC has disproportionately fewer rights while substantially all of Whitehall Group's activities are for CEDC, this would indicate that Whitehall Group lacks characteristic:

  - The operations of Whitehall Group are substantially similar in nature to the activities of CEDC;
  - CEDC has a call option to purchase the interests of the other investors in the entity;
  - The Trust has an option to put his interests to CEDC.

Both the Trust and CEDC are precluded from transferring its interests in the SPV to any third-party without consent from the other party. Transfers are subject to an absolute other party discretion standard, other than limited permitted transfers (i.e., to affiliates). As such, it appears a de facto relationship exists.

The primary factor to be considered here is the design and intent of the variable interest entity. The SPV that holds the Whitehall Group and the related shareholders agreement were created with the clear intent to maximize the financial exposure that CEDC has to the Whitehall Group business and to ultimately allow CEDC to take full control of the business in 2012. CEDC bears the greatest level of economic share of the entities performance, both in terms of profit allocation (75%) and valuation of the put/call option at the end with a clear floor and cap on payment. The put/call structure in place provide near assurance that at the end of the term CEDC will take full ownership of the business. Should the business perform at or above plan, CEDC valuation is capped therefore would elect to call, and should the business under perform, the Trust will put the shares receiving the guaranteed minimum valuation.

Purchase price allocations

We account for our acquisitions under the purchase method of accounting in accordance with SFAS 141, Business Combinations, and allocate the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The determination of the values of the assets acquired and liabilities assumed, as well as associated asset useful lives, requires management to make estimates.

Intangible assets other than Goodwill

Intangibles consist primarily of acquired trademarks relating to well established brands, and as such have been deemed to have an indefinite life. In accordance with SFAS 142, intangible assets with an indefinite life are not amortized but are reviewed at least annually for impairment. Additional intangible assets include the valuation of customer contracts arising as a result of acquisitions, these intangible assets are amortized over their estimated useful life of 8 years.

Equity investments

If the Company is not required to consolidate its investment in another company, the Company uses the equity method if the Company can exercise significant influence over the other company. Under the equity method, investments are carried at cost, plus or minus the Company's equity in the increases and decreases in the investee's net assets after the date of acquisition and certain other adjustments. The Company's share of the net

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income or loss of the investee is included in equity in earnings of equity method investees on the Company's Consolidated Statements of Operations. Dividends received from the investee reduce the carrying amount of the investment. Equity investments are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable.

Impairment of long lived assets

In accordance with SFAS 144, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of an asset exceeds its fair value.

Revenue Recognition

Revenues of the Company include sales of its own produced spirit brands, imported wine, beer and spirit brands as well as other third party alcoholic products purchased locally in Poland, the sale of each of these revenues streams are all processed and accounted for in the same manner. For all of its sources of revenue, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery of product has occurred, the sales price charged is fixed or determinable and collectability is reasonably assured. This generally means that revenue is recognized when title to the products are transferred to our customers. In particular, title usually transfers upon shipment to or receipt at our customers' locations, as determined by the specific sales terms of the transactions.

Sales are stated net of sales tax (VAT) and reflect reductions attributable to consideration given to customers in various customer incentive programs, including pricing discounts on single transactions, volume discounts, promotional listing fees and advertising allowances, cash discounts and rebates. Net sales revenue includes excise tax except in the case where the sales are made from the production unit, in which case it is recorded net of excise tax.

Revenue Dilution

As part of normal business terms with customers, the Company for provides additional discounts and rebates off our stand list price for all of the products we sell. These revenue reductions are documented in our contracts with our customers and are typically associated with annual or quarterly purchasing levels as well as payment terms. These rebates are divided into on-invoice and off-invoice discounts. The on-invoice reductions are presented on the sales invoice and deducted from the invoice gross sales value. The off-invoice reductions are calculated based on the analysis performed by management and are provided for in the same period the related sales are recorded. Discounts or fees that are subject to contractual based term arrangements are amortized over the term of the contract. For the twelve months ending December 31, 2008, the Company recognized $109.9 million of off invoice rebates as a reduction to net sales.

Certain sales contain customer acceptance provisions that grant a right of return on the basis of either subjective criteria or specified objective criteria. Where appropriate a provision is made for product return, based upon a combination of historical data as well as depletion information received from our larger clients. The Company's policy is to closely monitor inventory levels with our key distribution customers to ensure that we do not create excess stock levels in the market which would result in a return of sales in the future. Historically sales returns from customers has averaged less than 1% of our net sales revenue."

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Shipping and Handling Costs

Where the Company has incurred costs in shipping goods to its warehouse facilities these costs are recorded as part of inventory and then to costs of goods sold. Shipping and handling costs associated with distribution are recorded in Selling, General and Administrative (S,G&A) costs.

Accounts Receivable

Accounts receivables are recorded based on the invoice price, inclusive of VAT (sales tax), and where a delivery note has been signed by the customer and returned to the Company. The allowances for doubtful accounts are based upon the aging of the accounts receivable, whereby the Company makes an allowance based on a sliding scale. The Company typically does not provide for past due amounts due from large international retail chains (hypermarkets and supermarkets) as there have historically not been any issues with collectability of these amounts. However, where circumstances require, the Company will also make specific provisions for any excess not provided for under the general provision. When a final determination is delivered to the Company regarding the non-recovery of a receivable, the Company then charges the unrecoverable amount to the accumulated allowance.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market value. Elements of cost include materials, labor and overhead and are classified as follows:

	December 31,	
	2008	2007
Raw materials and supplies	$ 18,352	$ 19,051
In-process inventories	1,698	2,479
Finished goods and goods for resale	160,254	119,742
Total	**$180,304**	**$141,272**

Because of the nature of the products supplied by the Company, great attention is paid to inventory rotation. Where goods are estimated to be obsolete or unmarketable they are written down to a value reflecting the net realizable value in their relevant condition.

Cost includes customs duty (where applicable), and all costs associated with bringing the inventory to a condition for sale. These costs include importation, handling, storage and transportation costs, and exclude rebates received from suppliers, which are reflected as reductions to closing inventory. Inventories are comprised primarily of beer, wine, spirits, packaging materials and non-alcoholic beverages.

Cash and Cash Equivalents

Short-term investments which have a maturity of three months or less from the date of purchase are classified as cash equivalents.

Income Taxes and Deferred Taxes

The Company computes and records income taxes in accordance with the liability method. Deferred tax assets and liabilities are recorded based on the difference between the accounting and tax basis of the underlying assets and liabilities based on enacted tax rates expected to be in effect for the year in which the differences are expected to reverse.

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Employee Retirement Provisions

The Company's employees are entitled to retirement payments and in some cases payments for long-service ("jubilee awards") and accordingly the Company provides for the current value of the liability related to these benefits. A provision is calculated based on the terms set in the collective labor agreement. The amount of the provision for retirement bonuses depends on the age of employees and the pre-retirement time of work for the Company and typically equals one months salary.

The Company does not create a specific fund designated for these payments and all payments related to the benefits are charged to the accrued liability. The provision for the employees' benefits is calculated annually using the projected unit method and any losses or gains resulting from the valuation are immediately recognized in the income statement.

The Company also contributes to State and privately managed defined contribution plans. Contributions to defined contribution plans are charged to the income statement in the period in which they are incurred.

Employee Stock-Based Compensation

As of January 1, 2006, the Company adopted SFAS No. 123(R) "Share-Based Payment" requiring the recognition of compensation expense in the Condensed Consolidated Statements of Income related to the fair value of its employee share-based options. SFAS No. 123(R) revises SFAS No. 123 "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25 "Accounting for Stock Issued to Employees". SFAS No. 123(R) is supplemented by SEC Staff Accounting Bulletin ("SAB") No. 107 "Share-Based Payment". SAB No. 107 expresses the SEC staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations including the valuation of share-based payments arrangements.

The Company recognizes the cost of all employee stock options on a straight-line attribution basis over their respective vesting periods, net of estimated forfeitures. The Company has selected the modified prospective method of transition; accordingly, prior periods have not been restated.

SFAS No. 123(R) "Share-Based Payment" requires the recognition of compensation expense in the Consolidated Statements of Income related to the fair value of employee share-based options. Determining the fair value of share-based awards at the grant date requires judgment, including estimating the expected term that stock options will be outstanding prior to exercise, the associated volatility and the expected dividends. Judgment is also required in estimating the amount of share-based awards expected to be forfeited prior to vesting. If actual forfeitures differ significantly from these estimates, share-based compensation expense could be materially impacted. Prior to adopting SFAS No. 123(R), the Company applied Accounting Principles Board ("APB") Opinion No. 25, and related Interpretations, in accounting for its stock-based compensation plans. All employee stock options were granted at or above the grant date market price. Accordingly, no compensation cost was recognized for fixed stock option grants in prior periods.

The Company's 2007 Stock Incentive Plan ("Incentive Plan") provides for the grant of stock options, stock appreciation rights, restricted stock and restricted stock units to directors, executives, and other employees ("employees") of the Company and to non-employee service providers of the Company. Following a shareholder resolution in April 2003 and the stock splits of May 2003, May 2004 and June 2006, the Incentive Plan authorizes, and the Company has reserved for future issuance, up to 1,397,333 shares of Common Stock (subject to an anti-dilution adjustment in the event of a stock split, re-capitalization, or similar transaction). The Compensation Committee of the Board of Directors of the Company administers the Incentive Plan.

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The option exercise price for stock options granted under the Incentive Plan may not be less than fair market value but in some cases may be in excess of the closing price of the Common Stock on the date of grant. The Company uses the stock option price based on the closing price of the Common Stock on the day before the date of grant if such price is not materially different than the opening price of the Common Stock on the day of the grant. Stock options may be exercised up to 10 years after the date of grant except as otherwise provided in the particular stock option agreement. Payment for the shares must be in cash, which must be received by the Company prior to any shares being issued. Stock options granted to directors and officers as part of an employee employment contract vest after 2 years. Stock options granted to general employees as part of a loyalty program vest after three years. The Incentive Plan was approved by CEDC shareholders during the annual shareholders meeting on April 30, 2007 to replace the Company's 1997 Stock Incentive Plan (the "Old Stock Incentive Plan"), which expired in November 2007. The Stock Incentive Plan will expire in November 2017. The terms and conditions of the Stock Incentive Plan are substantially similar to those of the Old Stock Incentive Plan.

Before January 1, 2006 CEDC, the holding company, realized net operating losses and therefore an excess tax benefit (windfall) resulting from the exercise of the awards and a related credit to Additional Paid-in Capital (APIC) of $2.2 million was not recorded in the Company's books. The excess tax benefits and the credit to APIC for the windfall should not be recorded until the deduction reduces income taxes payable on the basis that cash tax savings have not occurred. The Company will recognize the windfall upon realization.

See Note 13 for more information regarding stock-based compensation, including pro forma information required under SFAS No. 123 for periods prior to Fiscal 2006.

Derivative Financial Instruments

The Company uses derivative financial instruments, including interest rate swaps. Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognized periodically in either income or in shareholders' equity as a component of comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or a cash flow hedge.

Generally, changes in fair values of derivative financial instruments accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in fair values of derivative financial instruments not qualifying as hedges are reported in income. At the inception of a transaction the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objective and the strategy for undertaking various hedge transactions. This process includes linking all derivatives designated to specific firm commitments or forecasted transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Comprehensive Income/(Loss)

Comprehensive income/(loss) is defined as all changes in equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income includes net income adjusted by, among other items, foreign currency translation adjustments. The translation losses/gains on the re-measurements from foreign currencies (primarily the Polish Zloty) to US dollars are classified separately as a component of accumulated other comprehensive income included in stockholders' equity.

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As of December 31, 2008, the Polish zloty exchange rate used to translate the balance sheet weakened as compared to the exchange rate as of December 31, 2007, and as a result a loss to comprehensive income was recognized. Additionally, translation gains and losses with respect to long-term subordinated inter-company loans with the parent company are charged to other comprehensive income. No deferred tax benefit has been recorded on the comprehensive income in regard to the long-term inter-company transactions with the parent company, as the repayment of any equity investment is not anticipated in the foreseeable future.

Segment Reporting

The Company primarily operates in one industry segment, the production and sale of alcoholic beverages. As a result of the Company's expansion into new geographic areas, namely Russia, the Company has implemented a segmental approach to the business based upon geographic locations.

Net Income per Common Share

Net income per common share is calculated in accordance with SFAS No. 128, "Earnings per Share". Basic earnings per share (EPS) are computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the year. The stock options and warrants discussed in Note 10 were included in the computation of diluted earnings per common share (Note 18).

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141-R, "Business Combinations". This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which are business combinations in the year ending December 31, 2009 for the Company. The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (SFAS 160), which the Company will adopt on January 1, 2009. SFAS 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements" (ARB 51) and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the accounting for future ownership changes with respect to those subsidiaries. The most significant impact of the standard, at adoption, will be to retrospectively reclassify our minority interests ($48 million at December 31, 2008) from a liability to a separate component of stockholders equity and to retrospectively reclassify income from minority interests from a component of net income to income attributable to the parent company ($10 million for the year ended December 31, 2008) which will be presented below net income. All other components of SFAS 160 will be applied prospectively.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—An Amendment of SFAS No. 133". SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. SFAS 161 is effective for us on January 1, 2009. We are in the process of evaluating the new disclosure requirements under SFAS 161.

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In May 2008, the FASB issued FSP APB 14-1, which impacts the accounting treatment for convertible debt instruments that allow for either mandatory or optional cash settlements. FSP APB 14-1 will impact the accounting associated with our $310.0 million senior convertible notes. This FSP will require us to recognize significant additional (non-cash) interest expense based on the market rate for similar debt instruments without the conversion feature. Furthermore, it requires recognizing interest expense in prior periods pursuant to the retrospective accounting treatment. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 (our fiscal 2009) and early adoption is not permitted. We are currently evaluating the impact on our financial statements of applying the provisions of FSP APB 14-1. Assuming applicable market rate, we would be required to record additional non-cash interest expense of approximately $3.7 million annually. On a retrospective basis we would be required to reflect additional non-cash interest of approximately $2.8 million for fiscal 2008.

2. Acquisitions

On March 11, 2008, the Company and certain of its affiliates entered into a Share Sale and Purchase Agreement and certain other agreements with White Horse Intervest Limited, a British Virgin Islands Company, and certain of White Horse's affiliates, relating to the Company's acquisition from White Horse of 85% of the share capital of Copecresto Enterprises Limited, a Cypriot company, ("the Parliament Acquisition"). In connection with this acquisition, the Company paid a consideration of approximately $180 million in cash and 2.2 million shares of common stock. On May 2, 2008 the Company delivered the remaining 250,000 shares of the share consideration. There is still $15 million of the cash consideration that is deferred pending the consummation of certain reorganization transactions expected to be completed over the next 3-9 months.

On May 23, 2008, the Company and certain of its affiliates, entered into, and closed upon, a Share Sale and Purchase Agreement and certain other agreements whereby the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interests, in the Whitehall Group ("the Whitehall Acquisition"). The Whitehall Group is a leading importer of premium spirits and wines in Russia. The aggregate consideration paid by the Company was $200 million, paid in cash at the closing. In addition, on October 21, 2008 the Company issued to the Seller 843,524 shares of its common stock, par value $0.01 per share.

On February 24, 2009, the Company and the seller amended the terms of the Stock Purchase Agreement governing the Whitehall acquisition to satisfy the Company's obligations to the seller pursuant to a share price guarantee in the original Stock Purchase Agreement. Pursuant to the terms of this amendment, the Company paid to the seller $5,876,351 in cash, and issued to the seller 2,100,000 shares of its common stock, in settlement of a minimum share price guarantee by the Company. The Company is further obligated to make an additional cash payment of $2,000,000 on March 15, 2009. Deferred payments already due under the original Stock Purchase Agreement are to be paid with €8,050,411 due on June 15, 2009 and €8,303,630 due on September 15, 2009. In consideration for these payments, the Company received an additional 375 Class B shares of Whitehall, which represents an increase in the Company's economic stake from 75% to 80%. Additionally, if, during the 210 day period immediately following the effectiveness of the registration statement the Company is obligated to file to register the shares of Company common stock obtained by the seller in this transaction, the seller sells any of the Company common stock it acquired in the transaction for an average sales price per share, weighted by volume, that is less than $12.03, per share, the Company must pay to the seller the excess, if any, of $12.03 over the volume weighted average sales price per share of the Company's common stock on the day the sale took place, multiplied by the total number of shares sold. Finally, the Company may be obligated to make an additional cash payment to the seller, ranging from €0 to €1,500,000, based upon whether and to what extent the price of a share of the Company's common stock exceeds $12.03 during that same 210 day period. If the Company must make any such payment, it will receive in return up to an additional 75 Class B shares, which represents up to an additional 1% economic stake of Whitehall, based on the sized of the payment.

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The Company has consolidated the Whitehall Group as a business combination as of May 23, 2008, on the basis that the Whitehall Group is a Variable Interest Entity and the Company has been assessed as being the primary beneficiary. Included within the Whitehall Group is a 50/50 joint venture with Möet Henessy. This joint venture is accounted for using the equity method and is recorded on the face of the balance sheet in investments with minority interest initially recorded at fair value on the face of the balance sheet. The current term of the joint venture is until June 2013 at which point the Whitehall Group will have the option to acquire the remaining shares of the entity.

On July 9, 2008, the Company completed its strategic investment in Russian Alcohol Group and (1) paid $181.5 million for approximately 47.5% of the common equity of a newly formed Cayman Islands company ("Cayco") which indirectly acquired all of the outstanding equity of Russian Alcohol Group (the "Acquisition"), and (2) purchased $103.5 million in subordinated exchangeable loan notes (the "Notes") issued by a subsidiary of Cayco and exchangeable into equity of Cayco. Pursuant to the shareholders' agreement entered into in connection with this strategic investment, the Company has the right to purchase, and Cayco has the right to require the Company to purchase, all (but not less than all) of the outstanding capital stock of a majority-owned subsidiary of Cayco ("Cayco Sub") held by Cayco, which in either case would give the Company indirect control over Russian Alcohol Group.

The Company's right is exercisable during two 45-day periods, the first commencing on the later of (1) the date that the audited 2009 Operating Group accounts are approved by Cayco Sub and (2) the date on which all earnout payments that are payable in connection with the Acquisition have been paid (the "2010 Period"), and the second commencing on the date that the audited 2010 Operating Group accounts are approved by Cayco Sub (the "2011 Period"). The Company's right may be extended after the end of the 2011 Period in a limited circumstance to a period commencing on the date that the audited 2011 Operating Group accounts are approved by Cayco Sub (the "2012 Period"). If the Company exercises its right, Cayco will be obligated to exercise its drag-along rights under the shareholders agreement governing Cayco Sub to cause the transfer to the Company, on the same terms, the remaining capital stock of Cayco Sub not held by Cayco. Cayco's right will be exercisable during the 2010 Period and the 2011 Period and will expire one day after the end of the 2011 Period, and will be extended if the Company's right is extended to the 2012 Period.

The price the Company would be required to pay in the event either of these rights is exercised will be equal to the adjusted equity value of Russian Alcohol Group, determined based on EBITDA multiplied by the product of Cayco's ownership percentage and 14.05, 13.14, or 12.80, depending on when the right is exercised, less the debt of Russian Alcohol Group plus certain adjustments for cash and working capital. That price, however, in the case of the Company's right, is subject to a floor equal to the total original euro equivalent amount (based upon a exchange rate of 1.57) invested by the other party in Cayco multiplied by 2.05 in 2010 or 2.20 in 2009 and converted back to U.S. dollars at the spot rate at the time, depending on when the right is exercised (in either case less any dividends or distributions actually received). Russian Alcohol Group has approximately $200 million of net indebtedness in place that, following any exercise of the Company's or Cayco's rights described above, may be required to be refinanced or retired by the terms of the Company's existing indebtedness. The Company's management currently estimates that the amount the Company would be required to pay would be between $350 million and $650 million (payable in mid- 2010) if the above rights are exercised. This estimate is based on currently available information and management's current views with respect to future events and the future financial performance of Russian Alcohol Group, as of the date hereof. These estimates, projections and views are subject to risks and uncertainties that may cause actual results to differ from management's current estimates, projections and views, including the effects of fluctuations in currency valuations between the U.S. dollar and the Russian ruble and U.S. dollar and Euro, and the risks and uncertainties identified in the Company's filings with the Securities and Exchange Commission.

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We are engaged in discussions with Lion Capital to restructure the current agreement regarding the buyout of the remaining 58% stake in the Russian Alcohol Group, the largest spirit producer in Russia. Although the discussions are not final, and remain subject to further legal, accounting and tax analysis, as well as board approval, we are in general agreement with Lion Capital on the main commercial objectives. We expect an agreement would include a fixed price for the remaining 58% interest in the Russian Alcohol Group that we do not own (including the conversion of our $103.5 million plus accrued interest of loan notes) at a valuation that is more reflective of current market conditions and the positive sales performance of the business. Our payments would be spread out over 5 years ending in the year 2013, with smaller payments for 2009 and 2013 and more equal payments from years 2010 to 2012, and we would agree to certain security arrangements to Lion. We would not take control over the Russian Alcohol Group until 2011, though we would receive significantly enhanced minority rights. We would expect to finance the transaction over the 5 years through a combination of cash, debt and equity. We cannot provide any assurances as to whether, or on what terms, we may reach an agreement to restructure our arrangements in respect of the Russian Alcohol Group.

The fair value of the net assets acquired in connection with the 2008 Parliament and Whitehall group acquisitions as of the acquisition date are:

	Parliament Group	Whitehall Group	Total Acquisitions
ASSETS			
Cash and cash equivalents	2,862	3,240	6,102
Accounts receivable	3,441	21,107	24,548
Inventory	1,602	27,905	29,507
Deferred tax asset	1,329	1,932	3,261
Other current assets	6,043	17,633	23,676
Equipment	18,821	2,054	20,875
Intangibles, including Trademarks	144,835	6,150	150,985
Investments	—	69,400	69,400
Total Assets	**$178,933**	**$149,421**	**$328,354**
LIABILITIES			
Trade payables	4,587	19,370	23,957
Borrowings	44	18,818	18,862
Other short term liabilities	4,380	7,955	12,335
Deferred tax	28,966	1,230	30,196
Total Liabilities	**$ 37,977**	**$ 47,373**	**$ 85,350**
Minority interests	5,550	24,838	30,388
Net identifiable assets and liabilities	**135,406**	**77,210**	**212,616**
Goodwill on acquisition	**134,859**	**198,391**	**333,250**
Consideration paid, satisfied in cash	168,735	202,218	370,953
Consideration paid, satisfied in shares	86,530	48,099	134,629
Deferred consideration	15,000	25,284	40,284
Cash (acquired)	**$ 2,862**	**$ 3,240**	**$ 6,102**
Net Cash Outflow	$165,873	$198,978	$364,851

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The goodwill arising out of the Parliament and Whitehall acquisitions is attributable to the immediate platform for expansion in Russia that they provide to the Company. The Company is in the process of completing its valuations and refining its purchase price adjustments for Whitehall, which is expected to be finalized by March 31, 2009. The primary areas of further review include finalizing fixed asset and intangible asset valuations. As such, the allocation of the purchase price is subject to further adjustments.

The Company has not presented pro-forma results of operations of the Company to give effect to these acquisitions as if the acquisitions had occurred on January 1, 2008 and 2007 because there are no pre-closing interim results from Parliament and Whitehall that are available on a basis similar to US GAAP. The companies were not required to prepare interim consolidated financial statements and as such have only statutory tax accounts available. The Company believes that the inclusion of this information would provide misleading information for the investor.

The Company is in the process of completing its valuations and calculation its purchase price adjustments related to the acquisition in Russian Alcohol Group, which are expected to be quantified by March 31, 2009.

3. Exchangable Convertible Notes

On July 9, 2008, the Company closed a strategic investment in the Russian Alcohol Group (“Russian Alcohol”) and in addition to the equity investment, CEDC purchased exchangeable notes from Lion/Rally Lux 3 (“Lion Lux”), a Luxembourg company and indirect subsidiary of a Cayman Islands company (“Cayco”) that served as the investment vehicle.

The Notes rank pari passu with the other unsecured obligations of Lion Lux. represent a direct and unsecured obligation of Lion Lux and are structurally subordinated to indebtedness of subsidiaries of Lion Lux, including Pasalba Limited (“Pasalba”), a company incorporated under the laws of the Republic of Cyprus that made the investment. The Notes have a principal amount of $103.5 million and accrue interest at a rate of 8.3% per annum, which interest may, at Lion Lux’s option, be paid in kind with additional Notes.

Lion Lux will be required to redeem the Notes at their principal amount, together with any accrued but unpaid interest, on the date that is ten years and six months after the closing of the investment (the “Maturity Date”). Upon a change in control of Cayco or its majority-owned subsidiary (“Cayco Sub”) that occurs when no Exchange Right (as defined below) has been exercised, the Company will be permitted to request that Lion Lux redeem any Notes in respect of which such Exchange Right has not been exercised, at their principal amount plus accrued and unpaid interest thereon. Furthermore, Lion Lux will be permitted to redeem any Note at any time after the expiration of the Company’s right to purchase all of the outstanding capital stock of Cayco Sub held by Cayco (the “Call Option”) under the Shareholders’ Agreement governing the investment, subject to the Exchange Right.

Each holder of Notes has the right to require Cayco to purchase its Notes in exchange for the issue by Cayco of additional shares of Cayco stock (the “Exchange Right”). Holders of Notes will be permitted to exercise the Exchange Right only one time during certain 45-day periods in each of 2010 (the “2010 Period”), 2011 (the “2011 Period”) and, if the Call Option is extended into 2012 pursuant to its terms, 2012 (the “2012 Period”); provided, that in the event the Call Option or Cayco’s right to require the Company to purchase all of the outstanding capital stock of Cayco Sub held by Cayco (the “Put Option”) is exercised during any such period, holders will be required to exercise the Exchange Right within 10 business days after notice of the exercise of the Call Option or Put Option. The Exchange Right may also be exercised in the event of an initial public offering. The Exchange Right will expire one day after the end of the 2012 Period.

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The number of additional shares of Cayco stock that will be issued in connection with any exercise of an Exchange Right will be calculated as a function of, among other things, the number of shares of Cayco stock then outstanding, the number of shares of Cayco Sub stock then outstanding, the number of shares of Cayco Sub stock then held by Cayco, the principal and accrued interest of the Notes pursuant to which the Exchange Right was exercised, and the equity value of Pasalba and its subsidiaries based on (1) if the Exchange Right is exercised during the 2010 Period, Pasalba's and its subsidiaries' 2009 EBITDA multiplied by 13.0, (2) if the Exchange Right is exercised during the 2011 Period, Pasalba's and its subsidiaries' 2010 EBITDA multiplied by 12.5, or (3) if the Exchange Right is exercised during the 2012 Period, Pasalba's and its subsidiaries' 2011 EBITDA multiplied by 12.0 and, in each such case, subject to further adjustment for debt, cash and working capital. The maximum percentage which such newly issued Cayco shares will represent in the share capital of Cayco, on a look-through basis, following their issue will be equal to that percentage of Cayco shares (being approximately 19%, 21% and 23% in respect of the 2010 Period, 2011 Period and 2012 Period, respectively) (the "Notional Shares"), which the Notional Shares would represent on the date of exchange if the relevant holder had not subscribed for the note but had instead subscribed for the Notional Shares on the date of the Exchangeable Note Instrument.

Lion Lux is prohibited from paying dividends or making other distributions to its shareholders without the consent of the holders of Notes representing two thirds in nominal value of the Notes outstanding, other than in connection with repayment of loan notes issued by the parent of Lion Lux to the sellers of RAG. In addition, the holders of Notes representing two thirds in nominal value of the Notes outstanding have certain approval rights relating to certain matters, including, but not limited to, (i) the incurring of any indebtedness by Lion Lux which is either senior to the Notes or secured, and (ii) any acquisition by Cayco or any subsidiary of Cayco with consideration payable in excess of $50 million. Holders of Notes are permitted to transfer Notes to any person, subject to certain exceptions and a right of first refusal which will be granted to an affiliate of Lion.

We are engaged in discussions with Lion Capital to restructure the current agreement regarding the buyout of the remaining 58% stake in the Russian Alcohol Group, the largest spirit producer in Russia. Although the discussions are not final, and remain subject to further legal, accounting and tax analysis, as well as board approval, we are in general agreement with Lion Capital on the main commercial objectives. We expect an agreement would include a fixed price for the remaining 58% interest in the Russian Alcohol Group that we do not own (including the conversion of our $103.5 million plus accrued interest of loan notes) at a valuation that is more reflective of current market conditions and the positive sales performance of the business. Our payments would be spread out over 5 years ending in the year 2013, with smaller payments for 2009 and 2013 and more equal payments from years 2010 to 2012, and we would agree to certain security arrangements to Lion. We would not take control over the Russian Alcohol Group until 2011, though we would receive significantly enhanced minority rights. We would expect to finance the transaction over the 5 years through a combination of cash, debt and equity. We cannot provide any assurances as to whether, or on what terms, we may reach an agreement to restructure our arrangements in respect of the Russian Alcohol Group.

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4. Trade Receivables and Allowances for Doubtful Accounts

Changes in the allowance for doubtful accounts during each of the three years in the period ended December 31, were as follows:

	Year ended December 31,		
	2008	2007	2006
Net trade receivables—excluding VAT	$375,606	$283,241	$204,040
VAT (sales tax)	77,232	62,313	44,889
Gross trade receivables	**$452,838**	**$345,554**	**$248,929**
Allowances for doubtful debts			
Balance, beginning of year	$ 29,277	$ 24,354	$ 22,851
Effect of FX movement on opening balance	(5,143)	4,696	2,754
Provision for bad debts—reported in income statement	(748)	(249)	999
Charge-offs, net of recoveries	(1,814)	476	(2,378)
Change in allowance from purchase of subsidiaries	583	—	128
Balance, end of year	$ 22,155	$ 29,277	$ 24,354
Trade receivables, net	**$430,683**	**$316,277**	**$224,575**

5. Property, plant and equipment

Property, plant and equipment, presented net of accumulated depreciation in the consolidated balance sheets, consists of:

	December 31,	
	2008	2007
Land and buildings	$ 43,992	$ 35,443
Equipment	59,119	56,780
Motor vehicles	18,782	20,985
Motor vehicles under lease	7,421	7,200
Computer hardware and software	20,447	16,817
Total gross book value	149,761	137,225
Less—Accumulated depreciation	(57,540)	(57,246)
Total	**$ 92,221**	**$ 79,979**

6. Goodwill

Goodwill, presented net of accumulated amortization in the consolidated balance sheets, consists of:

	December 31,	
	2008	2007
Balance at January 1,	**$ 577,282**	**$398,005**
Impact of foreign exchange	(165,276)	131,630
Additional purchase price adjustments	—	—
Acquisition through business combinations	333,250	47,647
Balance at December 31,	**$ 745,256**	**$577,282**

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7. Intangible Assets other than Goodwill

The major components of intangible assets are:

	December 31, 2008	December 31, 2007
Non-amortizable intangible assets:		
Trademarks	$563,689	$543,123
Total	**563,689**	**543,123**
Amortizable intangible assets:		
Trademarks	$ 5,568	$ 6,754
Customer relationships	7,749	1,913
Less accumulated amortization	(6,501)	(6,093)
Total	**6,816**	**2,574**
Total intangible assets	**$570,505**	**$545,697**

Management considers trademarks that are indefinite-lived assets to have high or market-leader brand recognition within their market segments based on the length of time they have existed, the comparatively high volumes sold and their general market positions relative to other products in their respective market segments. These trademarks include Soplica, Zubrówka, Absolwent, Royal, Parliament and the rights for Bols Vodka in Poland, Hungary and Russia. Taking the above into consideration, as well as the evidence provided by analyses of vodka products life cycles, market studies, competitive and environmental trends, management believes that these brands will generate cash flows for an indefinite period of time, and that the useful lives of these brands are indefinite. In accordance with SFAS 142, intangible assets with an indefinite life are not amortized but are reviewed at least annually for impairment.

Estimated aggregate future amortization expenses for intangible assets that have a definite life are as follows:

2009	$1,343
2010	1,343
2011	1,274
2012	1,180
2013 and above	1,676
Total	$6,816

8. Equity method investments in affiliates

We hold the following investments in unconsolidated affiliates:

	Type of affiliate	Effective Voting Interest	Carrying Value December 31, 2008	Carrying Value December 31, 2007
Moet Henessy JV	Equity-Accounted Affiliate	37%	$ 77,918	$—
Russian Alcohol Group	Equity-Accounted Affiliate	42%	111,325	—
	Total Carrying value		**$189,243**	**$—**

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On May 23, 2008, the Company and certain of its affiliates, entered into, and closed upon, a Share Sale and Purchase Agreement and certain other agreements whereby the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interests, in the Whitehall Group ("the Whitehall Acquisition"). The Whitehall Group is a leading importer of premium spirits and wines in Russia. The aggregate consideration paid by the Company was $200 million, paid in cash at the closing. In addition, on October 21, 2008 the Company issued to the Seller 843,524 shares of its common stock, par value $0.01 per share.

On February 24, 2009, the Company and the seller amended the terms of the Stock Purchase Agreement governing the Whitehall acquisition to satisfy the Company's obligations to the seller pursuant to a share price guarantee in the original Stock Purchase Agreement. Pursuant to the terms of this amendment, the Company paid to the seller $5,876,351 in cash, and issued to the seller 2,100,000 shares of its common stock, in settlement of a minimum share price guarantee by the Company. The Company is further obligated to make an additional cash payment of $2,000,000 on March 15, 2009. Deferred payments already due under the original Stock Purchase Agreement are to be paid with €8,050,411 due on June 15, 2009 and €8,303,630 due on September 15, 2009. In consideration for these payments, the Company received an additional 375 Class B shares of Whitehall, which represents an increase in the Company's economic stake from 75% to 80%. Additionally, if, during the 210 day period immediately following the effectiveness of the registration statement the Company is obligated to file to register the shares of Company common stock obtained by the seller in this transaction, the seller sells any of the Company common stock it acquired in the transaction for an average sales price per share, weighted by volume, that is less than $12.03, per share, the Company must pay to the seller the excess, if any, of $12.03 over the volume weighted average sales price per share of the Company's common stock on the day the sale took place, multiplied by the total number of shares sold. Finally, the Company may be obligated to make an additional cash payment to the seller, ranging from €0 to €1,500,000, based upon whether and to what extent the price of a share of the Company's common stock exceeds $12.03 during that same 210 day period. If the Company must make any such payment, it will receive in return up to an additional 75 Class B shares, which represents up to an additional 1% economic stake of Whitehall, based on the sized of the payment.

The Company has consolidated the Whitehall Group as a business combination as of May 23, 2008, on the basis that the Whitehall Group is a Variable Interest Entity and the Company has been assessed as being the primary beneficiary. Included within the Whitehall Group is a 50/50 joint venture with Möet Henessy. This joint venture is accounted for using the equity method and is recorded on the face of the balance sheet in investments with minority interest initially recorded at fair value on the face of the balance sheet. The current term of the joint venture is until June 2013 at which point the Whitehall Group will have the option to acquire the remaining shares of the entity.

On July 9, 2008, the Company closed on its acquisition of approximately 47.5% of the common equity of a Cayman Islands company, referred to as Cayco, for approximately $181.5 million in cash, and purchased $103.5 million in subordinated exchangeable loan notes from a subsidiary of Cayco. Lion Capital LLP and certain of its affiliates and other financial investors own the remaining common equity of Cayco, which indirectly own approximately 88.4% of the outstanding equity of the Russian Alcohol Group. The Russian Alcohol Group, also referred to as "RAG," is the leading vodka producer in Russia.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
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The summarized financial information of investment in Russian Alcohol Group and Moet Hennessy Joint Venture consolidated under the equity method as of December 31, 2008 is as follows:

	Total December 31, 2008
Current assets	587,031
Noncurrent assets	483,567
Current liabilities	(299,111)
Noncurrent liabilities	(430,516)

	Total Year ended December 31, 2008
Net sales	659,686
Gross profit	200,475
Income from continuing operations	(24,740)
Net income	(24,740)

9. Comprehensive income/(loss)

Comprehensive income/(loss) is defined as all changes in equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income/(loss) includes net income adjusted by, among other items, foreign currency translation adjustments. The foreign translation losses/gains on the re-measurements from foreign currencies to U.S. dollars are classified separately as a component of accumulated other comprehensive income included in stockholders' equity.

As of December 31, 2008, the Polish Zloty exchange rate used to translate the balance sheet weakened by approximately 21.3% as compared to the exchange rate as of December 31, 2007, and as a result a comprehensive loss was recognized. Additionally, translation gains and losses with respect to long-term subordinated inter-company loans with the parent company are charged to other comprehensive income. No deferred tax benefit has been recorded on the comprehensive income/(loss) in regard to the long-term inter-company transactions with the parent company, as the repayment of any equity investment is not anticipated in the foreseeable future.

10. Accrued liabilities

The major components of accrued liabilities are:

	December 31,	
	2008	2007
Operating accruals	$69,391	$28,672
Hedge valuation	6,736	27,520
Accrued interest	4,143	15,767
Total	**$80,270**	**$71,959**

The hedge valuation represents the mark to market valuation of the open fair value hedge as described further in Note 16. Accrued interest primarily represents interest on the Senior Secured Notes and Convertible Senior Notes as of December 31, 2008. As of December 31, 2008 accrued interest related to Senior Secured

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Notes is presented together with Senior Secured Notes balance. In January 2009, the remaining portion of the IRS hedge related to the Senior Secured Notes was closed and written off with a net cash settlement of approximately $1.9 million.

11. Borrowings

Bank Facilities

As of December 31, 2008, $13.0 million remained available under the Company's overdraft facilities. These overdraft facilities are renewed on an annual basis. As of December 31, 2008, the Company had utilized approximately $81.1 million of a multipurpose credit line agreement in connection with the 2007 tender offer in Poland to purchase the remaining outstanding shares of Polmos Bialystok S.A. The Company's obligations under the credit line agreement are guaranteed through promissory notes by certain subsidiaries of the Company. The indebtedness under the credit line agreement matures on March 31, 2009, however a new credit agreement , with substantially the same terms and conditions as the existing credit facility, was signed on February 24, 2009 extending the facility to February 24, 2011. The Company also has received a firm bank commitment to roll over the short term working capital facility of approximately $28.9 million due March 31, 2009 to March 31, 2010.

On April 24, 2008, the Company signed a credit agreement with Bank Zachodni WBK SA in Poland to provide up to $50 million of financing to be used to finance a portion of the Parliament and Whitehall acquisition, as well as general working capital needs of the Company. The agreement provides for a $30 million five year amortizing term facility and a one year $20 million short term facility with annual renewal.

On July 2, 2008, the Company entered into a Facility Agreement with Bank Handlowy w Warszawie S.A., which provided for a term loan facility of $40 million. The term loan matures on July 4, 2011 and is guaranteed by CEDC, Carey Agri and certain other subsidiaries of the Company and is secured by all of the shares of capital stock of Carey Agri and subsequently will be further secured by shares of capital stock in certain other subsidiaries of CEDC.

Senior Secured Notes

In connection with the Bols and Polmos Bialystok acquisitions, on July 25, 2005 the Company completed the issuance of € 325 million 8% Senior Secured Notes due 2012 (the "Notes"). Interest is due semi-annually on the 25th of January and July, and the Notes are guaranteed on a senior basis by certain of the Company's subsidiaries. The Indenture governing our Notes contains certain restrictive covenants, including covenants limiting the Company's ability to: make certain payments, including dividends or other distributions, with respect to the share capital of the parent or its subsidiaries; incur or guarantee additional indebtedness or issue preferred stock; make certain investments; prepay or redeem subordinated debt or equity; create certain liens or enter into sale and leaseback transactions; engage in certain transactions with affiliates; sell assets or consolidate or merge with or into other companies; issue or sell share capital of certain subsidiaries; and enter into other lines of business.

During the twelve months ending December 31, 2008, the Company purchased and retired € 14.6 million of outstanding Senior Secured Notes back on the open market.

As of December 31, 2008 and December 31, 2007, the Company had accrued interest of $12.0 million and $15.8 million respectively related to the Senior Secured Notes, with the next coupon due for payment on January 25, 2009. As of December 31, 2008 accrued interest related to Senior Secured Notes is presented

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together with Senior Secured Notes balance. Total obligations under the Senior Secured Notes are shown net of deferred finance costs, amortized over the life of the borrowings using the effective interest rate method and fair value adjustments from the application of hedge accounting as shown in the table below:

	December 31, 2008	December 31, 2007
Senior Secured Notes	$357,934	$381,689
Fair value bond mark to market	(7,124)	(28,204)
Unamortized portion of closed hedges	(553)	(858)
Unamortized issuance costs	(5,223)	(8,329)
Total	**$345,034**	**$344,298**

Convertible Senior Notes

On March 7, 2008, the Company completed the issuance of $310 million aggregate principal amount of 3% Convertible Senior Notes due 2013 (the "Convertible Notes"). Interest is due semi-annually on the 15th of March and September, beginning on September 15, 2008. The Convertible Senior Notes are convertible in certain circumstances into cash and, if applicable, shares of our common stock, based on an initial conversion rate of 14.7113 shares per $1,000 principle amount, subject to certain adjustments. Upon conversion of the notes, the Company will deliver cash up to the aggregate principle amount of the notes to be converted and, at the election of the Company, cash and/or shares of common stock in respect to the remainder, if any, of the conversion obligation. The proceeds from the Convertible Notes were used to fund the cash portions of the acquisition of Copecresto Enterprises Limited and Whitehall.

As of December 31, 2008 the Company had accrued interest included in other accrued liabilities of $2.7 million related to the Convertible Senior Notes, with the next coupon due for payment on March 15, 2009. Total obligations under the Convertible Senior Notes are shown net of deferred finance costs, amortized over the life of the borrowings using the effective interest rate method as shown in the table below:

	December 31, 2008	December 31, 2007
Convertible Senior Notes	$310,000	$—
Unamortized issuance costs	(4,791)	—
Total	**$305,209**	**$—**

Total borrowings as disclosed in the financial statements are:

	December 31, 2008	December 31, 2007
Short term bank loans and overdraft facilities for working capital	$109,552	$ 42,785
Total short term bank loans and utilized overdraft facilities	**109,552**	**42,785**
Long term bank loans for share tender	81,081	122,952
Long term obligations under Senior Secured Notes	345,034	344,298
Long term obligations under Convertible Senior Notes	305,209	—
Other total long term debt, less current maturities	89,429	—
Total debt	**$930,305**	**$510,035**

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	December 31, 2008
Principal repayments for the following years	
2009	$109,552
2010	68,699
2011	86,811
2012	351,972
2013 and beyond	319,000
Total	**$936,034**

12. Income and Deferred Taxes

The Company operates in several tax jurisdictions primarily: the United States of America, Poland, Hungary and Russia. All subsidiaries file their own corporate tax returns as well as account for their own deferred tax assets and liabilities. The Company does not file a tax return in Delaware based upon its consolidated income, but does file a return in Delaware based on the income statement for transactions occurring in the United States of America.

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109", effective January 1, 2007. Interpretation 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Interpretation 48 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties. Adoption of Interpretation 48 did not have a significant impact on the Corporation's financial statements. The company is currently generating tax loss carry forwards in the United States at a 35% tax rate, which has the effect of reducing the overall effective tax rate below the 19% Polish statutory rate.

The Company files income tax returns in the U.S., Poland, Hungary, Russia, as well as in various other countries throughout the world in which we conduct our business. The major tax jurisdictions and their earliest fiscal years that are currently open for tax examinations are 2003 in the U.S., 2002 in Poland and Hungary and 2005 in Russia.

	Year ended December 31,		
	2008	2007	2006
Tax at statutory rate	**$ 3,010**	**$17,875**	**$14,851**
Tax rate differences	1,805	(740)	(679)
Valuation allowance for net operating losses	4,290	2,401	—
Permanent differences	3,847	(3,626)	(186)
Income tax expense	**$12,952**	**$15,910**	**$13,986**

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Total income tax payments during 2008, 2007 and 2006 were $33,919, $21,362 and $11,980 respectively. CEDC has paid no U.S. income taxes and has net operating U.S. loss carry-forward totaling $4,801.

Significant components of the Company's deferred tax assets are as follows:

	December 31,		
	2008	2007	2006
Deferred tax assets			
Accrued expenses, deferred income and prepaid, net	$ 10,572	$ 10,567	$ 7,041
Allowance for doubtful accounts receivable	1,529	3,749	1,763
Unrealized foreign exchange losses	18,945	—	16
Net operating loss carry-forward benefit, Expiring in 2010 – 2026 - gross	18,755	10,059	7,968
NOL's valuation allowance	(6,991)	(2,401)	—
Net deferred tax asset	$ 42,810	$ 21,974	$ 16,788
Deferred tax liability			
Trade marks	106,486	100,113	68,275
Unrealized foreign exchange gains	3,585	5,069	6,777
Timing differences in finance type leases	7	60	274
Investment credit	201	297	818
Deferred income	616	—	278
Other	679	—	—
Net deferred tax liability	$ 111,574	$ 105,539	$ 76,422
Total net deferred tax asset	42,810	21,974	16,788
Total net deferred tax liability	111,574	105,539	76,422
Total net deferred tax	(68,764)	(83,565)	(59,634)
Classified as			
Current deferred tax asset	24,386	5,141	5,336
Non-current deferred tax asset	12,886	11,407	3,305
Non-current deferred tax liability	(106,486)	(100,113)	(68,275)
Total net deferred tax	($ 68,764)	($ 83,565)	($ 59,634)

No deferred taxes have been recorded for the remaining undistributed earnings as the Company intends to permanently reinvest these earnings.

Tax losses can be carried forward for the following periods:

Hungary*	Unrestricted period
U.S.	20 years
Russia	10 years
Poland	5 years

* In some circumstances there is a need of Tax Office's permission to carry the loss forward

Tax liabilities (including corporate income tax, Value Added Tax (VAT), social security and other taxes) of the Company's subsidiaries may be subject to examinations by the tax authorities for up to certain period from the end of the year the tax is payable, as follows:

Poland	5 years
Hungary	5 years
Russia	3 years

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CEDC's U.S. federal income tax returns are also subject to examination by the U.S. tax authorities. As the application of tax laws and regulations, and transactions are susceptible to varying interpretations, amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

13. Stock Option Plans and Warrants

As of January 1, 2006, the Company adopted SFAS No. 123(R) "Share-Based Payment" requiring the recognition of compensation expense in the Condensed Consolidated Statements of Income related to the fair value of its employee share-based options. SFAS No. 123(R) revises SFAS No. 123 "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25 "Accounting for Stock Issued to Employees". SFAS No. 123(R) is supplemented by SEC Staff Accounting Bulletin ("SAB") No. 107 "Share-Based Payment". SAB No. 107 expresses the SEC staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations including the valuation of share-based payments arrangements.

The Company recognizes the cost of all employee stock options on a straight-line attribution basis over their respective vesting periods, net of estimated forfeitures. The Company has selected the modified prospective method of transition; accordingly, prior periods have not been restated.

SFAS No. 123(R) "Share-Based Payment" requires the recognition of compensation expense in the Consolidated Statements of Income related to the fair value of employee share-based options. Determining the fair value of share-based awards at the grant date requires judgment, including estimating the expected term that stock options will be outstanding prior to exercise, the associated volatility and the expected dividends. Judgment is also required in estimating the amount of share-based awards expected to be forfeited prior to vesting. If actual forfeitures differ significantly from these estimates, share-based compensation expense could be materially impacted. Prior to adopting SFAS No. 123(R), the Company applied Accounting Principles Board ("APB") Opinion No. 25, and related Interpretations, in accounting for its stock-based compensation plans. All employee stock options were granted at or above the grant date market price. Accordingly, no compensation cost was recognized for fixed stock option grants in prior periods.

The Company's 2007 Stock Incentive Plan ("Incentive Plan") provides for the grant of stock options, stock appreciation rights, restricted stock and restricted stock units to directors, executives, and other employees ("employees") of the Company and to non-employee service providers of the Company. Following a shareholder resolution in April 2003 and the stock splits of May 2003, May 2004 and June 2006, the Incentive Plan authorizes, and the Company has reserved for future issuance, up to 1,397,333 shares of Common Stock (subject to an anti-dilution adjustment in the event of a stock split, re-capitalization, or similar transaction). The Compensation Committee of the Board of Directors of the Company administers the Incentive Plan.

The option exercise price for stock options granted under the Incentive Plan may not be less than fair market value but in some cases may be in excess of the closing price of the Common Stock on the date of grant. The Company uses the stock option price based on the closing price of the Common Stock on the day before the date of grant if such price is not materially different than the opening price of the Common Stock on the day of the grant. Stock options may be exercised up to 10 years after the date of grant except as otherwise provided in the particular stock option agreement. Payment for the shares must be in cash, which must be received by the Company prior to any shares being issued. Stock options granted to directors and officers as part of an employee employment contract vest after 2 years. Stock options granted to general employees as part of a loyalty program vest after three years. The Incentive Plan was approved by CEDC shareholders during the annual shareholders meeting on April 30, 2007 to replace the Company's 1997 Stock Incentive Plan (the "Old Stock Incentive Plan"), which expired in November 2007. The Stock Incentive Plan will expire in November 2017. The terms and conditions of the Stock Incentive Plan are substantially similar to those of the Old Stock Incentive Plan.

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Before January 1, 2006 CEDC, the holding company, realized net operating losses and therefore an excess tax benefit (windfall) resulting from the exercise of the awards and a related credit to Additional Paid-in Capital (APIC) of $2.2 million was not recorded in the Company's books. The excess tax benefits and the credit to APIC for the windfall should not be recorded until the deduction reduces income taxes payable on the basis that cash tax savings have not occurred. The Company will recognize the windfall upon realization.

A summary of the Company's stock option and restricted stock units activity, and related information for the twelve month periods ended December 31, 2008, 2007 and 2006 is as follows:

Total Options	Number of Options	Weighted-Average Exercise Price
Outstanding at January 1, 2006	889,550	$ 25.64
Effect of Stock Split	444,776	($10.21)
Granted	303,000	$ 26.55
Exercised	(305,613)	$ 15.61
Forfeited	(11,813)	$ 21.32
Outstanding at December 31, 2006	1,319,900	$ 19.31
Exercisable at December 31, 2006	1,014,014	$ 18.78
Outstanding at January 1, 2007	1,319,900	$ 19.31
Granted	266,250	$ 30.84
Exercised	(272,475)	$ 17.12
Forfeited	(60,638)	$ 23.26
Outstanding at December 31, 2007	1,253,037	$ 22.02
Exercisable at December 31, 2007	964,849	$ 19.50
Outstanding at January 1, 2008	1,253,037	$ 22.02
Granted	234,375	$ 56.88
Exercised	(120,849)	$ 15.60
Forfeited	(16,312)	$ 21.83
Outstanding at December 31, 2008	1,350,252	$ 28.65
Exercisable at December 31, 2008	1,033,225	$ 22.19

Nonvested restricted stock units	Number of Restricted Stock Units	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2007	—	$ —
Granted	37,930	$34.71
Vested	—	$ —
Forfeited	(2,100)	$34.51
Nonvested at December 31, 2007	35,830	$34.73
Nonvested at January 1, 2008	35,830	$34.73
Granted	38,129	$66.52
Vested	(600)	$34.51
Forfeited	(4,804)	$48.75
Nonvested at December 31, 2008	68,555	$51.42

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During 2008, the range of exercise prices for outstanding options was $1.13 to $60.92. During 2008, the weighted average remaining contractual life of options outstanding was 5.5 years. Exercise prices for options exercisable as of December 31, 2008 ranged from $1.13 to $44.15. The Company has also granted 38,129 restricted stock units to its employees at an average price of $66.52.

The Company has issued stock options to employees under stock based compensation plans. Stock options are issued at the current market price, subject to a vesting period, which varies from one to three years. As of December 31, 2008, the Company has not changed the terms of any outstanding awards.

During the twelve months ended December 31, 2008, the Company recognized compensation cost of $3.85 million and a related deferred tax asset of $0.76 million.

As of December 31, 2008, there was $6.4 million of total unrecognized compensation cost related to non-vested stock options and restricted stock units granted under the Plan. The costs are expected to be recognized over a weighted average period of 19 months through 2009-2011.

Total cash received from exercise of options during the twelve months ended December 31, 2008 amounted to $1.9 million.

For the twelve month period ended December 31, 2008, the compensation expense related to all options was calculated based on the fair value of each option grant using the binomial distribution model. The Company has never paid cash dividends and does not currently have plans to pay cash dividends, and thus has assumed a 0% dividend yield. Expected volatilities are based on average of implied and historical volatility projected over the remaining term of the options. The expected life of stock options is estimated based on historical data on exercise of stock options, post-vesting forfeitures and other factors to estimate the expected term of the stock options granted. The risk-free interest rates are derived from the U.S. Treasury yield curve in effect on the date of grant for instruments with a remaining term similar to the expected life of the options. In addition, the Company applies an expected forfeiture rate when amortizing stock-based compensation expenses. The estimate of the forfeiture rates is based primarily upon historical experience of employee turnover. As individual grant awards become fully vested, stock-based compensation expense is adjusted to recognize actual forfeitures. The following weighted-average assumptions were used in the calculation of fair value:

	2008	2007
Fair Value	$18.16	$10.03
Dividend Yield	0%	0%
Expected Volatility	34.1% - 38.5%	30.5 - 38.4%
Weighted Average Volatility	37.5%	37.1%
Risk Free Interest Rate	1.5% - 3.2%	4.7 - 5.1%
Expected Life of Options from Grant	3.2	3.2

14. Commitments and Contingent Liabilities

The Company is involved in litigation from time to time and has claims against it in connection with matters arising in the ordinary course of business. In the opinion of management, the outcome of these proceedings will not have a material adverse effect on the Company's operations.

As part of the Share Purchase Agreement related to the October 2005 Polmos Bialystok Acquisition, the Company is required to ensure that Polmos Bialystok will make investments of at least 77.5 million Polish Zloty during the five years after the acquisition was consummated. As of December 31, 2008, the Company had invested 62.1 million Polish Zloty (approximately $21.0 million) in Polmos Bialystok.

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Pursuant to the shareholders' agreement governing the Company's investment in Copecresto Enterprises Limited, the Company has the right to purchase all (but not less than all) of the shares of Copecresto capital stock held by the other shareholder. The other shareholder has the right to require the Company to purchase any or all of the shares of Copecresto capital stock held by such other shareholder; provided, that such other shareholder may not exercise this right other than in respect of all of the shares of Copecresto capital stock it holds if the amount of Copecresto capital stock subject to such exercise is less than 1% of the total outstanding capital stock of Copecresto.

The Company's right may be exercised beginning on March 13, 2015 and will terminate on the earliest to occur of (1) the delivery of a notice of default under the shareholders' agreement, (2) the delivery of a notice of the other shareholder's exercise of its right in respect of all of the Copecresto capital stock held by such shareholder and (3) the date that is ten years after the date of completion of certain reorganization transactions relating to Copecresto. The other shareholder's right may be exercised beginning on March 13, 2011 and will terminate on the earliest to occur of (A) the delivery of a notice of default under the shareholders' agreement, (B) the Company's exercise of its right and (C) the date that is ten years after the date of completion of certain reorganization transactions relating to Copecresto. The other shareholder also may exercise its right one or more times within the three months following any change in control of the Company or of Bols Sp. z o.o., a subsidiary of the Company.

The aggregate price that the Company would be required to pay in the event either of these rights is exercised will be equal to the product of (x) a fraction, the numerator of which is the total number of shares of capital stock of Copecresto covered by the exercise of the right, and the denominator of which is the total number of shares of capital stock of Copecresto then outstanding, multiplied by (y) the EBITDA of Copecresto from the year immediately preceding the year in which the right is exercised, multiplied by (z) 12, if the right is exercised in 2010 or before, 11, if the right is exercised in 2011, or 10, if the right is exercised in 2012 or later; provided, that in no event will the product of (y) and (z), above, be less than $300,000,000.

On May 23, 2008, the Company and certain of its affiliates, entered into, and closed upon, a Share Sale and Purchase Agreement and certain other agreements whereby the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interests, in the Whitehall Group ("the Whitehall Acquisition"). The Whitehall Group is a leading importer of premium spirits and wines in Russia. The aggregate consideration paid by the Company was $200 million, paid in cash at the closing. In addition, on October 21, 2008 the Company issued to the Seller 843,524 shares of its common stock, par value $0.01 per share.

On February 24, 2009, the Company and the seller amended the terms of the Stock Purchase Agreement governing the Whitehall acquisition to satisfy the Company's obligations to the seller pursuant to a share price guarantee in the original Stock Purchase Agreement. Pursuant to the terms of this amendment, the Company paid to the seller $5,876,351 in cash, and issued to the seller 2,100,000 shares of its common stock, in settlement of a minimum share price guarantee by the Company. The Company is further obligated to make an additional cash payment of $2,000,000 on March 15, 2009. Deferred payments already due under the original Stock Purchase Agreement are to be paid with €8,050,411 due on June 15, 2009 and €8,303,630 due on September 15, 2009. In consideration for these payments, the Company received an additional 375 Class B shares of Whitehall, which represents an increase in the Company's economic stake from 75% to 80%. Additionally, if, during the 210 day period immediately following the effectiveness of the registration statement the Company is obligated to file to register the shares of Company common stock obtained by the seller in this transaction, the seller sells any of the Company common stock it acquired in the transaction for an average sales price per share, weighted by volume, that is less than $12.03, per share, the Company must pay to the seller the excess, if any, of $12.03 over the

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volume weighted average sales price per share of the Company's common stock on the day the sale took place, multiplied by the total number of shares sold. Finally, the Company may be obligated to make an additional cash payment to the seller, ranging from €0 to €1,500,000, based upon whether and to what extent the price of a share of the Company's common stock exceeds $12.03 during that same 210 day period. If the Company must make any such payment, it will receive in return up to an additional 75 Class B shares, which represents up to an additional 1% economic stake of Whitehall, based on the sized of the payment.

As part of the Whitehall Acquisition, the Company entered into a shareholders' agreement with the other shareholder pursuant to which the Company has the right to purchase, and the other shareholder has the right to require the Company to purchase, all (but not less than all) of the shares of Whitehall capital stock held by such shareholder. Either of these rights may be exercised at any time, subject, in certain circumstances, to the consent of third parties. The aggregate price that the Company would be required to pay in the event either of these rights is exercised will fall within a range, determined based on Whitehall's EBIT as well as the EBIT of certain related businesses, during two separate periods: (1) the period from January 1, 2008 through the end of the year in which the right is exercised, and (2) the two full financial years immediately preceding the end of the year in which the right is exercised, plus, in each case, the time-adjusted value of any dividends paid by Whitehall. Subject to certain limited exceptions, the exercise price will be (A) no less than the future value as of the date of exercise of $32.0 million, and (B) no more than the future value as of the date of exercise of $89.0 million, plus, in each case, the time-adjusted value of any dividends paid by Whitehall.

On July 9, 2008, the Company completed its strategic investment in Russian Alcohol Group and (1) paid $181.5 million for approximately 47.5% of the common equity of a newly formed Cayman Islands company ("Cayco") which indirectly acquired all of the outstanding equity of Russian Alcohol Group (the "Acquisition"), and (2) purchased $103.5 million in subordinated exchangeable loan notes (the "Notes") issued by a subsidiary of Cayco and exchangeable into equity of Cayco. Pursuant to the shareholders' agreement entered into in connection with this strategic investment, the Company has the right to purchase, and Cayco has the right to require the Company to purchase, all (but not less than all) of the outstanding capital stock of a majority-owned subsidiary of Cayco ("Cayco Sub") held by Cayco, which in either case would give the Company indirect control over Russian Alcohol Group.

The Company's right is exercisable during two 45-day periods, the first commencing on the later of (1) the date that the audited 2009 Operating Group accounts are approved by Cayco Sub and (2) the date on which all earnout payments that are payable in connection with the Acquisition have been paid (the "2010 Period"), and the second commencing on the date that the audited 2010 Operating Group accounts are approved by Cayco Sub (the "2011 Period"). The Company's right may be extended after the end of the 2011 Period in a limited circumstance to a period commencing on the date that the audited 2011 Operating Group accounts are approved by Cayco Sub (the "2012 Period"). If the Company exercises its right, Cayco will be obligated to exercise its drag-along rights under the shareholders agreement governing Cayco Sub to cause the transfer to the Company, on the same terms, the remaining capital stock of Cayco Sub not held by Cayco. Cayco's right will be exercisable during the 2010 Period and the 2011 Period and will expire one day after the end of the 2011 Period, and will be extended if the Company's right is extended to the 2012 Period.

The price the Company would be required to pay in the event either of these rights is exercised will be equal to the adjusted equity value of Russian Alcohol Group, determined based on EBITDA multiplied by the product of Cayco's ownership percentage and 14.05, 13.14, or 12.80, depending on when the right is exercised, less the debt of Russian Alcohol Group plus certain adjustments for cash and working capital. That price, however, in the case of the Company's right, is subject to a floor equal to the total original euro equivalent amount (based upon a exchange rate of 1.57) invested by the other party in Cayco multiplied by 2.05 in 2010 or 2.20 in 2009 and

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converted back to U.S. dollars at the spot rate at the time, depending on when the right is exercised (in either case less any dividends or distributions actually received). Russian Alcohol Group has approximately $200 million of net indebtedness in place that, following any exercise of the Company's or Cayco's rights described above, may be required to be refinanced or retired by the terms of our other indebtedness. The Company's management currently estimates that the amount the Company would be required to pay would be between $350 million and $650 million (payable in mid- 2010) if the above rights are exercised. This estimate is based on currently available information and management's current views with respect to future events and the future financial performance of Russian Alcohol Group, as of the date hereof. These estimates, projections and views are subject to risks and uncertainties that may cause actual results to differ materially from management's current estimates, projections and views, including the effects of fluctuations in currency valuations between the U.S. dollar and the Russian ruble, and the risks and uncertainties identified in the Company's filings with the Securities and Exchange Commission.

We are engaged in discussions with Lion Capital to restructure the current agreement regarding the buyout of the remaining 58% stake in the Russian Alcohol Group, the largest spirit producer in Russia. Although the discussions are not final, and remain subject to further legal, accounting and tax analysis, as well as board approval, we are in general agreement with Lion Capital on the main commercial objectives. We expect an agreement would include a fixed price for the remaining 58% interest in the Russian Alcohol Group that we do not own (including the conversion of our $103.5 million plus accrued interest of loan notes) at a valuation that is more reflective of current market conditions and the positive sales performance of the business. Our payments would be spread out over 5 years ending in the year 2013, with smaller payments for 2009 and 2013 and more equal payments from years 2010 to 2012, and we would agree to certain security arrangements to Lion. We would not take control over the Russian Alcohol Group until 2011, though we would receive significantly enhanced minority rights. We would expect to finance the transaction over the 5 years through a combination of cash, debt and equity. We cannot provide any assurances as to whether, or on what terms, we may reach an agreement to restructure our arrangements in respect of the Russian Alcohol Group.

In the event that the Company is required to refinance or retire the indebtedness described above, and/or acquires the capital stock of Copecresto, Whitehall or the majority-owned subsidiary of Cayco, such transactions would be financed through additional sources of debt or equity funding. We cannot provide assurances as to whether or on what terms such funding would be available.

Operating Leases and Rent Commitments

The Company makes rental payments for real estate, vehicles, office, computer, and manufacturing equipment under operating leases. The following is a schedule by years of the future rental payments under the non-cancelable operating lease as of December 31, 2008:

2009	$ 4,631
2010	4,688
2011	3,750
2012	2,933
Thereafter	2,783
Total	**$18,785**

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During the fourth quarter of 2008, the Company continued its policy of renewing its transportation fleet by way of capital leases. The future minimum lease payments for the assets under capital lease as of December 31, 2008 are as follows:

2009	$2,385
2010	2,194
2011	—
Gross payments due	**$4,579**
Less interest	(366)
Net payments due	**$4,213**

Supply contracts

The Company has various agreements covering its sources of supply, which, in some cases, may be terminated by either party on relatively short notice. Thus, there is a risk that a portion of the Company's supply of products could be curtailed at any time.

15. Stockholders Equity

On June 25, 2008, the Company completed a public offering of 3,250,000 shares of common stock, at an offering price to the public of $68.00 per share. In addition, pursuant to the terms of the offering the underwriters exercised their over-allotment option for an additional 325,000 shares. The net proceeds from the offering, including the sale of shares in accordance with the over-allotment option, was $233.8 million, after deducting underwriting discounts and commissions and estimated offering expenses. The majority of the proceeds of the equity offering were used to fund a portion of the Company's investment in the Russian Alcohol Group.

16. Interest income / (expense)

For the twelve months ended December 31, 2008 and 2007 respectively, the following items are included in Interest income / (expense):

	Twelve months ended December 31,	
	2008	**2007**
Interest income	$ 10,226	$ 5,463
Interest expense	(60,586)	(41,292)
Total interest (expense), net	($ 50,360)	($ 35,829)

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17. Other financial income / (expense)

For the twelve months ended December 31, 2008 and 2007, the following items are included in Other financial income / (expense):

	Twelve months ended December 31,	
	2008	2007
Foreign exchange impact related to acquisition financing	($ 165,294)	$23,940
Foreign exchange impact related to Long term Notes receivable	34,328	—
Cost of bank guarantee for tender	—	(349)
Premium for early debt retirement	—	(6,940)
Write-off of hedge associated with retired debt	(305)	(2,757)
Write-off of financing costs associated with retired debt	(851)	(2,167)
Other gains / (losses)	(814)	1,867
Total other financial income / (expense), net	($ 132,936)	$13,594
	(132,936)	13,594
	($1)	$0

18. Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated.

	Year ended December 31,		
	2008	2007	2006
Basic:			
Net income	($16,591)	$77,102	$55,450
Weighted average shares of common stock outstanding	44,088	39,871	35,799
Basic earnings per share	($ 0.38)	$ 1.93	$ 1.55
Diluted:			
Net income	($16,591)	$77,102	$55,450
Weighted average shares of common stock outstanding	44,088	39,871	35,799
Net effect of dilutive employee stock options based on the treasury stock method	—	540	338
Totals	**44,088**	**40,411**	**36,137**
Diluted earnings per share	($ 0.38)	$ 1.91	$ 1.53

As of December 31, 2008, the Company excluded 657 thousand shares from the above EPS calculation because they would have had antidilutive impact for the 2008 period presented.

Employee stock options granted have been included in the above calculations of diluted earnings per share since the exercise price is less than the average market price of the common stock during the twelve months periods ended December 31, 2008 and 2007. In addition there is no adjustment to fully diluted shares related to the Convertible Senior Notes as the average market price was below the conversion price for the period.

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19. Financial Instruments

Financial Instruments and Their Fair Values

Financial instruments consist mainly of cash and cash equivalents, accounts receivable, accounts payable, bank loans, overdraft facilities and long-term debt. The monetary assets represented by these financial instruments are primarily located in Poland, Hungary and Russia. Consequently, they are subject to currency translation risk when reporting in U.S. Dollars.

Derivative financial instruments

The Company is exposed to market movements in foreign currency exchange rates that could affect the Company's results of operations and financial condition. In accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", the Company recognizes all derivatives as either assets or liabilities on the balance sheet and measures those instruments at fair value.

The fair values of the Company's derivative instruments can change with fluctuations in interest rates and/or currency rates and are expected to offset changes in the values of the underlying exposures. The Company's derivative instruments are held to hedge economic exposures. The Company follows internal policies to manage interest rate and foreign currency risks, including limitations on derivative market-making or other speculative activities.

To qualify for hedge accounting under SFAS No. 133, the details of the hedging relationship must be formally documented at the inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risk that is being hedged, the derivative instrument, how effectiveness is being assessed and how ineffectiveness will be measured. The derivative must be highly effective in offsetting either changes in the fair value or cash flows, as appropriate, of the risk being hedged.

Effectiveness is evaluated on a retrospective and prospective basis based on quantitative measures. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, the Company discontinues hedge accounting prospectively. The Company discontinues hedge accounting prospectively when (1) the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item; (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

Fair value hedges are hedges that offset the risk of changes in the fair values of recorded assets, liabilities and firm commitments. The Company records changes in the fair value of derivative instruments which are designated and deemed effective as fair value hedges, in earnings offset by the corresponding changes in the fair value of the hedged items.

In September 2005, the Company entered into a coupon swap arrangement which exchanges a fixed Euro based coupon of 8%, with a variable Euro based coupon (IRS) based upon the 6 month Euribor rate plus a margin. The hedge is accounted for as a fair value hedge according to SFAS 133 and is tested for effectiveness on a quarterly basis using the long haul method. Under this method, as long as the hedge is deemed highly effective both the fair value of the hedge and the hedge item are marked to market with the net impact recorded as gain or loss in the income statement. For the twelve months ended December 31, 2008, the company recorded a net gain of $64,026. In September 2005, the Company entered into a second hedge that exchanged the variable Euro coupon with a variable Polish Zloty coupon (CIRS). However, due to the continued strength of the Polish economy and currency the Company closed this swap contract. The hedge did not qualify for hedge accounting and therefore the changes in fair value were reflected in the results of operations.

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In February 2007 and December 2006, a portion of the IRS hedge was closed and a new hedging relationship was created. The mark to market valuation of the closed hedges at the time was frozen and is being amortized over the remaining useful life of the hedged item. The hedge closure in December 2006 was related to the part of the Senior Secured Notes repurchased in January 2007. Consequently, the amount was written off in January 2007 following the repurchase. As of December 31, 2008, there is an unamortized asset of $0.6 million recorded as an adjustment to the valuation of the Senior Secured Notes.

In March 2008, a portion of the IRS hedge related to the repurchased Senior Secured Notes was closed and written off, and a new hedging relationship was created with the hedge match one for one the remaining outstanding Senior Secured Notes.

In January 2009, the remaining portion of the IRS hedge related to the Senior Secured Notes was closed and written off with a net cash settlement of approximately $1.9 million.

20. Fair value measurements

Effective January 1, 2008, the Company adopted SFAS No. 157, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company's adoption of SFAS No. 157 did not have a material impact on our consolidated financial statements.

We evaluate the position of each financial instrument measured at fair value in the hierarchy individually based on the valuation methodology we apply. At September 30, 2008, we have no material financial assets or liabilities carried at fair value using significant level 1 or level 3 inputs and the only instruments we value using level 2 inputs are currency swap agreements as follows:

Coupon Swap

In September 2005, the Company entered into a coupon swap arrangement which exchanges a fixed Euro based coupon of 8%, with a variable Euro based coupon (IRS) based upon the 6 month Euribor rate plus a margin. The hedge is accounted for as a fair value hedge according to SFAS 133 and is tested for effectiveness on a quarterly basis using the long haul method. Under this method, as long as the hedge is deemed highly effective both the fair value of the hedge and the hedged item are marked to market with the net impact recorded as gain or loss in the income statement.

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The fair value of these instruments as at December 31, 2008, was a $7.1 million liability, which represented a $21.1 million decrease from the $28.2 million liability as at December 31, 2007 and was recognized as a gain in the consolidated statement of operations. This gain, however, was offset by the fair value revaluation of the Senior Secured Notes.

21. Operating segments

As a result of the Company's expansion into new geographic areas, namely Russia, the Company has changed its internal management financial reporting by implementing a segmental approach to the business based upon geographic locations. As such the Company operates in three primary segments: Poland, Russia and Hungary. The business segments reflect how the Company's operations are managed, how operating performance within the Company is evaluated by senior management and the structure of its internal financial reporting. For detailed description of types of products and services from each reportable unit derives its revenues, refer to Operations by country section included in Part I.

The Company evaluates performance based on operating income of the respective business units. The accounting policies of the segments are the same as those described for the Company in the Summary of Significant Accounting policies in Note 1 and include the recently issued accounting pronouncement described in Note 1. Transactions between segments consist mainly of sales of products and are accounted for at cost plus an applicable margin.

The Company's areas of operations are principally in Poland Russia and Hungary. Revenues are attributed to countries based on the location of the selling company.

	Segment Net Revenues Twelve months ended December 31,		
	2008	2007	2006
Segment			
Poland	$1,305,629	$1,152,601	$926,292
Russia	$ 297,892	—	—
Hungary	$ 43,483	$ 37,221	$ 17,816
Total Net Sales	$1,647,004	$1,189,822	$944,108

	Operating Profit Twelve months ended December 31,		
	2008	2007	2006
Segment			
Poland	$ 124,920	$ 116,862	$ 91,980
Russia	73,374	—	—
Hungary	7,641	7,491	4,190
Corporate Overhead			
General corporate overhead	(3,353)	(4,398)	(2,631)
Option Expense	(3,850)	(1,870)	(1,957)
Total Operating Profit	$ 198,732	$ 118,085	$ 91,582

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
Amounts in tables expressed in thousands, except per share information

	Equity in the net income of investees accounted for by the equity method Twelve months ended December 31,		
	2008	2007	2006
Segment			
Poland	$ —	$ —	$ —
Russia	(9,002)	—	—
Hungary	—	—	—
Total equity in the net income of investees accounted for by the equity method	($ 9,002)	$ —	$ —

	Depreciation Twelve months ended December 31,		
	2008	2007	2006
Segment			
Poland	$ 7,890	$6,739	$6,029
Russia	2,287	—	—
Hungary	644	591	272
General corporate overhead	14	8	5
Total depreciation	$ 10,835	$7,339	$6,306

	Income tax Twelve months ended December 31,		
	2008	2007	2006
Segment			
Poland	($ 1,254)	$14,111	$11,617
Russia	15,678	—	—
Hungary	1,328	1,092	448
General corporate overhead	(2,800)	707	1,921
Total Income tax	$ 12,952	$15,910	$13,986

	Identifiable Operating Assets December 31,	
	2008	2007
Segment		
Poland	$1,625,471	$1,735,620
Russia	814,400	0
Hungary	37,842	39,320
Corporate	5,973	7,228
Total Identifiable Assets	$2,483,686	$1,782,168

	Goodwill	
	December 31, 2008	December 31, 2007
Segment		
Poland	$ 469,094	$ 568,726
Russia	269,109	0
Hungary	7,053	8,556
Corporate	0	0
Total Goodwill	$ 745,256	$ 577,283

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
Amounts in tables expressed in thousands, except per share information

22. Related Party Transactions

In January of 2005, the Company entered into a rental agreement for a facility located in northern Poland, which is 33% owned by the Company's Chief Operating Officer. The monthly rent to be paid by the Company for this location is approximately $16,300 per month and relates to facilities to be shared by two subsidiaries of the Company.

During the twelve months of 2008, the Company made sales and purchases transactions with ZAO Urhozay an entity partially owned by a CEDC Board Member, Sergey Kupriyanov. Urozhay is acting as a toll filler for the Company. All sales mainly related to raw materials for production were made on normal commercial terms, and total sales for the twelve months ended December 31, 2008 were approximately $44.3 million. Purchases of finished goods from ZAO Urozhay were approximately $120.7 million.

During the twelve months of 2008, the Company made sales to a restaurant which is partially owned by the Chief Executive Officer of the Company. All sales were made on normal commercial terms, and total sales for the twelve months ended December 31, 2008 and 2007 were approximately $73,000 and $129,000.

23. Subsequent Events

On May 23, 2008, the Company and certain of its affiliates, entered into, and closed upon, a Share Sale and Purchase Agreement and certain other agreements whereby the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interests, in the Whitehall Group ("the Whitehall Acquisition"). The Whitehall Group is a leading importer of premium spirits and wines in Russia. The aggregate consideration paid by the Company was $200 million, paid in cash at the closing. In addition, on October 21, 2008 the Company issued to the Seller 843,524 shares of its common stock, par value $0.01 per share.

On February 24, 2009, the Company and the seller amended the terms of the Stock Purchase Agreement governing the Whitehall acquisition to satisfy the Company's obligations to the seller pursuant to a share price guarantee in the original Stock Purchase Agreement. Pursuant to the terms of this amendment, the Company paid to the seller $5,876,351 in cash, and issued to the seller 2,100,000 shares of its common stock, in settlement of a minimum share price guarantee by the Company. The Company is further obligated to make an additional cash payment of $2,000,000 on March 15, 2009. Deferred payments already due under the original Stock Purchase Agreement are to be paid with €8,050,411 due on June 15, 2009 and €8,303,630 due on September 15, 2009. In consideration for these payments, the Company received an additional 375 Class B shares of Whitehall, which represents an increase in the Company's economic stake from 75% to 80%. Additionally, if, during the 210 day period immediately following the effectiveness of the registration statement the Company is obligated to file to register the shares of Company common stock obtained by the seller in this transaction, the seller sells any of the Company common stock it acquired in the transaction for an average sales price per share, weighted by volume, that is less than $12.03, per share, the Company must pay to the seller the excess, if any, of $12.03 over the volume weighted average sales price per share of the Company's common stock on the day the sale took place, multiplied by the total number of shares sold. Finally, the Company may be obligated to make an additional cash payment to the seller, ranging from €0 to €1,500,000, based upon whether and to what extent the price of a share of the Company's common stock exceeds $12.03 during that same 210 day period. If the Company must make any such payment, it will receive in return up to an additional 75 Class B shares, which represents up to an additional 1% economic stake of Whitehall, based on the sized of the payment.

In addition, in connection with the execution of the amendment to the Stock Purchase Agreement, the parties also entered into an amendment to the Shareholders' Agreement that governs the ongoing governance of Whitehall, pursuant to which the exercise price of the Company's right to require the seller to sell, and the

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
Amounts in tables expressed in thousands, except per share information

seller's right to require the Company to buy, all of the capital stock of Whitehall held by the seller was increased by the time-adjusted value of any dividends paid by Whitehall.

Also on February 24, 2009, the Company signed a new credit agreement for refinancing PLN 240,000,000 of its short term debt, with substantially the same terms and conditions of the existing credit facility. The new credit agreement provides that, subject to the fulfillment of certain customary conditions, Fortis Bank Polska S.A. and Fortis Bank S.A./NV, Austrian Branch will assign their interests as lenders under the existing credit facility to Bank Polska Kasa Opieki S.A. The new credit facility will accrue interest at an initial interest margin over the Warsaw Interbank Offer Rate of 2%, an increase of 80 basis points over the existing credit facility and will extend the maturity date from March 31, 2009 to February 24, 2011. The Company must repay PLN 60,000,000 on August 24, 2010, and PLN 180,000,000 on February 24, 2011.

In order to manage the cash flow impact of foreign exchange rates, the Company has entered into certain hedge agreements. In January 2009, the remaining portion of the IRS hedge related to the Senior Secured Notes was closed and written off with a net cash settlement of approximately $1.9 million.

We are engaged in discussions with Lion Capital to restructure the current agreement regarding the buyout of the remaining 58% stake in the Russian Alcohol Group, the largest spirit producer in Russia. Although the discussions are not final, and remain subject to further legal, accounting and tax analysis, as well as board approval, we are in general agreement with Lion Capital on the main commercial objectives. We expect an agreement would include a fixed price for the remaining 58% interest in the Russian Alcohol Group that we do not own (including the conversion of our $103.5 million plus accrued interest of loan notes) at a valuation that is more reflective of current market conditions and the positive sales performance of the business. Our payments would be spread out over 5 years ending in the year 2013, with smaller payments for 2009 and 2013 and more equal payments from years 2010 to 2012, and we would agree to certain security arrangements to Lion. We would not take control over the Russian Alcohol Group until 2011, though we would receive significantly enhanced minority rights. We would expect to finance the transaction over the 5 years through a combination of cash, debt and equity. We cannot provide any assurances as to whether, or on what terms, we may reach an agreement to restructure our arrangements in respect of the Russian Alcohol Group.

24. Quarterly financial information (Unaudited)

The Company's net sales have been historically seasonal with 39% of the operating income occurring in the fourth quarter in 2009. The table below demonstrates the movement and significance of seasonality in income statement. For further information, please refer to Item 6. Selected Financial Data.

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2008	2007	2008	2007	2008	2007	2008	2007
Net Sales	$313,620	$ 228,214	$421,302	$268,635	$452,441	$299,599	$ 459,641	$393,374
Seasonality %	19.0%	19.2%	25.6%	22.6%	27.4%	25.1%	27.9%	33.1%
Gross Profit	66,216	46,317	103,738	55,554	115,832	61,707	136,319	85,184
Seasonality %	15.7%	18.6%	24.6%	22.3%	27.4%	24.8%	32.3%	34.2%
Operating Income	25,468	18,915	42,843	25,149	52,840	28,410	77,581	45,611
Seasonality %	12.8%	16.0%	21.6%	21.3%	26.6%	24.1%	39.0%	38.6%
Net Income / (Loss)	$ 18,532	($ 5,176)	$ 46,807	$ 19,971	$ 661	$ 17,020	($ 82,591)	$ 45,287
Basic earning per share	$ 0.46	($ 0.13)	$ 1.10	$ 0.50	$ 0.01	$ 0.42	($ 1.76)	$ 1.13
Diluted earning per share	$ 0.45	($ 0.13)	$ 1.08	$ 0.49	$ 0.01	$ 0.42	($ 1.76)	$ 1.11

For the three months ended December 31, 2008, the Company excluded 211 thousand shares from the above EPS calculation because they would have had antidilutive impact for the fourth quarter 2008 period presented.

Seasonality is calculated as a percent of full year sales, gross profit, operating income recognized in the relevant quarter.

25. Geographic Data

Net sales and long-lived assets, by geographic area, consisted of the following for the three years ended December 31, 2008, 2007 and 2006:

	Year ended December 31,		
(In thousands)	2008	2007	2006
Net Sales to External Customers (a):			
United States	$ 7,260	$ 7,086	$ 463
International			
Poland	1,281,738	1,139,431	920,461
Russia	297,510	—	—
Hungary	43,482	37,221	17,816
Other	17,014	6,084	5,368
Total international	1,639,744	1,182,736	943,645
Total	**$1,647,004**	**$1,189,822**	**$944,108**
Long-lived assets (b):			
United States	$ 51	$ 9	$ 18
International			
Poland	706,659	636,696	424,983
Russia	247,214	—	—
Hungary	1,288	1,088	1,789
Total international	955,161	637,784	426,772
Total consolidated long-lived assets	**$ 955,212**	**$ 637,793**	**$426,790**

(a) Net sales to external customers based on the location to which the sale was delivered.

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
Amounts in tables expressed in thousands, except per share information

(b) Long-lived assets primarily consist of property, plant and equipment and trademarks

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There were no changes in or disagreements with the accountants within the past two years.

Item 9A. Control and Procedures.

Disclosure Controls and Procedures. Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934) refer to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Management's Report on Internal Control over Financial Reporting. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15(d)-15(f) of the Securities Exchange Act of 1934). Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in "Internal Control—Integrated Framework".

The Company's management has excluded the Parliament Group and the Whitehall Group from its assessment of internal controls over financial reporting as of December 31, 2008, because these companies were acquired by the Company in purchase business combinations during the year ended December 31, 2008. The Parliament Group is a subsidiary of the Company that is controlled by ownership of a majority voting interest, whose total assets and total revenues represent 9.10% and 7.88%, respectively, of the related consolidated financial statements as of and for the year ended December 31, 2008. With respect to the Whitehall Group, the Company acquired shares representing 50% minus one vote of the voting power, and 75% of the economic interest. Total assets and total revenues of the Whitehall Group represent 9.07% and 10.21%, respectively, of the related consolidated financial statements as of and for the year ended December 31, 2008.

Based on its assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2008.

Based upon the evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this report, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Inherent Limitations in Internal Control over Financial Reporting. The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system,

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
Amounts in tables expressed in thousands, except per share information

no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Further, the design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Accordingly, the Company's disclosure controls and procedures are designed to provide reasonable assurance that the controls and procedures will meet their objectives.

Changes to Internal Control over Financial Reporting. The Chief Executive Officer and the Chief Financial Officer conclude that, during the most recent fiscal quarter, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information regarding our executive officers and directors required by this item is incorporated into this annual report by reference to our proxy statement for the annual meeting of stockholders to be held on April 30, 2009. We will file our proxy statement for our 2008 annual meeting of stockholders within 120 days of December 31, 2008, our fiscal year-end.

Item 11. Executive Compensation.

The information regarding executive compensation required by this item is incorporated into this annual report by reference to our proxy statement for the annual meeting of stockholders to be held on April 30, 2009. We will file our proxy statement for our 2008 annual meeting of stockholders within 120 days of December 31, 2008, our fiscal year-end.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information regarding security ownership of certain beneficial owners and management is incorporated into this annual report by reference to our proxy statement for the annual meeting of stockholders to be held on April 30, 2009. We will file our proxy statement for our 2008 annual meeting of stockholders within 120 days of December 31, 2008, our fiscal year-end.

Item 13. Certain Relationships and Related Transactions.

The information regarding certain relationships and related transactions required by this item is incorporated into this annual report by reference to our proxy statement for the annual meeting of stockholders to be held on April 30, 2009. We will file our proxy statement for our 2008 annual meeting of stockholders within 120 days of December 31, 2008, our fiscal year-end.

Item 14. Principal Accountant Fees and Services.

The information regarding principal accountant fees and services required by this item is incorporated into this annual report by reference to the proxy statement for the annual meeting of stockholders to be held on April 30, 2009. We will file our proxy statement for our 2008 annual meeting of stockholders within 120 days of December 31, 2008, our fiscal year-end.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a)(1) The following consolidated financial statements of the Company and report of independent auditors are included in Item 8 of this Annual Report on Form 10-K.

Report of Independent Auditors

Consolidated Balance Sheets at December 31, 2007 and 2008

Consolidated Statements of Income for the years ended December 31, 2006, 2007 and 2008

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2006, 2007 and 2008

Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2007 and 2008

Notes to Consolidated Financial Statements

(a)(2) Schedules

The Company's holding in Moet Hennessy Joint Venture and Russian Alcohol Group meets the requirements of SEC Rule 3-09 under Regulation S-X for the provision of separate financial statements of Moet Hennessy JV and consolidated financial statements of Russian Alcohol Group, that have a December 31 fiscal year end. Pursuant to SEC rules, the financial statements of Moet Hennessy JV and consolidated financial statements of Russian Alcohol Group will be filed as an amendment to this Annual Report as soon as practicable after they become available.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission either have been included in the Company's consolidated financial statements or the notes thereto, are not required under the related instructions or are inapplicable, and therefore have been omitted.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENTRAL EUROPEAN DISTRIBUTION CORPORATION
(Registrant)

By: /s/ WILLIAM V. CAREY
William V. Carey
Chairman, President and Chief Executive Officer

Date: March 2, 2009

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints William V. Carey and Chris Biedermann, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file, any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ WILLIAM V. CAREY **William V. Carey**	Chairman, President and Chief Executive Officer (principal executive officer)	March 2, 2009
/s/ CHRISTOPHER BIEDERMANN **Christopher Biedermann**	Chief Financial Officer (principal financial and accounting officer)	March 2, 2009
/s/ DAVID BAILEY **David Bailey**	Director	March 2, 2009
/s/ N. SCOTT FINE **N. Scott Fine**	Director	March 2, 2009
/s/ TONY HOUSH **Tony Housh**	Director	March 2, 2009
/s/ ROBERT P. KOCH **Robert P. Koch**	Director	March 2, 2009
/s/ JAN W. LASKOWSKI **Jan W. Laskowski**	Director	March 2, 2009
/s/ MARKUS SIEGER **Markus Sieger**	Director	March 2, 2009
/s/ SERGEY KUPRIYANOV **Sergey Kupriyanov**	Director	March 2, 2009

(a)(3) The following exhibits are either provided with this Form 10-K or are incorporated herein by reference.

Exhibit Number	Exhibit Description
1.1	Underwriting Agreement, dated as of March 3, 2008, by and between Central European Distribution Corporation and J.P. Morgan Securities Inc. (filed as Exhibit 1.1 to the Current Report on Form 8-K filed with the SEC on March 7, 2008 and incorporated herein by reference).
1.2	Underwriting Agreement, dated as of June 25, 2008, by and between Central European Distribution Corporation and J.P. Morgan Securities Inc., as representative of the underwriters listed on Schedule 1 thereto (filed as Exhibit 1.1 to the Current Report on Form 8-K filed with the SEC on June 27, 2008 and incorporated herein by reference).
2.1	Contribution Agreement among Central European Distribution Corporation, William V. Carey, William V. Carey Stock Trust, Estate of William O. Carey and Jeffrey Peterson dated November 28, 1997 (filed as Exhibit 2.1 to the Registration Statement on Form SB-2, File No. 333-42387, with the SEC on December 17, 1997 (the "1997 Registration Statement"), and incorporated herein by reference).
2.2	Investment Agreement for Damianex S.A. dated April 22, 2002, among Carey Agri International Poland Sp. z o.o., Central European Distribution Corporation, Michael Ciapala, Boguslaw Barnat and Iwona Barnat (filed as Exhibit 2 to the Current Report on Form 8-K/A filed with the SEC on May 14, 2002, and incorporated herein by reference).
2.3	Share Purchase Agreement for AGIS S.A. dated April 24, 2002, among Carey Agri International Poland Sp. z o.o., Central European Distribution Corporation, Jacek Luczak and Slawomir Wisniewski (filed as Exhibit 2.2 to the Current Report on Form 8-K/A filed with the SEC on June 3, 2002, and incorporated herein by reference).
2.4	Share Purchase Agreement for Onufry S.A. dated October 15, 2002, among Carey Agri International Poland Sp. z o.o., Central European Distribution Corporation, Zbigniew Trafalski and Henryk Gawin (filed as Exhibit 2.4 to the Annual Report on Form 10-K filed with the SEC on March 17, 2003, and incorporated herein by reference).
2.5	Share Purchase Agreement for Dako Sp. z o.o. dated April 16, 2003, among Carey Agri International Poland Sp. z o.o., Central European Distribution Corporation, Waclaw Dawidowicz and Miroslaw Sokalski (filed as Exhibit 2.1 to the Quarterly Report on Form 10-Q filed with the SEC on May 15, 2003, and incorporated herein by reference).
2.6	Share Purchase Agreement for Panta Hurt Sp. z o.o. dated September 5, 2003, among Carey Agri International Poland Sp. z o.o., Central European Distribution Corporation, Wlodzimierz Szydlarski, Sylwester Zakrzewski and Wojciech Piatkowski (filed as Exhibit 2.6 to the Quarterly Report on Form 10-Q filed with the SEC on November 14, 2003, and incorporated herein by reference).
2.7	Share Purchase Agreement for Multi-Ex S.A. dated November 14, 2003, among Carey Agri International Sp. z o.o., Piotr Pabianski and Ewa Maria Pabianska (filed as Exhibit 2.7 to the Annual Report on Form 10-K filed with the SEC on March 15, 2004, and incorporated herein by reference).
2.8	Share Purchase Agreement for Multi-Ex S.A. dated November 14, 2003, between Central European Distribution Corporation and Piotr Pabianski (filed as Exhibit 2.8 to the Annual Report on Form 10-K filed with the SEC on March 15, 2004, and incorporated herein by reference).
2.9	Share Purchase Agreement for Multi-Ex S.A. dated December 18, 2003, between Central European Distribution Corporation and Piotr Pabianski (filed as Exhibit 2.9 to the Annual Report on Form 10-K filed with the SEC on March 15, 2004, and incorporated herein by reference).

Exhibit Number	Exhibit Description
2.10	Share Sale Agreement for Miro sp. z.o.o. dated May 14, 2004, among Central European Distribution Corporation, Miroslawem Grzadkowskim, Halina Grzadkowska, Jackiem Grzadkowskim and Kinga Grzadkowska (filed as Exhibit 2.10 to the Quarterly Report on Form 10-Q filed with the SEC on May 10, 2004, and incorporated herein by reference).
2.11	Conditional Share Sale Agreement for Delikates Sp. z o.o. dated April 28, 2005 by and among Carey Agri International Poland Sp. z o.o., Central European Distribution Corporation, Barbara Jernas, Szymon Jernas, Magdalena Namysl and Karol Jaskula (filed as Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on May 4, 2005 and incorporated herein by reference).
2.12	Share Sale Agreement, dated June 27, 2005, by and among Rémy Cointreau S.A., Botapol Management B.V., Takirra Investment Corporation N.B., Central European Distribution Corporation and Carey Agri International Poland Sp. z o.o. (filed as Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on July 1, 2005 and incorporated herein by reference).
2.15	Share Purchase Agreement, dated July 11, 2005, by and among the State Treasury of the Republic of Poland, Carey Agri International-Poland Sp. z o.o. and Central European Distribution Corporation (filed as Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on July 15, 2005 and incorporated herein by reference).
2.16	Conditional Share Sale Agreement for Imperial Sp. z o.o. dated August 16, 2005 by and among Carey Agri International Poland Sp. z o.o., Central European Distribution Corporation, and Tadeusz Walkuski (filed as Exhibit 2.11 to the Quarterly Report on Form 10-Q filed with the SEC on November 9, 2005 and incorporated herein by reference).
2.17	Share Sale and Purchase Agreement, dated March 11, 2008, by and among White Horse Intervest Limited, William V. Carey, Central European Distribution Corporation, and Bols Sp. z o.o. (filed as Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on March 17, 2008 and incorporated herein by reference).
2.18	Share Sale and Purchase Agreement, dated May 23, 2008, by and among Barclays Wealth Trustees (Jersey) Limited (in its capacity as trustee of The First National Trust), WHL Holdings Limited, Polmos Bialystok S.A. and Central European Distribution Corporation (filed as Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on May 30, 2008 and incorporated herein by reference).
2.19	Amendment No. 5 to Share Sale and Purchase Agreement, dated February 24, 2009, by and among Barclays Wealth Trustees (Jersey) Limited (in its capacity as trustee of The First National Trust), WHL Holdings Limited, Polmos Bialystok S.A. and Central European Distribution Corporation. (filed as Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on March 2, 2009 and incorporated herein by reference).
3.1	Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Quarterly Report of Form 10-Q filed with the SEC on August 8, 2006 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed as Exhibit 99.3 to the Periodic Report on Form 8-K filed with the SEC on May 3, 2006, and incorporated herein by reference). Exhibit Number Exhibit Description
4.1	Form of Common Stock Certificate (filed as Exhibit 4.1 to the 1997 Registration Statement and incorporated herein by reference).
4.2	Indenture, dated July 25, 2005, by and among Central European Distribution Corporation, Carey Agri International-Poland Sp. z o.o., Onufry S.A., Multi-Ex S.A., Astor Sp. z o.o., Polskie Hurtownie Alkoholi Sp. z o.o., MTC Sp. z o.o., Przedsiebiorstwo Dystrybucji Alkoholi Agis S.A., Dako-Galant Przedsiebiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A., PWW Sp. z o.o. and Miro Sp. z o.o., as Guarantors, The Bank of New York, as Trustee, Principal Paying Agent, Registrar and Transfer Agent, and ING Bank N.V., London Branch, as Note Security Agent (filed as Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on July 25, 2005 and incorporated herein by reference).

Exhibit Number	Exhibit Description
4.3	First Supplemental Indenture, dated August 31, 2005, by and among Central European Distribution Corporation, as Issuer, Carey Agri International-Poland Sp. z o.o., Onufry S.A., Multi-Ex S.A., Astor Sp. z o.o., Polskie Hurtownie Alkoholi Sp. z o.o., MTC Sp. z o.o., Przedsiebiorstwo Dystrybucji Alkoholi Agis S.A., Dako-Galant Przedsiebiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A., PWW Sp. z o.o. and Miro Sp. z o.o., as Initial Guarantors, Botapol Holding B.V. and Bols Sp. z o.o., as Additional Guarantors, The Bank of New York, as Trustee, and ING Bank N.V., London Branch, as Note Security Agent (filed as Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on September 2, 2005 and incorporated herein by reference).
4.4	Second Supplemental Indenture, dated as of March 30, 2006 among Central European Distribution Corporation, as Issuer, Carey Agri International-Poland Sp. z o.o., Onufry S.A., Multi-Ex S.A., Astor Sp. z o.o., Polskie Hurtownie Alkoholi Sp. z o.o., MTC Sp. z o.o., Przedsiebiorstwo Dystrybucji Alkoholi Agis S.A., Dako-Galant Przedsiebiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A., PWW Sp. z o.o. and Miro Sp. z o.o., as Initial Guarantors, Botapol Holding B.V. and Bols Sp. z o.o., as Additional Guarantors, The Bank of New York, as Trustee, and ING Bank N.V., London Branch, as Note Security Agent (filed as Exhibit 4.1 to the Quarterly Report on Form 10-Q filed with the SEC on August 8, 2006 and incorporated herein by reference).
4.5	Third Supplemental Indenture, dated as of July 7, 2006 among Central European Distribution Corporation, as Issuer, Carey Agri International-Poland Sp. z o.o., Onufry S.A., Multi-Ex S.A., Astor Sp. z o.o., Polskie Hurtownie Alkoholi Sp. z o.o., MTC Sp. z o.o., Przedsiebiorstwo Dystrybucji Alkoholi Agis S.A., Dako-Galant Przedsiebiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A., PWW Sp. z o.o., Miro Sp. z o.o., Botapol Holding B.V. and Bols Sp. z o.o., as Guarantors, Delikates Sp. z o.o., Panta Hurt Sp. z o.o., Polnis Dystrybucja Sp. z o.o., Imperial Sp. z o.o. and Krokus Sp. z o.o., as New Guarantors, The Bank of New York, as Trustee, and ING Bank N.V., London Branch, as Note Security Agent (filed as Exhibit 4.2 to the Quarterly Report on Form 10-Q filed with the SEC on August 8, 2006 and incorporated herein by reference).
4.6*	Base Indenture, dated as of March 7, 2008, by and between Central European Distribution Corporation, as Issuer and The Bank of New York Trust Company, N.A., as Trustee.
4.7	Supplemental Indenture, dated as of March 7, 2008, by and between Central European Distribution Corporation, as Issuer and The Bank of New York Trust Company, N.A., as Trustee (filed as Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on March 7, 2008 and incorporated herein by reference).
4.8	Registration Rights Agreement, dated March 13, 2008, by and between Central European Distribution Corporation and Direct Financing Limited (filed as Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on March 17, 2008 and incorporated herein by reference).
4.9*	A Registration Rights Agreement, dated October 21, 2008 by and between Central European Distribution Corporation and Barclays Wealth Trustees (Jersey) Limited (as Trustee of the First National Trust).
10.1	2007 Stock Incentive Plan (filed as Exhibit A to the definitive Proxy Statement as filed with the SEC on March 27, 2007, and incorporated herein by reference).
10.2	Form of Stock Option Agreement with Directors under 2007 Stock Incentive Plan (filed as Exhibit 10.2 to the Annual Report on Form 10-K filed with the SEC on February 29, 2008, and incorporated herein by reference).
10.3	Form of Stock Option Agreement with Officers under 2007 Stock Incentive Plan (filed as Exhibit 10.3 to the Annual Report on Form 10-K filed with the SEC on February 29, 2008, and incorporated herein by reference).

Exhibit Number	Exhibit Description
10.4	Lease Agreement for warehouse at Bokserska Street 66a, Warsaw, Poland (filed as Exhibit 10.15 to the Current Report on Form 8-K filed with the SEC on April 16, 2001, and incorporated herein by reference).
10.5	Annex 2 to Lease Agreement dated February 19, 2003, for the warehouse located at Bokserska Street 66a, Warsaw, Poland (filed as Exhibit 10.11 to the Annual Report on Form 10-K filed with the SEC on March 15, 2004, and incorporated herein by reference).
10.6	Social guarantee package for the employees of Polmos Bialystok S.A. (filed as exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the SEC on August 8, 2005 and incorporated herein by reference).
10.7	Purchase Agreement dated as of August 3, 2005 by and among Central European Distribution Company and the investors signatory thereto (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the SEC on November 9, 2005 and incorporated herein by reference).
10.8	Registration Rights Agreement dated as of August 3, 2005 by and among Central European Distribution Corporation and the investors signatory thereto (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q filed with the SEC on November 9, 2005 and incorporated herein by reference).
10.9	Registration Rights Agreement, dated August 17, 2005, by and among Central European Distribution Corporation, Botapol Management B.V. and Takirra Investment Corporation N.V. (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on August 23, 2005 and incorporated herein by reference).
10.10	Employment Agreement, dated August 10, 2005, by and between Central European Distribution Corporation and Richard Roberts (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 13, 2005 and incorporated herein by reference).
10.11	Annex, dated January 24, 2007, to the Employment Agreement dated as of August 10, 2005, between Richard Roberts and Central European Distribution Corporation (filed as Exhibit 10.5 to the Current Report on Form 8-K filed with the SEC on January 24, 2007, and incorporated herein by reference).
10.12	Trade Mark License, dated August 17, 2005, by and among Distilleerderijen Erven Lucas Bols B.V., Central European Distribution Corporation and Carey Agri International Poland Sp. z o.o. (filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on August 23, 2005 and incorporated herein by reference).
10.13	Deed of Tax Covenant, dated August 17, 2005, by and among Botapol Management B.V., Takirra Investment Corporation N.V., Rémy Cointreau S.A., Carey Agri International Poland Sp. z o.o. and Central European Distribution Corporation (filed as Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on August 23, 2005 and incorporated herein by reference).
10.14	Bank Guarantee, dated October 12, 2006, by and between Fortis Bank SA/NV, Austrian Branch and Carey Agri International Poland Sp. z o.o. (filed as Exhibit 10.2 to the Current Report on Form 8K filed with the SEC on October 18, 2006 and incorporated herein by reference).
10.15	Summary of Director Compensation (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the SEC on November 8, 2006 and incorporated herein by reference).
10.16	Facility Agreement, dated December 21, 2007, among Fortis Bank Polska S.A., Fortis Bank S.A./ NV, Austrian Branch, and Bank Polska Kasa Opieki S.A. and Carey Agri International-Poland Sp. z o.o. (filed as Exhibit 10.31 to the Annual Report on Form 10-K filed with the SEC on February 29, 2008, and incorporated herein by reference).

Exhibit Number	Exhibit Description
10.17	Corporate Guarantee Agreement, dated December 21, 2007, between Fortis Bank Polska S.A., Fortis Bank S.A./NV, Austrian Branch, Bank Polska Kasa Opieki S.A. and Central European Distribution Corporation (filed as Exhibit 10.32 to the Annual Report on Form 10-K filed with the SEC on February 29, 2008, and incorporated herein by reference).
10.18	Shareholders Agreement, dated March 13, 2008, among White Horse Intervest Limited, Bols Sp. z o.o., Central European Distribution Corporation and Copecresto Enterprises Limited (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 17, 2008 and incorporated herein by reference).
10.19	Amended and Restated Investment Commitment Letter, dated June 18, 2008, by and among Central European Distribution Corporation, Lion Capital LLP acting for and on behalf of each of Lion Capital Fund I L.P., Lion Capital Fund I A L.P., Lion Capital Fund I B L.P., Lion Capital Fund I C L.P., Lion Capital Fund I SBS L.P.; and Lion Capital (Guernsey) Limited c/o Aztec Financial Services (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on July 15, 2008 and incorporated herein by reference).
10.20	Letter Agreement, dated May 22, 2008, between Central European Distribution Corporation and Pasalba Limited (filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on May 29, 2008 and incorporated herein by reference).
10.21	Shareholders' Agreement, dated July 8, 2008, by and among Central European Distribution Corporation, Lion/Rally Cayman 1 LP, Carey Agri International – Poland Sp. z o. o, Lion/Rally Carry ENG 1 LP and Lion/Rally Cayman 2 (filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on July 15, 2008 and incorporated herein by reference).
10.22	Instrument by way of Deed Constituting US$103,500,000 Unsecured Exchangeable Loan Notes, dated July 8, 2008, by and among Lion/Rally Cayman 2 and Lion/Rally Lux 1 S.A. and Lion/ Rally Lux 3 S.a.r.l. (filed as Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on July 15, 2008 and incorporated herein by reference).
10.23	Shareholders' Agreement, dated May 23, 2008, by and among Barclays Wealth Trustees (Jersey) Limited (as trustee of The First National Trust), Polmos Bialystok S.A. and Peulla Enterprises Limited (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 30, 2008 and incorporated herein by reference).
10.24	Amendment No. 1 to Shareholders' Agreement, dated February 24, 2009, by and among Barclays Wealth Trustees (Jersey) Limited (as trustee of The First National Trust), Polmos Bialystok S.A. and Peulla Enterprises Limited. (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 2, 2009 and incorporated herein by reference).
10.25	Amended and Restated Employment Agreement, dated June 11, 2008, by and between Central European Distribution Corporation and William V. Carey (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 17, 2008 and incorporated herein by reference).
10.26	Amended and Restated Employment Agreement, dated June 11, 2008, by and between Central European Distribution Corporation and Christopher Biedermann (filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on June 17, 2008 and incorporated herein by reference).
10.27	Amended and Restated Employment Agreement, dated June 11, 2008, by and between Central European Distribution Corporation and Evangelos Evangelou (filed as Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on June 17, 2008 and incorporated herein by reference).
10.28	Amended and Restated Employment Agreement, dated June 11, 2008, by and between Central European Distribution Corporation and James Archbold (filed as Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC on June 17, 2008 and incorporated herein by reference).

Exhibit Number	Exhibit Description
10.29	Amended and Restated Executive Bonus Plan (filed as Exhibit 10.5 to the Current Report on Form 8-K filed with the SEC on June 17, 2008 and incorporated herein by reference).
10.30	Facilities Agreement dated April 24, 2008 among Central European Distribution Corporation, Bols Sp. z o.o. and certain other subsidiaries of Central European Distribution Corporation, and Bank Zachodni WBK S.A. as lender (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the SEC on May 9, 2008 and incorporated herein by reference).
10.31	Labor Contract, dated April 1, 2008, between Parliament Distribution and Mr. Sergey Kupriyanov (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the SEC on August 11, 2008 and incorporated herein by reference).
10.32	Facilities Agreement, dated July 2, 2008, among Central European Distribution Corporation, Carey Agri International-Poland Sp. z o.o and certain other subsidiaries of Central European Distribution Corporation, and Bank Handlowy W Warszawie S.A. (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q filed with the SEC on August 11, 2008 and incorporated herein by reference).
10.33	Amendment and Restatement Agreement Relating to a Facility Agreement dated December 21, 2007, dated February 24, 2009, by and among Carey Agri International-Poland Sp. z o.o., Central European Distribution Corporation, Astor Sp. z o.o., Bols Hungary KFT, Bols Sp. z o.o., Botapol Holding B.V., Dako-Galant Przedsiebiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A. Delikates Sp. z o.o., Fine Wine & Spirit (FWS) Sp. z o.o., Imperial Sp. z o.o. Miro Sp. z o.o., MTC Sp. z o.o., Multi-Ex Sp. z o.o., Onufry S.A., Panta Hurt Sp. z o.o., Polnis Dystrybucja Sp. z o.o., Polskie Hurtownie Alkoholi Sp. z o.o., Przedsiebiorstwo Dystrybucji Alkoholi Agis S.A., Przedsiebiorstwo Handlu Spozywczego Sp. z o.o., PWW Sp. z o.o., Saol Dystrybucja Sp. z o.o., Fortis Bank Polska S.A., Fortis Bank S.A./NV, Austrian Branch and Bank Polska Kasa Opieki S.A. (filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on March 2, 2009 and incorporated herein by reference).
10.34	Amendment Agreement Relating to a Facility Agreement dated December 21, 2007 as Amended and Restated on February 24, 2009, dated February 24, 2009, by and among Carey Agri International-Poland Sp. z o.o., Central European Distribution Corporation, Astor Sp. z o.o., Bols Hungary KFT, Bols Sp. z o.o., Botapol Holding B.V., Dako-Galant Przedsiebiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A. Delikates Sp. z o.o., Fine Wine & Spirit (FWS) Sp. z o.o., Imperial Sp. z o.o. Miro Sp. z o.o., MTC Sp. z o.o., Multi-Ex Sp. z o.o., Onufry S.A., Panta Hurt Sp. z o.o., Polnis Dystrybucja Sp. z o.o., Polskie Hurtownie Alkoholi Sp. z o.o., Przedsiebiorstwo Dystrybucji Alkoholi Agis S.A., Przedsiebiorstwo Handlu Spozywczego Sp. z o.o., PWW Sp. z o.o., Saol Dystrybucja Sp. z o.o. and Bank Polska Kasa Opieki S.A. (filed as Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on March 2, 2009 and incorporated herein by reference).
21*	Subsidiaries of the Company.
23*	Consent of PricewaterhouseCoopers Sp. z o.o.
24.1*	Power of Attorney (contained on signature page).
31.1*	Rule 13a-14(a) Certification of the CEO in accordance with Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Rule 13a-14(a) Certification of the CFO in accordance with Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Section 1350 Certification of the CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Section 1350 Certification of the CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

EXHIBIT 4.6

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

INDENTURE

DATED AS OF MARCH 7, 2008

THE BANK OF NEW YORK,
AS TRUSTEE

CROSS REFERENCE TABLE[1]

TRUST INDENTURE ACT SECTION		INDENTURE SECTION
310	(a)(1)	7.8; 7.10
	(a)(2)	7.10
	(a)(3)	N.A.
	(a)(4)	N.A.
	(a)(5)	7.10
	(b)	7.8; 7.10
	(c)	N.A.
311	(a)	7.11
	(b)	7.11
	(c)	N.A.
312	(a)	2.7
	(b)	12.3
	(c)	12.3
313	(a)	7.6
	(b)	7.6
	(c)	7.6; 12.2
	(d)	7.6
314	(a)	4.2; 12.2
	(b)	N.A.
	(c)(1)	12.4
	(c)(2)	12.4
	(c)(3)	N.A.
	(d)	N.A.
	(e)	12.6
	(f)	4.3
315	(a)	7.1
	(b)	7.5; 12.2
	(c)	7.1
	(d)	7.1
	(e)	6.11
316	(a)(1)(A)	6.5
	(a)(1)(B)	6.4
	(a)(2)	N.A.
	(b)	6.7
	(c)	N.A.
317	(a)(1)	6.8
	(a)(2)	6.9
	(b)	2.6
318	(a)	12.1

[1] Note: This Cross Reference Table shall not, for any purpose, be deemed to be part of the Indenture.

TABLE OF CONTENTS[2]

[2] Note: This Table of Contents shall not, for any purpose, be deemed to be part of the Indenture.

INDENTURE dated as of March 7, 2008, by and between Central European Distribution Corporation, a Delaware corporation ("**Company**"), and The Bank of New York, a New York banking corporation, as trustee ("**Trustee**").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness (the "**Securities**") to be issued in one or more series as in this Indenture provided.

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and ratable benefit of the Holders of the Securities or each series thereof as follows:

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01 Definitions.

"**Affiliate**" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "**Control**" when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing.

"**Authorized Newspaper**" means a newspaper, in the English language or, at the option of the Company, in an official language of the country of publication, customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, and of general circulation in the place in connection with which the term is used or in the financial community of such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different Authorized Newspapers meeting the foregoing requirements and in each case on any Business Day.

"**Bearer Security**" means any Security in the form (to the extent applicable thereto) established pursuant to Section 2.01 which is payable to the bearer.

"**Board of Directors**" means the board of directors of the Company or any committee of such board authorized with respect to any matter to exercise the powers of the Board of Directors of the Company.

"**Board Resolution**" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"**Business Day**" means, except as otherwise specified as contemplated by Section 2.03(a), with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or other location are authorized or obligated by law or executive order to close.

"**Capital Stock**" for any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that corporation.

"**Cash**" means such coin or currency of the United States as at any time of payment is legal tender for the payment of public and private debts.

"**Clearstream**" means Clearstream Banking, societe anonyme.

"**Company**" means the party named as the "**Company**" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor.

"**Company Request**" or "**Company Order**" means a written request or order signed in the name of the Company by its Chairman of the Board, a Vice Chairman, its Chief Executive Officer, its President, its Chief Financial Officer or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee or, with respect to Sections 2.04, 2.08, 2.11 and 7.02, any other employee of the Company named in an Officers' Certificate delivered to the Trustee.

"**Coupon**" means any interest Coupon appertaining to a Bearer Security.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Depositary**" means, with respect to the Securities of any series issuable or issued in whole or in part in global form, the person specified as contemplated by Section 2.03(a) as the Depositary with respect to such series of Securities, until a successor shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "**Depositary**" shall mean or include such successor.

"**Discount Security**" means any Security which provides for an amount less than the Principal Amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 6.02.

"**Dollar**" or "**$**" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System or any successor entity.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Holder**" or "**Securityholder**," when used with respect to any Security, means, in the case of a Registered Security, a person in whose name a Security is registered on the Registrar's books and, in the case of a Bearer Security, the bearer thereof and, when used with respect to any Coupon, means the bearer thereof.

"**Indenture**" means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof and shall include the terms of a particular series of Securities established as contemplated in Section 2.03(a).

"**Interest**," when used with respect to a Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"**Interest Payment Date**," when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"**Maturity**," when used with respect to any Security, means the date on which the Principal of such Security or an installment of Principal or, in the case of a Discount Security, the Principal Amount payable upon a declaration of acceleration pursuant to Section 6.02, becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"**Officer**" means the Chairman of the Board, any Vice Chairman, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, the Secretary, any Assistant Treasurer or any Assistant Secretary of the Company.

"**Officers' Certificate**" means a written certificate containing, to the extent applicable, the information specified in Sections 12.04 and 12.06, signed in the name of the Company by its Chairman of the Board, a Vice Chairman, its Chief Executive Officer, its President, its Chief Financial Officer or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"**Opinion of Counsel**" means a written opinion containing, to the extent applicable, the information specified in Sections 12.04 and 12.06, from legal counsel. The counsel may be an employee of, or counsel to, the Company or the Trustee.

"**Periodic Offering**" means an offering of Securities of a series from time to time the specific terms of which Securities, including, without limitation, the rate or rates of interest, if any, thereon, the Stated Maturity or Maturities thereof, the original issue date or dates thereof, the redemption provisions, if any, and any other terms specified as contemplated by Section 2.03(a) with respect thereto, are to be determined by the Company, or one or more of the Company's agents designated in an Officers' Certificate, upon the issuance of such Securities.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"**Place of Payment**," when used with respect to the Securities of any series, means the place or places where, subject to the provisions of Section 4.05, the Principal of and any interest on the Securities of that series are payable as specified as contemplated by Section 2.03(a).

"**Predecessor Security**" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 2.09 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security or a Security to which a mutilated, destroyed, lost or stolen Coupon appertains shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security or the Security to which the mutilated, destroyed, lost or stolen Coupon appertains, as the case may be.

"**Principal**" or "**Principal Amount**" of a Security, except as otherwise specifically provided in this Indenture, means the outstanding principal of the Security plus the premium, if any, of the Security.

"**Redemption Date**," when used with respect to any Security to be redeemed, shall mean the date specified for redemption of such Security in accordance with the terms of such Security and this Indenture.

"**Redemption Price**," when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"**Registered Security**" means any Security in the form (to the extent applicable thereto) established pursuant to Section 2.01 which is registered on the books of the Registrar.

"**Regular Record Date**" for the interest payable on any Interest Payment Date on the Registered Securities of any series means the date specified for that purpose as contemplated by Section 2.03(a).

"**SEC**" means the Securities and Exchange Commission.

"**Securities**" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture.

"**Securityholder**" or "**Holder**," when used with respect to any Security, means in the case of a Registered Security, a person in whose name a Security is registered on the Registrar's books and, in the case of a Bearer Security, the bearer thereof and, when used with respect to any Coupon, means the bearer thereof.

"**Special Record Date**" for the payment of any Defaulted Interest on the Registered Securities of any issue means a date fixed by the Trustee pursuant to Section 2.13.

"**Stated Maturity**," when used with respect to any Security or any installment of Principal thereof or interest thereon, means the date specified in such Security or a Coupon representing such installment of interest as the fixed date on which an amount equal to the Principal of such Security or an installment of Principal thereof or interest thereon, as applicable, is due and payable.

"**Subsidiary**" means, with respect to any person, (A) a corporation of which a majority of the Capital Stock having voting power under ordinary circumstances to elect a majority of the board of directors of such corporation is owned by (i) such person, (ii) such person and one or more Subsidiaries or (iii) one or more Subsidiaries of such person; or (B) any other person (other than a corporation) in which such, one or more of its subsidiaries, or such and one or more of its subsidiaries, directly or indirectly, own at least a majority ownership interest.

"**TIA**" means the Trust Indenture Act of 1939 as in effect on the date of this Indenture, except as provided in Section 9.03.

"**Trust Officer**" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"**Trustee**" means the party named as the "**Trustee**" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor.

"**United States**" means the United States of America, its territories, its possessions (including the Commonwealth of Puerto Rico), and other areas subject to its jurisdiction.

"**United States Alien**" means any person who, for United States Federal income tax purposes, is not a United States person.

"**United States Person"** means (i) any individual who is (or is treated as) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or, in the case of a partnership, otherwise is treated as a United States person under applicable U.S. treasury regulations, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source, or (iv) a trust (a) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust, or (b) that has a valid election in effect under applicable U.S. treasury regulations to be treated as a U.S person.

Section 1.02 Other Definitions.

Term	Defined in Section
"**Bankruptcy Law**"	6.1
"**Common Depositary**"	2.2
"**Custodian**"	6.1
"**Defaulted Interest**"	2.13
"**Event of Default**"	6.1
"**Exchange Date**"	2.2
"**Legal Holiday**"	12.9
"**Notice of Default**"	6.1
"**Outstanding**"	2.10
"**Paying Agent**"	2.5
"**Permanent Global Bearer Security**"	2.2
"**Registrar**"	2.5
"**Temporary Global Bearer Security**"	2.2

Section 1.03 Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"**Commission**" means the SEC.

"**Indenture Securities**" means the Securities.

"**Indenture Security Holder**" means a Holder or Securityholder.

"**Indenture to be Qualified**" means this Indenture.

"**Indenture Trustee**" or "**Institutional Trustee**" means the Trustee.

"**Obligor**" on the indenture securities means the Company.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

Section 1.04 Rules of Construction. Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles in the United States as in effect from time to time;

(iii) "or" is not exclusive;

(iv) "including" means including, without limitation;

(v) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision of this Indenture; and

(vi) words in the singular include the plural, and words in the plural include the singular, as the context requires.

ARTICLE II

THE SECURITIES

Section 2.01 Forms Generally. The Registered Securities, if any, of each series and the Bearer Securities, if any, of each series and related Coupons shall be in substantially such form (including global form) as shall be established by delivery to the Trustee of an Officers' Certificate or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the Officers executing such Securities or Coupons as evidenced by their execution of the Securities or Coupons. The Officers' Certificate so establishing the form of Security or Coupons, if any, of any series shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 2.04 for the authentication and delivery of such Securities or Coupons.

Unless otherwise specified as contemplated by Section 2.03(a), Bearer Securities shall have interest Coupons attached.

The permanent Securities and Coupons, if any, shall be printed, lithographed, engraved or word processed or produced by any combination of these methods or may be produced in any other manner, *provided*, that such method is permitted by the rules of any securities exchange on which such Securities may be listed, all as determined by the Officers executing such Securities as evidenced by their execution of such Securities.

Section 2.02 Securities in Global Form. If Securities of a series are issuable in temporary or permanent global form, as specified as contemplated by Section 2.03(a), then, notwithstanding clause (10) of Section 2.03(a) and the provisions of Section 2.03(b), any such Security shall represent such of the Outstanding Securities of such series as shall be specified therein and may provide that it shall represent the aggregate amount of Outstanding Securities from time to time endorsed thereon or otherwise notated on the books and records of the Registrar and that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced to reflect exchanges. Any endorsement of a Security in global form to reflect the amount of any increase or decrease in the amount of Outstanding Securities represented thereby shall be made by the Trustee in such manner and upon instructions given by such person or persons as shall be specified therein or in the Company Order to be delivered to the Trustee pursuant to Section 2.04 or Section 2.11, or as otherwise specified as contemplated by Section 2.03(a). Subject to the provisions of Section 2.04 and, if applicable, Section 2.11, the Trustee shall deliver and redeliver any Security in global form in the manner and upon

instructions given by the person or persons specified therein or in the applicable Company Order, except as otherwise specified as contemplated by Section 2.03(a). If a Company Order pursuant to Section 2.04 or 2.11 has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or other notation on the books and records of the Registrar or delivery or redelivery of a Security of such series in global form shall be in writing but need not comply with Section 12.04 or 12.06 and need not be accompanied by an Opinion of Counsel (except as required by Section 2.04).

The provisions of the last sentence of Section 2.04 shall apply to any Security represented by a Security in global form if such Security was never issued and sold by the Company, and the Company delivers to the Trustee the Security in global form together with written instructions (which need not comply with Section 12.04 or 12.06 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the Principal Amount of Securities represented thereby, together with the written statement contemplated by the last sentence of Section 2.04.

Notwithstanding the provisions of Sections 2.01 and 2.13, payment of Principal of and any interest on any Security in global form shall be made to the person or persons specified therein or shall be made as specified as contemplated by Section 2.03(a).

Any series of Bearer Securities shall be issued initially in the form of one temporary global Bearer Security (the "**Temporary Global Bearer Security**"), which Temporary Global Bearer Security shall be deposited on behalf of the beneficial owners of the Bearer Securities represented thereby with a depositary designated by the Company, as common depositary (the "**Common Depositary**"), for credit to their respective accounts (or to such other accounts as they may direct) at Euroclear Bank S.A./ N.V., Brussels office, as operator of Euroclear or Clearstream.

On or before the date 40 days after the later of the announcement of the offering of Bearer Securities and the date of settlement thereof (the "**Exchange Date**"), the Company shall deliver to a Paying Agent located outside the United States, or its designated agent, a Temporary Bearer Security representing such Bearer Securities and executed by the Company. On or after the Exchange Dates, such Temporary Global Bearer Security shall be surrendered by the Common Depositary thereof to the Trustee or its agent, as the Company's agent for such purpose, to be exchanged, in whole or from time to time in part, at the sole discretion of the Company for (i) Bearer Securities or (ii) a permanent global Bearer Security (the "**Permanent Global Bearer Security**") without charge to Holders, and the principal Paying Agent or other Paying Agent outside the United States shall authenticate and deliver (at an office or agency outside the United States), in exchange for the Temporary Global Bearer Security or the portions thereof to be exchanged, an equal aggregate principal amount of Bearer Securities or the Permanent Global Bearer Security, as shall be specified by the beneficial owners thereof; *provided, however,* that upon such surrender by the Common Depositary, the Temporary Global Bearer Security shall be accompanied by a certificate dated the Exchange Date or a subsequent date and signed by Euroclear as to the portion of the Temporary Global Bearer Security held for its account then to be exchanged and a certificate dated the Exchange Date or a subsequent date and signed by Clearstream as to the portion of the Temporary Global Bearer Security held for its account then to be exchanged, each to the effect hereinafter provided. The Company and the

Trustee agree that they will cooperate in causing the paying agent located outside the United States to retain each certificate provided by Euroclear or Clearstream for a period of four calendar years following the year in which the certificate is received and not to destroy or otherwise dispose of any such certificate without first offering to deliver it to the Company.

Each certificate to be provided by Euroclear and Clearstream shall be substantially in the form attached hereto as Exhibit A or with such changes therein as shall be approved by the Company and be satisfactory to the Trustee.

Each certificate received by Euroclear and Clearstream from persons appearing in their records as persons entitled to a portion of the Temporary Global Bearer Security shall be substantially to the effect set forth in this Indenture or as otherwise acceptable to the Company.

Upon any such exchange of a portion of the Temporary Global Bearer Security for Bearer Securities or the Permanent Global Bearer Security, the Temporary Global Bearer Security shall be endorsed to reflect the reduction of the principal amount evidenced thereby. Until so exchanged in full, the Temporary Global Bearer Security shall in all respects be entitled to the same benefits under, and subject to the same terms and conditions of, this Indenture as Bearer Securities authenticated and delivered hereunder, except that none of Euroclear, Clearstream or the beneficial owners of the Temporary Global Bearer Security shall be entitled to receive payment of interest or other payments thereon or to convert the Temporary Global Bearer Security, or any portion thereof, into Common Stock of the Company or any other security (including a Registered Security or a Bearer Security, except as provided in the fifth paragraph of this section Section 2.02), cash or other property.

Section 2.03 Title, Terms and Denominations.

(a) The aggregate Principal Amount of Securities which may be authenticated and delivered under this Indenture shall be unlimited.

The Securities may be issued in one or more series. The terms and other provisions of each series shall be established and, subject to Section 2.04, set forth, or determined in the manner provided, in an Officers' Certificate of the Company or established in or pursuant to one or more indentures supplemental hereto, including, without limitation:

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities);

(2) any limit upon the aggregate Principal Amount of the Securities of the series which may be authenticated and delivered under this Indenture;

(3) whether Securities of the series are to be issuable as Registered Securities, Bearer Securities or both, whether any Securities of the series may be represented initially by a Security in temporary or permanent global form and, if so, the initial Depositary with respect to any such temporary or permanent global Security, and if other than as provided in Section 2.08 or Section 2.11, as applicable, whether and the circumstances under which beneficial owners of interests in any such temporary or permanent global Security may exchange such interests for Securities of such series and of like tenor of any authorized form and denomination;

(4) the Authorized Newspapers for publication of notices to holders of Bearer Securities;

(5) any other terms required for the establishment of a series of Bearer Securities, including, but not limited to, tax compliance procedures;

(6) the price or prices at which the Securities of the series will be issued;

(7) the person to whom any interest on any Registered Security of the series shall be payable, if other than the person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, the manner in which, and the person to whom, any interest on any Bearer Security of the series shall be payable, if otherwise than upon presentation and surrender of the Coupons appertaining thereto as they severally mature and the extent to which, or the manner in which (including any certification requirement and other terms and conditions under which), any interest payable on a temporary or permanent global Security on an Interest Payment Date will be paid if other than in the manner provided in Section 2.02 and Section 2.04, as applicable;

(8) the date or dates on which the Principal of and premium, if any, on the Securities of the series is payable or the method or methods, if any, of determination thereof;

(9) the rate or rates at which the Securities of the series shall bear interest, if any, or the method or methods, if any, used to calculate those rate or rates;

(10) the stated maturities of installments of interest, if any, on which any Interest on the Securities of the series will be payable and the Regular Record Dates for any Interest payable on any Securities of the series which are Registered Securities;

(11) the place or places where, subject to the provisions of Section 4.05, the Principal of and any premium or interest on Securities of the series shall be payable, any Registered Securities of the series may be surrendered for registration of transfer, Securities of the series may be surrendered for exchange and notices and demands to or upon the Company in respect of the Securities of the series and this Indenture may be served;

(12) the period or periods within which, the price or prices at which and the terms and conditions upon which, Securities of the series may be redeemed, in whole or in part, at the option of the Company;

(13) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof, the conditions, if any, giving rise to such obligation, and the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series shall be redeemed or purchased, in whole or in part, and any provisions for the remarketing of such Securities;

(14) the denominations in which any Registered Securities of the series shall be issuable, if other than denominations of $1,000 and any integral multiple thereof, and the denomination or denominations in which any Bearer Securities of the series shall be issuable, if other than denominations of $5,000 and $100,000;

(15) the currency or currencies, including composite currencies, in which payment of the Principal of and any premium or interest on the Securities of the series shall be payable if other than the currency of the United States, and if so, whether the Securities of the series may be satisfied and discharged other than as provided in ARTICLE VIII;

(16) if the amount of payments of Principal of and any premium or interest on the Securities of the series is to be determined with reference to an index, formula or other method, or based on a coin or currency other than that in which the Securities are stated to be payable, the manner in which such amounts shall be determined and the calculation agent, if any, with respect thereto;

(17) if other than the Principal Amount thereof, the portion of the Principal Amount of any Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 6.02;

(18) if the Company will pay additional amounts on any of the Securities and interest, if any, of the series to any Holder who is a United States Alien (including any modification in the definition of such term), in respect of any tax, assessment or governmental charge withheld or deducted, under what circumstances and with what procedures and documentation the Company will pay such additional amounts, whether such additional amounts will be treated as interest or Principal pursuant to this Indenture, and whether the Company will have the option to redeem such Securities rather than pay additional amounts (and the terms of any such option);

(19) if other than as defined in Section 1.01, the meaning of "**Business Day**" when used with respect to any Securities of the series;

(20) whether, and the terms and conditions upon which, the Securities of the series may or must be converted or exchanged into securities of the Company or another enterprise;

(21) any terms applicable to Original Issue Discount, if any, (as that term is defined in the Internal Revenue Code of 1986 and the Regulations thereunder) including the rate or rates at which such Original Issue Discount, if any, shall accrue;

(22) if the Securities of the series may be issued or delivered (whether upon original issuance or upon exchange of a temporary Security of such series or otherwise), or any installment of Principal of or any interest is payable, only upon receipt of certain certificates or other documents or satisfaction of other conditions in addition to those specified in this Indenture, the form and terms of such certificates, documents or conditions;

(23) whether the Securities of the series, in whole or any specified part, shall not be defeasible pursuant to Section 8.04 or Section 8.05 or both such Sections and, if other than by an Officers' Certificate, the manner in which any election by the Company to defease such Securities shall be evidenced;

(24) any addition to or change in the Events of Default which apply to any Securities of the series and any change in the right of the Trustee or the requisite Holders of such Securities to declare the principal amount thereof due and payable pursuant to Section 6.02;

(25) any addition to or change in the covenants set forth in ARTICLE IV which apply to Securities of the series; and

(26) any other terms of the series.

Notwithstanding anything in this Indenture to the contrary, in the event of any conflict or discrepancy between the terms of a series of Securities as established pursuant to the Officers' Certificate or supplemental indenture contemplated by this Section 2.03(a) and the terms of this Indenture, the terms of such series as established pursuant to such Officers' Certificate or supplemental indenture shall, for purposes of such series, apply to the extent of such conflict or discrepancy.

All Securities of any one series and the Coupons appertaining to any Bearer Securities of such series shall be substantially identical except as to denomination and the rate or rates of interest, if any, and Stated Maturity, the date from which interest, if any, shall accrue and except as may otherwise be provided in or pursuant to an Officers' Certificate pursuant to this Section 2.03(a) or in any indenture supplemental hereto.

All Securities of any one series need not be issued at the same time and, unless otherwise provided, a series may be reopened for issuances of additional Securities of such series or for the establishment of additional terms with respect to the Securities of such series.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of any appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series. With respect to Securities of a series subject to a Periodic Offering, such Board Resolution or Officers' Certificate may provide general terms for Securities of such series and provide either that the specific terms of particular Securities of such series shall be specified in a Company Order or that such terms shall be determined by the Company, or one or more of the Company's agents designated in an Officers' Certificate, in accordance with the Company Order as contemplated by the first proviso of the third paragraph of Section 2.04.

(b) Unless otherwise provided as contemplated by Section 2.03(a) with respect to any series of Securities, any Registered Securities of a series shall be issuable in denominations of $1,000 and any integral multiple thereof and any Bearer Securities of a series shall be issuable in denominations of $5,000 and $100,000.

Section 2.04 Execution, Authentication, Delivery and Dating. The Securities shall be executed on behalf of the Company by its Chairman of the Board, one of its Vice Chairmen, its Chief Executive Officer, its Chief Financial Officer, its President or one of its Vice Presidents, or the Treasurer or any Assistant Treasurer, attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile. Coupons shall bear the facsimile signature of any of the foregoing persons.

Securities and Coupons bearing the manual or facsimile signatures of individuals who were, at the time such signatures were imprinted on such Securities, the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to, at or after the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture (and subject to delivery of the Board Resolution or Officers' Certificate or supplemental indenture as set forth in Section 2.03 with respect to the initial issuance of Securities of any series), the Company may deliver Securities of any series together with any Coupons appertaining thereto, executed by the Company to the Trustee or its authenticating agent for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee or its authenticating agent in accordance with such Company Order shall authenticate and deliver such Securities; *provided, however,* that, with respect to Securities of a series subject to a Periodic Offering, (a) such Company Order may be delivered by the Company to the Trustee or its authenticating agent prior to the delivery to the Trustee of such Securities for authentication and delivery, (b) the Trustee or the authenticating agent shall authenticate and deliver Securities of such series for original issue from time to time, in an aggregate Principal Amount not exceeding the aggregate Principal Amount established for such series, pursuant to a Company Order or pursuant to such procedures acceptable to the Trustee as may be specified from time to time by a Company Order, (c) the rate or rates of interest, if any, the Stated Maturity or Maturities, the original issue date or dates, the redemption provisions, if any, and any other terms of Securities of such series shall be determined by a Company Order or pursuant to such procedures and (d) if provided for in such procedures, such Company Order may authorize authentication and delivery pursuant to oral or electronic instructions from the Company, or the Company's duly authorized agent or agents designated in an Officers' Certificate, which instructions shall be promptly confirmed in writing; and *provided, further,* that, no Bearer Security or Coupon shall be mailed or otherwise delivered to any person who is not a United States Alien or to any location in the United States. Except as permitted by Section 2.09, the Trustee's authenticating agent shall not authenticate and deliver any Bearer Security unless all appurtenant Coupons for interest then matured have been detached and cancelled.

If the forms or terms of the Securities of the series and any related Coupons have been established in or pursuant to one or more Officers' Certificates as permitted by Sections 2.01 and 2.03(a), in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating:

(a) that the form and terms of such Securities and any Coupons have been duly authorized by the Company and established in conformity with the provisions of this Indenture; and

(b) that such Securities, together with any Coupons appertaining thereto, when authenticated and delivered by the Trustee or its authenticating agent and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to customary exceptions; *provided, however,* that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication of Securities of such series (*provided,* that such Opinion of Counsel covers all Securities of such series) and that the Opinion of Counsel above may state:

(x) that the forms of such Securities have been, and the terms of such Securities (when established in accordance with such procedures as may be specified from time to time in a Company Order, all as contemplated by and in accordance with a Board Resolution or an Officers' Certificate or supplemental indenture pursuant to Section 2.03(a), as the case may be) will have been, duly authorized by the Company and established in conformity with the provisions of this Indenture; and

(y) that such Securities, together with the Coupons, if any, appertaining thereto, when (1) executed by the Company, (2) completed, authenticated and delivered by the Trustee or in the case of Bearer Securities and Coupons, an authenticating agent located outside the United States, in accordance with this Indenture, and (3) issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to customary exceptions.

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the form and terms thereof and the legality, validity, binding effect and enforceability thereof, upon the Opinion of Counsel and other documents delivered pursuant to Sections 2.01 and 2.03(a) and this Section, as applicable, at or prior to the time of the first authentication of Securities of such series unless and until it has received written notification that such opinion or other documents have been superseded or revoked. In connection with the authentication and delivery of Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to assume, unless it has received written notice to the contrary or any of its Trust Officers has actual knowledge to the contrary, that the Company's instructions to authenticate and deliver such Securities do not violate any rules, regulations or orders of any governmental agency or commission having jurisdiction over the Company.

Notwithstanding the provisions of Section 2.03(a) and of the preceding three paragraphs, if all Securities of a series are subject to a Periodic Offering, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 2.03(a) at or prior to the time of authentication of each Security of such series if such Officers' Certificate is delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Registered Security shall be dated the date of its authentication; and, unless otherwise specified as contemplated by Section 2.03(a), each Bearer Security (including a Bearer Security represented by a temporary global Security) shall be dated as of the date of original issuance of the first Security of such series to be issued.

The Trustee (at the expense of the Company) may appoint an authenticating agent acceptable to the Company to authenticate Securities. Unless otherwise provided in the appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent.

No Security or Coupon shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized signatory, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. The Trustee's certificate of authentication shall be in substantially the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

The Bank of New York, as Trustee

By: _____

Authorized Officer

Notwithstanding the foregoing, if any Security shall have been duly authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 2.12 together with a written statement (which need not comply with Section 12.04 or 12.06 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

Section 2.05 Registrar and Paying Agent. The Company shall maintain, with respect to each series of Securities, an office or agency where such Securities may be presented for registration of transfer or for exchange ("**Registrar**") and an office or agency where such Securities may be presented for purchase or payment ("**Paying Agent**"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may have one or more co-registrars and one or more additional paying agents. The term Paying Agent includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with respect to each series of Securities with any Registrar, Paying Agent or co-registrar (if not the Trustee). The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar or Paying Agent for a particular series of Securities, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.07. The Company or any Subsidiary or an Affiliate of either of them may act as Paying Agent, Registrar or co-registrar.

The Company initially appoints the Trustee as the Registrar and Paying Agent in connection with each series of Securities.

Section 2.06 Paying Agent to Hold Money and Securities in Trust. Not later than 10:00 am (London, England time) on each due date of the principal, premium, if any, and interest on the Securities, the Company shall deposit with the Paying Agent money in immediately available funds sufficient to pay such principal, premium, if any, and interest so becoming due on the due date for payment under any the Securities. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by such Paying Agent for the making of payments in respect of the Securities of such series and shall notify the Trustee in writing of any default by the Company in making any such payment. At any time during the continuance of any such default, a Paying Agent shall, upon the written request of the Trustee, forthwith pay to the Trustee all money so held in trust with respect to such Securities. If the Company, a Subsidiary or an Affiliate of either of them acts as Paying Agent for a series of Securities, it shall segregate the money held by it as Paying Agent with respect to such Securities and hold it as a separate trust fund. The Company at any time may require a Paying Agent for a series of Securities to pay all money held by it with respect to such Securities to the Trustee and to account for any money disbursed by it. Upon doing so, such Paying Agent shall have no further liability for the money.

Section 2.07 Securityholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of each series of Securities. If the Trustee is not the Registrar for any series of Securities, the Company shall, upon the written request of the Trustee, cause to be furnished to the Trustee at least semiannually on June 1 and December 1 of each year a listing of Holders of such series of Securities dated within 15 days of the date on which the list is furnished. In addition, If the Trustee is not the Registrar for any series of Securities, the Company shall provide the Trustee, at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Securityholders of such series of Securities.

Section 2.08 Transfer and Exchange. Upon surrender for registration of transfer of any Security at the office or agency of the Company designated pursuant to Section 4.05 for such purpose in a Place of Payment, the Company shall execute, and the Trustee shall authenticate

and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denomination or denominations of a like aggregate Principal Amount and tenor. The Company shall not charge a service charge for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection with the transfer or exchange of the Securities from the Securityholder requesting such transfer or exchange (other than any exchange of a temporary Security for a definitive Security not involving any change in ownership or any exchange pursuant to Section 2.11, 3.06, 9.05 or 10.03, not involving any transfer).

Notwithstanding any other provisions (other than the provisions set forth in the sixth and seventh paragraphs) of this Section, a Security in global form representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for such series or a nominee of such successor Depositary.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series of any authorized denomination or denominations, of a like aggregate Principal Amount and tenor, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive. Bearer Securities may not be issued in exchange for Registered Securities.

At the option of the Holder, Bearer Securities of any series may be exchanged for Registered Securities of the same series of any authorized denomination or denominations and of a like aggregate Principal Amount and tenor, upon surrender of the Bearer Securities to be exchanged at any office or agency of the Company located outside the United States, with all unmatured Coupons and all matured Coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured Coupon or Coupons or matured Coupon or Coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company and the Trustee or Paying Agent in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company, the Paying Agent and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing Coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment when the same becomes due; *provided, however,* that, except as otherwise provided in Section 4.05, interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an office or agency located outside the United States. Notwithstanding the foregoing in this paragraph, in case a Bearer Security of any series is surrendered at any such office or agency in exchange for a Registered Security of the same series and like tenor after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment

of Defaulted Interest, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date or proposed date for payment, as the case may be, and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

Whenever any Securities are surrendered for exchange in accordance herewith and subject to the provisions hereof, the Company shall execute, and the Trustee or a duly appointed authenticating agent shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

If at any time the Depositary for the Securities of a series notifies the Company that it is unwilling or unable to continue as Depositary for the Securities of such series, the Company shall appoint a successor Depositary with respect to the Securities of such series. If a successor Depositary for the Securities of such series is not appointed by the Company within 90 days after the Company receives such notice, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities of such series, will authenticate and deliver Securities of such series in definitive form in an aggregate Principal Amount equal to the Principal Amount of the Security or Securities in global form representing such series in exchange for such Security or Securities in global form in accordance with the instructions, if any, of the Depositary.

The Company may at any time and in its sole discretion determine that the Securities of any series issued in the form of one or more global Securities shall no longer be represented by such global Security or Securities. In such event the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities of such series, will authenticate and deliver Securities of such series in definitive form and in an aggregate Principal Amount equal to the Principal Amount of the Security or Securities in global form representing such series in exchange for such Security or Securities in global form in accordance with the instructions, if any, of the Depositary.

A series of Permanent Global Bearer Securities will be exchanged by the Company in whole but not only in part at the option of the holders for definitive Bearer Securities of such series in an aggregate Principal Amount equal to the Principal Amount of the corresponding Permanent Global Bearer Securities, in all cases at the cost and expense of the Company. If the Company is notified of such a request, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Bearer Securities of such series in such aggregate Principal Amount, will authenticate and deliver definitive Bearer Securities of such series in such aggregate Principal Amount outside the United States in accordance with the instructions, if any, of the Depositary, *provided, however,* that no definitive Bearer Security or coupon delivered in exchange for a portion of a series of Permanent Global Bearer Securities shall be mailed or otherwise delivered to any person that is not a United States Alien, or to any location in the United States.

Notwithstanding the foregoing in this Section, except as otherwise specified in the preceding two paragraphs or as contemplated by Section 2.03(a), any global Security shall be

exchangeable only as provided in this paragraph. If the beneficial owners of interests in a global Security are entitled to exchange such interests for definitive Securities of such series and of like Principal Amount and tenor but of another authorized form and denomination, as specified as contemplated by Section 2.03(a), then without unnecessary delay but in any event not later than the earliest date on which such interests may be so exchanged, the Company shall deliver to the Trustee definitive Securities in aggregate Principal Amount equal to the Principal Amount of such global Security, executed by the Company. On or after the earliest date on which such interests may be so exchanged, such global Security shall be surrendered by the Depositary with respect thereto to the Trustee, as the Company's agent for such purpose, to be exchanged, in whole or from time to time in part, for definitive Securities without charge and the Trustee or, in the case of Bearer Securities, an authenticating agent outside the United States shall authenticate and deliver, in exchange for each portion of such global Security, an equal aggregate Principal Amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such global Security to be exchanged which, unless the Securities of the series are not issuable both as Bearer Securities and as Registered Securities, as specified as contemplated by Section 2.03(a), shall be in the form of Bearer Securities or Registered Securities, or any combination thereof, as shall be specified by the beneficial owner thereof; *provided, however,* that notwithstanding the last paragraph of this Section 2.08, no such exchanges may occur during a period beginning at the opening of business 15 days before any selection of Securities of that series to be redeemed and ending on the relevant Redemption Date; and *provided, further,* that no Bearer Security or Coupon delivered in exchange for a portion of a global Security shall be mailed or otherwise delivered to any person that is not a United States Alien or to any location in the United States. If a Registered Security is issued in exchange for any portion of a global Security after the close of business at the office or agency where such exchange occurs on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, then interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Security, but will be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to the Person to whom interest in respect of such portion of such global Security is payable in accordance with the provisions of this Indenture.

Upon the exchange of a Security in global form for Securities in definitive form, such Security in global form shall be cancelled by the Trustee. All cancelled Securities and Coupons held by the Trustee shall be disposed of by the Trustee and a certificate of their disposal delivered to the Company upon its request therefor, unless the Company directs, by Company Order, that the Trustee shall deliver such Securities to the Company. Registered Securities issued in exchange for a Security in global form pursuant to this Section 2.08 shall be registered in such names and in such authorized denominations as the Depositary for such Security in global form, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee in writing. The Trustee shall deliver such Registered Securities as instructed in writing by the Depositary.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer or for exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

The Company shall not be required (i) to issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before any selection of Securities of that series to be redeemed and ending (except as otherwise provided in the first proviso in the eighth paragraph of this Section 2.08) at the close of business on (A) if Securities of the Series are issuable only as Registered Securities, the day of the mailing of the relevant notice of redemption and (B) if Securities of the series are issuable as Bearer Securities, the day of the first publication of the relevant notice of redemption or, if Securities of the series are also issuable as Registered Securities and there is no publication, the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part, or (iii) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor, *provided*, that such Registered Security shall be simultaneously surrendered for redemption.

Section 2.09 Replacement Securities and Coupons. If (a) any mutilated Security or a Security with a mutilated Coupon appertaining thereto is surrendered to the Trustee or paying agent outside the United States, or (b) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security or Coupon, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of written notice to the Company, any such paying agent or the Trustee that such Security or Coupon has been acquired by a *bona fide* purchaser, the Company shall execute and upon its written request the Trustee or paying agent outside the United States shall authenticate and deliver, in exchange for any such mutilated Security or Coupon or in lieu of any such destroyed, lost or stolen Security or Coupon, or in exchange for the Security to which a mutilated, destroyed, lost or stolen Coupon appertains (with all appurtenant Coupons not mutilated, destroyed, lost or stolen), a new Security of the same series and of like tenor and Principal Amount, bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any, appertaining to such destroyed, lost or stolen Security or Coupon, or to the Security to which such destroyed, lost or stolen Coupon appertains.

In case any such mutilated, destroyed, lost or stolen Security or Coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security or Coupon; *provided, however,* that the Principal of and any interest on Bearer Securities shall, except as otherwise provided in Section 4.05, be payable only at an office or agency located outside the United States and, unless otherwise specified as contemplated by Section 2.03(a), any interest on Bearer Securities shall be payable only upon presentation and surrender of the Coupons appertaining thereto.

Upon the issuance of any new Securities under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee or Paying Agent) connected therewith.

Every new Security of any series issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Security, or in exchange for a Security to which a mutilated, destroyed, lost or stolen Coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security and its Coupons, if any, or the destroyed, lost or stolen Coupon shall be at any time enforceable by anyone, and any such new Security and Coupons, if any, shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities of that issue and their Coupons, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons.

Section 2.10 Outstanding Securities; Determinations of Holders' Action. Securities of any series "**Outstanding**" at any time are, as of the date of determination, all the Securities of such series theretofore authenticated by the Trustee for such series except for those cancelled by it, those delivered to it for cancellation and those described in this Section 2.10 as not outstanding. A Security does not cease to be "**Outstanding**" because the Company or an Affiliate thereof holds the Security; *provided, however,* that solely for purposes of determining whether the Holders of the requisite Principal Amount of Outstanding Securities have given or concurred in any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor. Subject to the foregoing, only Securities outstanding at the time of such determination shall be considered in any such determination (including, without limitation, determinations pursuant to ARTICLE VI or ARTICLE IX). In addition, in determining whether the Holders of the requisite Principal Amount of Outstanding Securities have given or concurred in any request, demand, authorization, direction, notice, consent or waiver hereunder, (i) the Principal Amount of a Discount Security that shall be deemed to be Outstanding shall be the amount of the Principal thereof that would be due and payable as of the date of such determination upon acceleration of the Maturity thereof pursuant to Section 6.02, (ii) the Principal Amount of a Security denominated in a foreign currency or currencies shall be the Dollar equivalent, as determined on the date of original issuance of such Security, of the Principal Amount (or, in the case of a Discount Security, the Dollar equivalent on the date of original issuance of such Security of the amount determined as provided in (i) above) of such Security.

If a Security has been paid pursuant to Section 2.09 or in exchange for or in lieu of which another Security has been authenticated and delivered pursuant to this Indenture, it ceases to be Outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a *bona fide* purchaser.

If the Trustee (other than the Company) holds, in accordance with this Indenture, on a Redemption Date or on Stated Maturity, money sufficient to pay Securities and any Coupons thereto appertaining payable on that date, then on and after that date such Securities shall cease to be Outstanding and interest, if any, on such Securities shall cease to accrue; *provided*, that if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made.

Section 2.11 Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form or, if authorized, in bearer form with one or more Coupons or without Coupons, and with such appropriate insertions, omissions, substitutions and other variations as the Officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities. Such temporary Securities may be in global form.

Except in the case of Securities represented by a temporary global Security, if temporary Securities for some or all of the Securities of any series are issued, the Company will cause definitive Securities representing such Securities to be prepared without unreasonable delay. Subject to Section 2.02, after the preparation of such definitive Securities, the temporary Securities shall be exchangeable for such definitive Securities of like tenor upon surrender of the temporary Securities at the office or agency of the Company designated for such purpose pursuant to Section 4.05 in a Place of Payment for such series for the purpose of exchanges of Securities of such series, without charge to the Holder, but the Company may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection with a transfer or exchange of the Securities from the Securityholder requesting such transfer or exchange. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured Coupons and all matured Coupons in default appertaining thereto), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like Principal Amount of definitive Securities of the same series and of like tenor of authorized denominations; *provided, however,* that no definitive Bearer Security or Permanent Global Bearer Security shall be delivered in exchange for a temporary Registered Security. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Unless otherwise specified as contemplated by Section 2.03(a), if Bearer Securities of any series are represented by a Security in temporary global form, any such temporary global Security shall be delivered to the Depositary for the benefit of Euroclear and Clearstream, for credit to the respective accounts of the beneficial owners of such Securities (or to such other accounts as they may direct).

Without unnecessary delay but in any event not later than the Exchange Date, the Company shall deliver to the Trustee or paying agent outside the United States permanent Securities of the same series which may be in definitive or global form at the sole discretion of the Company, in aggregate Principal Amount equal to the Principal Amount of such temporary global Security, executed by the Company. On or after the Exchange Date, such temporary global Security shall be surrendered by the Depositary to the Trustee or paying agent outside the United States, as the Company's agent for such purpose, to be exchanged, in whole or from time to time in part, for permanent Securities of the same series which may be in definitive or global form at the sole discretion of the Company and of like tenor without charge and the Trustee shall authenticate and deliver, in exchange for each portion of such temporary global Security, an equal aggregate Principal Amount of definitive Securities or interests in the Permanent Global Bearer Security of the same series of authorized denominations and of like tenor as the portion of such temporary global Security to be exchanged. The permanent Securities to be delivered in exchange for any such temporary global Security shall be in definitive bearer form or registered form, or shall be represented by a Permanent Global Bearer Security, or any combination thereof, as specified as contemplated by Section 2.03(a), and, if any combination thereof is so specified, as requested by the beneficial owner thereof *provided*, that no beneficial owner of a registered Temporary Global Bearer Security who is not a United States Alien or who is located in the United States shall be entitled to receive Bearer Securities.

Unless otherwise specified in any such Temporary Global Bearer Security, the interest of a beneficial owner of Securities of a series represented by a Temporary Global Bearer Security shall be exchanged for permanent Securities of the same series, which may be in definitive or global form at the sole discretion of the Company and of like tenor following the Exchange Date when the account holder instructs Euroclear or Clearstream, as the case may be, to request such exchange on his behalf and delivers to Euroclear or Clearstream, as the case may be, any certificate specified as contemplated by Section 2.03(a). Unless otherwise specified in such Temporary Global Bearer Security, any such exchange shall be made free of charge to the beneficial owners of such Temporary Global Bearer Security, except that a person receiving permanent Securities must bear the cost of insurance, postage, transportation and the like in the event that such person does not take delivery of such permanent Securities in person at the offices of Euroclear or Clearstream.

Until exchanged in full as here-in-above provided, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as permanent Securities of the same series and of like tenor authenticated and delivered hereunder, except that, unless otherwise specified as contemplated by Section 2.03(a), interest payable on a temporary global Security representing a series of Bearer Securities on an Interest Payment Date for Securities of such series occurring prior to the applicable Exchange Date shall be payable to Euroclear and Clearstream on such Interest Payment Date, upon delivery by Euroclear and Clearstream to a paying agent outside the United States of any certificate specified as contemplated by Section 2.03(a), for credit without further interest on or after such Interest Payment Date to the respective accounts of the persons who are the beneficial owners of such Temporary Global Bearer Security on such Interest Payment Date and who have each delivered to Euroclear or Clearstream, as the case may be, any certificate specified as contemplated by Section 2.03(a).

Section 2.12 Cancellation. All Securities or Coupons surrendered for payment, redemption, registration of transfer or exchange, or for credit against any sinking fund payment, shall, if surrendered to any person other than the Trustee, be delivered to the Trustee and all Registered Securities and matured Coupons so delivered shall be promptly cancelled by it. All Bearer Securities and unmatured Coupons so delivered shall be held by the Trustee and, upon instruction by a Company Order, shall be cancelled or held for reissuance. Bearer Securities and unmatured Coupons held for reissuance may be reissued only in replacement of mutilated, lost, stolen or destroyed Bearer Securities of the same series and like tenor or the related Coupons pursuant to Section 2.09. All Bearer Securities and unmatured Coupons held by the Trustee pending such cancellation or reissuance shall be deemed to be delivered for cancellation for all purposes of this Indenture and the Securities. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever (including Securities received by the Company in exchange or as payment for other Securities of the Company) and may deliver to the Trustee (or to any other person for delivery to the Trustee) for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly cancelled by the Trustee. The Company may not reissue, or issue new Securities to replace, Securities it has paid or delivered to the Trustee for cancellation.

No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted in the form of Securities for any particular series or as permitted by this Indenture. All cancelled Securities and Coupons held by the Trustee shall be destroyed by the Trustee in accordance with its customary procedures, and a certificate of their destruction shall be delivered to the Company unless the Company directs, by Company Order, that the Trustee deliver such Securities to the Company.

Section 2.13 Payment of Interest; Interest Rights Preserved. Unless otherwise provided as contemplated by Section 2.03(a) with respect to any series of Securities, interest on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such Interest Payment Date. In case a Bearer Security of any series is surrendered in exchange for a Registered Security of such series after the close of business (at an office or agency in a Place of Payment for such series) on any Regular Record Date and before the opening of business (at such office or agency) on the next succeeding Interest Payment Date, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date and interest will not be payable on such Interest Payment Date in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

Any interest on any Registered Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "**Defaulted Interest**") shall forthwith cease to be payable to the Holder at the close of business on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Registered Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements reasonably satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this clause (1) provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Registered Securities at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall not be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest on the Registered Securities in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Registered Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (2), such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 2.08, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to accrued and unpaid interest, and to accrue interest, which were carried by such other Security.

Section 2.14 Persons Deemed Owners. Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of Principal of and (except as otherwise specified as contemplated by Section 2.03(a) and subject to Section 2.08 and Section 2.13) interest on such Registered Security and for all other purposes whatsoever, whether or not such Registered Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Title to any Bearer Security and any Coupons appertaining thereto shall pass by delivery. The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security and the bearer of any Coupon as the absolute owner of such Bearer Security or Coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Bearer Security or Coupon be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Security in global form or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Section 2.15 Computation of Interest. Except as otherwise specified as contemplated by Section 2.03(a) for Securities of any series, (i) interest on any Securities which bear interest at a fixed rate shall be computed on the basis of a 360-day year comprised of twelve 30-day months and (ii) interest on any Securities which bear interest at a variable rate shall be computed on the basis of the actual number of days in an interest period divided by 365 or 366 days, as applicable.

ARTICLE III

REDEMPTION

Section 3.01 Right to Redeem; Notices to Trustee. Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 2.03(a) for Securities of any series) in accordance with this Article. In the case of any redemption at the election of the Company of less than all the Securities of any series, the Company shall, within the time period specified below, notify the Trustee in writing of the Redemption Date, the Principal Amount of and of any other information necessary to identify the Securities of such series to be redeemed and the Redemption Price.

Except as otherwise specified as contemplated by Section 2.03(a) for Securities of any series, the Company shall give the notice to the Trustee provided for in this Section 3.01 at least 60 days before the Redemption Date (unless a shorter notice shall be reasonably satisfactory to the Trustee).

Section 3.02 Selection of Securities to be Redeemed. Unless otherwise specified as contemplated by Section 2.03(a) with respect to any series of Securities, if less than all the Securities of any series with the same interest rate and Stated Maturity are to be redeemed, the Trustee shall select the particular Securities to be redeemed by such method as the Trustee considers fair and appropriate, which method may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof) of the Principal Amount of Registered Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series. The Trustee shall make the selection not more than 60 days before the Redemption Date from Outstanding Securities of such series not previously called for redemption. Provisions of this

Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly in writing of the Securities to be redeemed and, in the case of any portions of Securities to be redeemed, the principal amount thereof to be redeemed.

Section 3.03 Notice of Redemption. Unless otherwise specified as contemplated by Section 2.03(a) with respect to any series of Securities, at least 30 days but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first-class mail, postage prepaid, to each Holder of Securities to be redeemed. Except as otherwise specified as contemplated by Section 2.03(a), the notice shall identify the Securities (including CUSIP/ISIN numbers) to be redeemed and shall state:

(1) the Redemption Date;

(2) the Redemption Price;

(3) if fewer than all the Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the Principal Amounts) of the particular Securities to be redeemed;

(4) that on the Redemption Date the Redemption Price will become due and payable upon each such Security (or portion thereof) to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date;

(5) the place or places where such Securities, together in the case of Bearer Securities with all Coupons appertaining thereto, if any, maturing on or after the Redemption Date, are to be surrendered for payment of the Redemption Price; and

(6) that the redemption is for a sinking fund, if such is the case.

A notice of redemption published as contemplated by Section 12.02 need not identify particular Registered Securities to be redeemed.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense; *provided, however,* that, in all cases, the text of such Company notice shall be prepared by the Company and the Company shall give the Trustee at least five (5) days' advance notice of such request.

Section 3.04 Effect of Notice of Redemption. Once notice of redemption is given, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in the notice, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the Coupons for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. Upon surrender of any such Security for redemption in accordance with said notice, together with all Coupons, if any, appertaining thereto maturing on or after the Redemption Date, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to, but excluding, the Redemption Date; *provided, however,* that installments of interest on Bearer Securities whose

Stated Maturity is prior to the Redemption Date shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 4.05) and, unless otherwise specified as contemplated by Section 2.03(a), only upon presentation and surrender of Coupons for such interest; and *provided, further,* that, unless otherwise specified as contemplated by Section 2.03(a), installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Regular Record Dates according to their terms and the provisions of Sections 2.08 and 2.13.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant Coupons maturing on or after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and a paying agent located outside the United States if there be furnished to the Company, the Trustee and such paying agent such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing Coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; *provided, however,* that interest represented by Coupons shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 4.05) and, unless otherwise specified as contemplated by Section 2.03(a), only upon presentation and surrender of those Coupons.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the Principal shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

Section 3.05 Deposit of Redemption Price. By or before 10:00 a.m. New York City time on the Redemption Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of either of them is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which prior thereto have been delivered by the Company to the Trustee for cancellation. If such money is then held in trust and is not required for such purpose, it shall be discharged from such trust.

Section 3.06 Securities Redeemed in Part. Any Registered Security which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and upon such surrender, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security a new Registered Security or Securities of the same series and of like tenor, in an authorized denomination as requested by such Holder, equal in aggregate Principal Amount to and in exchange for the unredeemed portion of the Principal of the Security surrendered.

ARTICLE IV

COVENANTS

Notwithstanding anything in this ARTICLE IV to the contrary, this ARTICLE IV shall cease to apply at any time when no Securities are Outstanding.

Section 4.01 Payment of Securities. The Company shall promptly make all payments in respect of each series of Securities on the dates and in the manner provided in the Securities and any Coupons appertaining thereto and, to the extent not otherwise so provided, pursuant to this Indenture. An installment of Principal of or interest on the Securities shall be considered paid on the date it is due if the Trustee or a Paying Agent holds (or, if the Company of an Affiliate of the Company is acting as its own Paying Agent, the Company of such Affiliate segregates and holds in trust) on that date funds (in the currency or currencies of payment with respect to such Securities) designated for and sufficient to pay such installment. Unless otherwise specified as contemplated by Section 2.03(a) with respect to any series of Securities, any interest due on Bearer Securities on or before Maturity shall be payable only upon presentation and surrender of the several Coupons for such interest installments as are evidenced thereby as they severally mature. At the Company's option, payments of Principal or interest may be made by check or by transfer to an account maintained by the payee, subject, in the case of Bearer Securities, to the provisions of Section 4.05.

Section 4.02 SEC Reports. The Company shall deliver to the Trustee, within 15 days after it files the same with the SEC, copies of such reports, information and documents (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act; *provided, however*, that the Company shall not be required to deliver to the Trustee any material for which the Company has sought and received confidential treatment by the SEC and the Company shall not be required to deliver to the Trustee any letters delivered to the SEC in response to any comments the SEC may have on any such reports, information or documents; *provided further*, each such report, information or document will be deemed to be so delivered to the Trustee if the Company files such report, information or document with the SEC through the SEC's EDGAR database. The Company also shall comply with the other provisions of TIA Section 314(a).

Delivery of such reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of the same shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 4.03 Compliance Certificate. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year (beginning with the fiscal year ending on December 31, 2008) an Officers' Certificate stating whether or not the signers have actual knowledge of any Default that occurred during such fiscal year. If they do, such Officers' Certificate shall describe, to the signers' actual knowledge, the Default and its status.

The Company shall deliver to the Trustee, as soon as possible and in any event within five (5) days after the Company becomes aware of the occurrence of any Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default, an Officers' Certificate setting forth the details of such Event of Default or default and the action which the Company proposes to take with respect thereto.

Section 4.04 Further Instruments and Acts. Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

Section 4.05 Maintenance of Office or Agency. If Securities of a series are issuable only as Registered Securities, the Company will maintain in each Place of Payment for such series an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company will maintain (A) in the Borough of Manhattan, The City of New York, an office or agency where any Registered Securities of that series may be presented or surrendered for payment, where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange, purchase or redemption and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served and where Bearer Securities of that series and related Coupons may be presented or surrendered for payment in the circumstances described in the following paragraph, (B) subject to any laws or regulations applicable thereto, in a Place of Payment for that series which is located outside the United States, an office or agency where Securities of that series and related Coupons may be presented and surrendered for payment (including payment of any additional amounts payable on Securities of that series pursuant to Section 4.06), and (C) subject to any laws or regulations applicable thereto, in a Place of Payment for that series located outside the United States an office or agency where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The office of the Trustee at One Canada Square, London E14 5AL, Attention: Corporate Trust Administration, shall be such office or agency for all of the aforesaid purposes unless the Company shall maintain some other office or agency for such purposes and shall give prompt written notice to the Trustee of the location, and any change in the location, of such other office or agency. In the event that Registered Securities are issued or that the Depositary shall so require, the Company will appoint a Paying Agent and Registrar in The City of New York. If at any time the Company shall fail to maintain any such required office or agency in respect of any series of Securities or shall fail to furnish the Trustee with the address thereof, such presentations and surrenders of Securities of that series may be made and notices and demands may be made or served at the address of the Trustee set forth in Section 12.02, except that Bearer Securities of that series and the related Coupons may be presented and surrendered for payment (including payment of any additional amounts payable on Bearer Securities of that series pursuant to Section 4.06) at the place specified for that purpose as contemplated by Section 2.03(a) and the Company hereby appoints the same as its agent to receive such respective presentations, surrenders, notices and demands.

No payment of Principal or interest on Bearer Securities shall be made at any office or agency of the Company in the United States, by check mailed to any address in the United States, by transfer to an account located in the United States or upon presentation or surrender in the United States of a Bearer Security or Coupon for payment, even if the payment would be credited to an account located outside the United States; *provided, however,* that, if the Securities of a series are denominated and payable in Dollars, payment of Principal of and any interest on any such Bearer Security (including any additional amounts payable on Securities of such series pursuant to Section 4.06) shall be made at the office of the Company's Paying Agent in the Borough of Manhattan, The City of New York, if (but only if) payment in Dollars of the full amount of such Principal, interest or additional amounts, as the case may be, at all offices or agencies outside the United States maintained for such purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however,* that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in accordance with the requirements set forth above for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 4.06 Additional Amounts. If specified as contemplated by Section 2.03(a), the Securities of a series may provide for the payment of additional amounts, and in such case, the Company will pay to the Holder of any Security of such series or any Coupon appertaining thereto additional amounts as provided therein. Wherever in this Indenture there is mentioned, in any context, the payment of the Principal of or any interest on, or in respect of, any Security of any series or payment of any related Coupon, such mention shall be deemed to include mention of the payment of additional amounts provided for in this Section to the extent that, in such context, additional amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section and express mention of the payment of additional amounts (if applicable) in any provisions hereof shall not be construed as excluding additional amounts in those provisions hereof where such express mention is not made.

If the Securities of a series provide for the payment of additional amounts, at least 10 days prior to the first Interest Payment Date with respect to that series of Securities (or if the Securities of that series will not bear interest prior to Maturity, the first day on which payment of Principal is made), and at least 10 days prior to each date of payment of Principal and any interest if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company will furnish the Trustee and the Company's Paying Agent or Paying Agents, if other than the Trustee, with an Officers' Certificate instructing the Trustee and such Paying Agent or Paying Agents whether such payment of Principal of and any interest on the Securities of that series shall be made to Holders of Securities of that series or any related Coupons who are United States Aliens without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of that series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the

amount, if any, required to be withheld on such payments to such Holders of Securities or Coupons and the Company will pay to the Trustee or such Paying Agent the additional amounts required by the Securities of such series and this Section. The Company covenants to indemnify the Trustee and any Paying Agent for, and to hold them harmless against, any loss, liability or expense reasonably incurred without negligence or willful misconduct on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section.

ARTICLE V

SUCCESSOR CORPORATION

Notwithstanding anything in this ARTICLE V to the contrary, this ARTICLE V shall cease to apply at any time when no Securities are Outstanding.

Section 5.01 When Company May Merge or Transfer Assets. The Company shall not consolidate with or merge with or into any other person or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless:

(a) either (1) the Company shall be the continuing corporation or person or (2) the person (if other than the Company) formed by such consolidation or into which the Company is merged or the person which acquires by conveyance, transfer or lease the properties and assets of the Company substantially as an entirety (i) shall be a corporation, partnership or trust or limited liability company organized and validly existing under the laws of the United States or any state thereof or the District of Columbia and (ii) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all of the obligations of the Company under the Securities and this Indenture;

(b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing; and

(c) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been satisfied.

The successor person formed by such consolidation or into which the Company is merged or the successor person to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of the Company under this Indenture with the same effect as if such successor had been named as the Company herein; and thereafter, except in the case of a lease of its properties and assets substantially as an entirety, the Company shall be discharged from all obligations and covenants under this Indenture, the Securities and Coupons.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01 Events of Default Unless otherwise specified as contemplated by Section 2.03(a) with respect to any series of securities, an "**Event of Default**" occurs, with respect to each series of the Securities individually, if:

(1) the Company fails to pay the principal of any Security of such series, when and as the same shall become payable;

(2) the Company fails to pay any installment of interest on any Security of such series when the same becomes due and payable and continuance of such default for a period of 30 days;

(3) the Company fails to comply with any of its agreements in the Securities or this Indenture (including any indenture supplemental hereto pursuant to which the Securities of such series were issued) (other than those referred to in clause (1) above and other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has been expressly included in this Indenture solely for the benefit of a series of Securities other than such series) and such failure continues for 60 days after receipt by the Company of a Notice of Default;

(4) there shall have been the entry by a court of competent jurisdiction of (a) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Bankruptcy Law or (b) a decree or order adjudging the Company bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or ordering the wind up or liquidation of its affairs, and any such decree or order for relief shall continue to be in effect, or any such other decree or order shall be unstayed and in effect, for a period of 60 consecutive days;

(5) (a) the Company commences a voluntary case or proceeding under any applicable Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent, (b) the Company consents to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it, (c) the Company files a petition or answer or consent seeking reorganization or substantially comparable relief under any applicable federal state law, (d) the Company (x) consents to the filing of such petition or the appointment of, or taking possession by, a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, (y) makes an assignment for the benefit of creditors or (z) admits in writing its inability to pay its debts generally as they become due or (e) the Company takes any corporate action primarily in furtherance of any such actions in this clause (5); or

(6) any other Event of Default provided with respect to Securities of that series;

provided, *however*, that an Event of Default with respect to one series of Securities shall not, solely by virtue thereof, be deemed to constitute an Event of Default with respect to any other series of Securities.

"**Bankruptcy Law**" means Title 11, United States Code, or any similar Federal or state law for the relief of debtors. "**Custodian**" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A Default under clause (3) above is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25% in aggregate Principal Amount of the Outstanding Securities of such series notify the Company and the Trustee, of the Default and the Company does not cure such Default within the time specified in clause (3) above after receipt of such notice. Any such notice must specify the Default, demand that it be remedied and state that such notice is a "**Notice of Default**."

Section 6.02 Acceleration. If an Event of Default with respect to Securities of any series at the time Outstanding (other than an Event of Default specified in Section 6.01(4) or (5)) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in aggregate Principal Amount of the Outstanding Securities of that series by notice to the Company and the Trustee, may declare the Principal Amount (or, if any of the Securities of that series are Discount Securities, such portion of the Principal Amount of such Securities of that series as may be specified in the terms thereof) of all the Securities of that series to be immediately due and payable. Upon such a declaration, such Principal (or portion thereof) shall be due and payable immediately. If an Event of Default specified in Section 6.01(4) or (5) occurs and is continuing with respect to a series of Securities, the Principal (or portion thereof) of all the Outstanding Securities of that series shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholders. The Holders of a majority in aggregate Principal Amount of the Outstanding Securities of any series, by notice to the Trustee (and without notice to any other Securityholder) may rescind an acceleration with respect to that series and its consequences if the rescission would not conflict with any judgment or decree and all existing Events of Default with respect to Securities of such series have been cured or waived except nonpayment of the Principal (or portion thereof) of Securities of such series that has become due solely as a result of such acceleration and if all amounts due to the Trustee under Section 7.07 have been paid. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

Section 6.03 Other Remedies. If an Event of Default with respect to a series of Outstanding Securities occurs and is continuing, the Trustee may pursue any available remedy to (a) collect the payment of the whole amount then due and payable on such Securities for Principal and interest, with interest upon the overdue Principal and, to the extent that payment of such interest shall be legally enforceable, upon overdue installments of interest from the date such interest was due, at the rate or rates prescribed therefor in such Securities and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including amounts due the Trustee under Section 7.07 or (b) enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if the Trustee does not possess any of the Securities or Coupons or does not produce any of the Securities or Coupons in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 6.04 Waiver of Past Defaults. The Holders of a majority in aggregate Principal Amount of the Outstanding Securities of any series, by notice to the Trustee (and without notice to any other Securityholder), may on behalf of the Holders of all the Securities of such series and any related Coupons waive an existing Default with respect to such series and its consequences except (1) an Event of Default described in Section 6.01(1) with respect to such series or (2) a Default in respect of a provision that under Section 9.02 cannot be amended without the consent of the Holder of each Outstanding Security of such series affected. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

Section 6.05 Control by Majority. The Holders of a majority in aggregate Principal Amount of the Outstanding Securities of any series may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee with respect to the Securities of such series. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines in good faith is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability.

Section 6.06 Limitation on Suits. A Holder of any Security of any series or any related Coupons may not pursue any remedy with respect to this Indenture or the Securities unless:

(1) the Holder gives to the Trustee written notice stating that an Event of Default with respect to the Securities of that series is continuing;

(2) the Holders of at least 25% in aggregate Principal Amount of the Outstanding Securities of that series make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee security or indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the notice, the request and the offer of security or indemnity; and

(5) the Holders of a majority in aggregate Principal Amount of the Outstanding Securities of that series do not give the Trustee a direction inconsistent with such request during such 60-day period.

A Securityholder may not use this Indenture to prejudice the rights of any other Securityholder or to obtain a preference or priority over any other Securityholder.

Section 6.07 Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right, which is absolute and unconditional, of any Holder of any Security or Coupon to receive payment of the Principal of and (subject to Section 2.13) interest on such Security or payment of such Coupon on the Stated Maturity or Maturities expressed in such Security or Coupon (or, in the case of redemption, on the Redemption Date) held by such Holder, on or after the respective due dates expressed in the Securities or any Redemption Date, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected adversely without the consent of each such Holder.

Section 6.08 Collection Suit by Trustee. If an Event of Default described in Section 6.01(1) with respect to Securities of any series occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount owing with respect to such series of Securities and the amounts provided for in Section 7.07.

Section 6.09 Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the Principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue Principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of Principal and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amount due the Trustee under Section 7.07) and of the Holders of Securities and Coupons allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any Custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder of Securities and Coupons to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders of Securities and Coupons, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07.

Nothing herein contained shall be deemed to authorize the Trustee or the holders of the Securities to authorize or consent to or accept or adopt on behalf of any Holder of a Security or Coupon any plan of reorganization, arrangement, adjustment or composition

affecting the Securities or Coupons or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder of a Security or Coupon in any such proceeding.

Section 6.10 Priorities. If the Trustee collects any money pursuant to this ARTICLE VI, it shall pay out the money in the following order and, in case of the distribution of such money on account of Principal or interest, upon presentation of the Securities or Coupons, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: to the Trustee for amounts due under Section 7.07;

SECOND: to Securityholders for amounts due and unpaid for the Principal and interest on the Securities and interest evidenced by Coupons in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities and Coupons for Principal and interest, respectively; and

THIRD: the balance, if any, to the Company.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section 6.10. At least 15 days before such record date, the Company shall mail to each Securityholder and the Trustee a notice that states the record date, the payment date and amount to be paid.

Section 6.11 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant (other than the Trustee) in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 or to any suit instituted by any Holder of any Security or Coupon for the enforcement of the payment of the Principal of or interest on any Security or the payment of any Coupon on or after the Stated Maturity or Maturities expressed in such Security or Coupon (or, in the case of redemption, on or after the Redemption Date).

Section 6.12 Waiver of Stay, Extension or Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury or other law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VII

TRUSTEE

Section 7.01 Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default with respect to Securities of any series:

(1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture but need not confirm or investigate the mathematical calculations or other facts stated therein.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph (c) does not limit the effect of paragraph (b) of this Section 7.01;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (e) of this Section 7.01.

(e) The Trustee may refuse to perform any duty or exercise any right or power or extend or risk its own funds or otherwise incur any financial liability unless it receives indemnity reasonably satisfactory to it against any loss, liability or expense.

(f) Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall not be liable for any interest on any money received by it except as the Trustee may otherwise agree in writing with the Company.

Section 7.02 Rights of Trustee.

(a) The Trustee may conclusively rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate, Opinion of Counsel (or both), Company Order or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, Coupon, security or other paper believed to be genuine and to have been signed or presented by the proper party or parties.

(f) Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the secretary or an assistant secretary of the Company.

(g) The Trustee may consult with counsel and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in reliance thereon in accordance with such advice or Opinion of Counsel.

(h) The Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred therein or thereby.

(i) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, Coupon, security or other paper or document unless requested in writing to do so by the Holders of not less than a majority in the aggregate principal amount of the Securities of a series then Outstanding; *provided*, that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of any such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expense or liabilities as a condition to proceeding; the reasonable expense of every such investigation shall be paid by the Company or, if paid by the Trustee or any predecessor trustee, shall be repaid by the Company upon demand.

(j) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ, and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder.

(k) In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(l) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture.

(m) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent or custodian of, and other Person duly employed to act by, the Trustee hereunder.

(n) The permissive right of the Trustee to take the actions permitted by this Indenture shall not be construed as an obligation or duty to do so.

(o) The Trustee may consult with counsel and the advice of such counsel or any opinion of counsel will be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(p) The Trustee will not be liable to any person if prevented or delayed in performing any of its obligations or discretionary functions under this Indenture by reason of any present or future law applicable to it, by any governmental or regulatory authority.

(q) The Trustee shall be entitled to assume without inquiry, that the Company has performed in accordance with all of the provisions of this Indenture, unless notified in writing to the contrary.

Section 7.03 Individual Rights of Trustee, Etc. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities or Coupons and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar or co-registrar or any other agent of the Company may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

Section 7.04 Trustee's Disclaimer. The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities

or Coupons. The Trustee shall not be accountable for the Company's use of the proceeds from the Securities and, shall not be responsible for any statement in the registration statement for the Securities under the Securities Act of 1933, as amended, or in this Indenture or the Securities or any Coupons (other than its certificate of authentication) or for the determination as to which beneficial owners are entitled to receive any notices hereunder.

Section 7.05 Notice of Defaults. If a Default with respect to the Securities of any series occurs and is continuing and if it is known to the Trustee, the Trustee shall give to each Holder of Securities of such series notice of such Default in the manner set forth in TIA Section 315(b) within 90 days after it occurs. Except in the case of a Default described in Section 6.01(1) with respect to any Security of any series or a Default in the payment of any sinking fund installment with respect to any Security of such series, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of the Holders of Securities of such series.

Section 7.06 Reports by Trustee to Holders. Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, the Trustee shall mail to each Holder of Securities a brief report dated as of such May 15 that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b) and (c).

A copy of each such report at the time of its mailing to Holders of Securities shall be filed with the SEC and each stock exchange on which the Securities of the relevant series may be listed. The Company agrees to notify the Trustee whenever the Securities of a particular series become listed on any stock exchange and of any delisting thereof.

Section 7.07 Compensation and Indemnity. The Company agrees:

(a) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder, including, but not limited to, additional compensation for all services rendered during and after an Event of Default or for exceptional duties, and which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust;

(b) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses, advances and disbursements of its agents and counsel), except any such expense, disbursement or advance as shall have been determined to have been caused by its own negligence or willful misconduct; and

(c) to indemnify the Trustee against any and all loss, liability or reasonable expense (including reasonable attorneys' fees and expenses) incurred by it without willful misconduct, negligence or bad faith on its part arising out of or in connection with the administration of this trust and the performance of its duties hereunder (including the reasonable costs and expenses of defending itself against any claim, whether asserted by the Company, any Holder or any other Person). The Trustee shall promptly notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company

of its obligations hereunder, except to the extent that the Company is prejudiced by the failure to so notify the Company. Upon such notification, the Company shall defend such claim, and the Trustee shall cooperate in such defense. The Trustee may employ separate counsel to defend any such claim, but the Trustee shall pay the fees and expenses of such counsel, unless the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such claim or the Trustee shall have reasonably concluded that there may be defenses available to it which are different from, additional to or in conflict with those available to the Company, in any of which events the reasonable fees and expenses of such counsel shall be borne by the Company. The Company need not pay for any settlement made without its consent, which consent may not be unreasonably withheld or delayed. The Company shall not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misconduct, negligence or bad faith.

To secure the Company's payment obligations in this Section 7.07, the Trustee shall have a lien prior to the Securities and any Coupons on all money or property held or collected by the Trustee, except that held in trust to pay the Principal of or interest, if any, on particular Securities or for the payment of particular Coupons.

The Company's obligations pursuant to this Section 7.07 shall survive the discharge or other termination of this Indenture or the resignation or removal of the Trustee. When the Trustee incurs expenses after the occurrence of a Default specified in Section 6.01(4) or (5), the expenses are intended to constitute expenses of administration under any Bankruptcy Law.

Section 7.08 Replacement of Trustee. The Trustee may resign by so notifying the Company; *provided, however,* no such resignation shall be effective until a successor Trustee has accepted its appointment pursuant to this Section 7.08. The Holders of a majority in aggregate Principal Amount of the Outstanding Securities of any series at the time outstanding may remove the Trustee with respect to the Securities of such series by so notifying the Trustee and may appoint a successor Trustee. The Company shall remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged bankrupt or insolvent;

(3) a receiver or public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, with respect to the Securities of one or more series, the Company shall promptly appoint, by resolution of its Board of Directors, a successor Trustee with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any series).

In the case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee shall deliver a written acceptance of its appointment to

the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of Securities of the particular series with respect to which such successor Trustee has been appointed. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees as co-Trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, upon request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, subject, nevertheless, to its lien, if any, provided for in Section 7.07.

If a successor Trustee with respect to the Securities of any series does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in aggregate Principal Amount of the Outstanding Securities of such series at the time outstanding may petition, at the Company's expense, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

If the Trustee fails to comply with Section 7.10, any Holder of a Security of such series may petition any court of competent jurisdiction for the removal of such Trustee and the appointment of a successor Trustee.

Section 7.09 Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

Section 7.10 Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA Section 310(a)(1) and 310(a)(5). The Trustee shall have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b)(9). In determining whether the Trustee has conflicting interests as defined in TIA Section 310(b)(1), the provisions contained in the proviso to TIA Section 310(b)(1) shall be deemed incorporated herein.

Section 7.11 Preferential Collection of Claims Against Company. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE VIII

SATISFACTION AND DISCHARGE

Section 8.01 Discharge of Liability on Securities. Except as otherwise specified as contemplated by Section 2.03(a), this Indenture shall upon Company Request cease to be of further effect as to all Outstanding Securities or all Outstanding Securities of any series, as the case may be (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for, and any right to receive additional amounts, as provided in Section 4.06), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) either

(1) all Outstanding Securities or all Outstanding Securities of such series, as the case may be, theretofore authenticated and delivered and all Coupons, if any, appertaining thereto (other than (i) Coupons appertaining to Bearer Securities surrendered for exchange form Registered Securities and maturing after such exchange, whose surrender is not required or has been waived as provided in Section 2.08, (ii) Securities or Securities of such series, as the case may be, and Coupons, if any, which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.09, (iii) Coupons, if any, appertaining to Securities or Securities of such series, as the case may be, called for redemption and maturing after the relevant Redemption Date, whose surrender has been waived as provided in Section 3.04, and (iv) Securities or Securities of such series, as the case may be, and Coupons, if any, for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company or an Affiliate of the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 8.02) have been delivered to the Trustee for cancellation; or

(2) all such Securities and, in the case of (i) or (ii) below, any Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation,

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and

the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose, an amount sufficient to pay and discharge the entire indebtedness on such Securities and Coupons not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and any interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

The Trustee shall join in the execution of a document prepared by the Company acknowledging satisfaction and discharge of this Indenture on demand of the Company accompanied by such Officers' Certificate and Opinion of Counsel and at the cost and expense of the Company.

Notwithstanding the satisfaction and discharge of this Indenture with respect to the Securities of any series, the obligations of the Company to the Trustee with respect to the Securities of that series under Section 7.07, the obligations of the Company to any Authenticating Agent appointed by the Trustee pursuant to Section 2.04 and, if money shall have been deposited with the Trustee pursuant to clause (b) of this Section, Section 8.02 shall survive. The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Outstanding Securities.

Section 8.02 Repayment to the Company. The Trustee and the Paying Agent shall return to the Company on Company Request any money held by them for the payment of any amount with respect to the Securities that remains unclaimed for two years; *provided, however,* that the Trustee or such Paying Agent, before being required to make any such return, may at the expense and direction of the Company cause to be published once in an Authorized Newspaper in each Place of Payment of or mail to each such Holder notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing, any unclaimed money then remaining will be returned to the Company.

After return to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

Section 8.03 Option to Effect Defeasance or Covenant Defeasance. Unless otherwise specified as contemplated by Section 2.03(a) with respect to Securities of a particular series, the Company, may at its option, by Board Resolution, at any time, with respect to any series of Securities, elect to have either Section 8.04 or Section 8.05 be applied to all of the outstanding Securities of any series (the "**Defeased Securities**"), upon compliance with the conditions set forth below in this ARTICLE VIII.

Section 8.04 Defeasance and Discharge. Upon the Company's exercise under Section 8.03 of the option applicable to this Section 8.04, the Company shall be deemed to have been discharged from its obligations with respect to the Defeased Securities on the date the conditions set forth below are satisfied (hereinafter "**defeasance**"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Defeased Securities (which shall thereafter be deemed to be "**outstanding**" only for the purposes of Sections 2.04, 2.05, 2.06, 2.09, 2.11, 2.12, 4.01, 4.05, 6.06, 6.07,7.07, 7.08 and 8.02 of this Indenture) and to have satisfied all its other obligations under such series of Securities and this Indenture insofar as such series of Securities are concerned (and the Trustee, at the expense of the Company, and, upon written request, shall execute proper instruments acknowledging the same). Subject to compliance with this ARTICLE VIII, the Company may exercise its option under this Section 8.04 notwithstanding the prior exercise of its option under Section 8.05 with respect to a series of Securities.

Section 8.05 Covenant Defeasance. Upon the Company's exercise under Section 8.03 of the option applicable this Section 8.05, the Company shall be released from its obligations under Section 4.02 and 4.03 and ARTICLE V and such other provisions as may be provided as contemplated by Section 2.03(a) with respect to Securities of a particular series and with respect to the Defeased Securities on and after the date the conditions set forth below are satisfied (hereinafter "**covenant defeasance**"), and the Defeased Securities shall thereafter be deemed to be not "**outstanding**" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences if any thereof) in connection with such covenants, but shall continue to be deemed "**outstanding**" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to the Defeased Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Sections or such Article, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or Article or by reason of any reference in any such Section or Article to any other provisions herein or in any other document, and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01, but, except as specified above, the remainder of this Indenture and such Defeased Securities shall be unaffected thereby.

Section 8.06 Conditions to Defeasance or Covenant Defeasance. The following shall be the conditions to application of either Section 8.04 or Section 8.05 to a series of outstanding Securities.

(a) The Company shall have irrevocably deposited with the Trustee, in trust, (i) sufficient funds in the currency or currency unit in which the Securities of such series are denominated to pay the Principal of and interest to Stated Maturity (or redemption) on, the Debt Securities of such series, or (ii) such amount of direct obligations of, or obligations the principal of and interest on which are fully guaranteed by, the government which issued the currency in which the Securities of such series are denominated, and which are not subject to prepayment, redemption or call, as will, together with the predetermined and certain income to accrue thereon without consideration of any reinvestment thereof, be sufficient to pay when due the Principal of, and interest to Stated Maturity (or redemption) on, the Debt Securities of such series.

(b) The Company shall (i) have delivered to the Trustee an Opinion of Counsel that the Company has met all of the conditions precedent to such defeasance and that the Holders of the Securities of such series will not recognize income, gain or loss for United States Federal income tax purposes as a result of such defeasance, and will be subject to United States Federal income tax in the same manner as if no defeasance and discharge or covenant defeasance, as the case may be, had occurred or (ii) in the case of an election under Section 8.04, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date this Indenture was first executed, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel in the United States shall confirm that, the holders of Outstanding Securities of that particular series will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01 Supplemental Indentures without Consent of Holders. Without the consent of any Holders of Securities or Coupons, the Company and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants, agreements and obligations of the Company for the benefit of the Holders of all of the Securities or any series thereof, or to surrender any right or power herein conferred upon the Company; or

(3) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to Principal, to change or eliminate any restrictions (including restrictions relating to payment in the United States) on the payment of Principal of or any premium or interest on Bearer Securities, to permit Bearer Securities to be issued in exchange for Registered Securities, to permit Bearer Securities to be issued in exchange for Bearer Securities of other authorized denominations or to permit the issuance of Securities in uncertificated form; or

(4) to establish the form or terms of Securities of any series and any related Coupons as permitted by Sections 2.01 and 2.03(a), respectively; or

(5) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 7.08; or

(6) to cure any ambiguity, defect or inconsistency; or

(7) to add to, change or eliminate any of the provisions of this Indenture (which addition, change or elimination may apply to one or more series of Securities), *provided* that any such addition, change or elimination shall neither (A) apply to any Security of any series created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor (B) modify the rights of the Holder of any such Security with respect to such provision; or

(8) to secure the Securities; or

(9) to make any other change that does not adversely affect the rights of any Securityholder in any material respect.

Section 9.02 Supplemental Indentures with Consent of Holders. With the written consent of the Holders of at least a majority in aggregate Principal Amount of the Outstanding Securities of each series affected by such supplemental indenture, the Company and the Trustee may amend this Indenture or the Securities of any series or may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of the Securities of such series and any related Coupons under this Indenture; *provided, however,* that no such amendment or supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby:

(1) change the Stated Maturity of the Principal of, or any installment of Principal or interest on, any such Security, or reduce the Principal Amount thereof or the rate of interest thereon or any premium payable upon redemption thereof or reduce the amount of Principal of any such Discount Security that would be due and payable upon a declaration of acceleration of maturity thereof pursuant to Section 6.02, or change the Place of Payment where, or change the coin or currency in which, any Principal of, or any installment of interest on, any such Security is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date);

(2) reduce the percentage in Principal Amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such amendment or

supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with any provisions of this Indenture or any defaults hereunder and their consequences) with respect to the Securities of such series provided for in this Indenture; or

(3) modify any of the provisions of this Section, Section 6.04 or 6.07, except to increase the percentage of Outstanding Securities of such series required for such actions to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment or supplemental indenture, but it shall be sufficient if such consent approves the substance thereof.

After an amendment or supplemental indenture under this Section 9.02 becomes effective, the Company shall mail to each Holder of the particular Securities affected thereby a notice briefly describing the amendment.

Section 9.03 Compliance with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall comply with the TIA as then in effect.

Section 9.04 Revocation and Effect of Consents, Waivers and Actions. Until an amendment or waiver with respect to a series of Securities becomes effective, a consent to it or any other action by a Holder of a Security of that series hereunder is a continuing consent by the Holder and every subsequent Holder of that Security or portion of that Security that evidences the same obligation as the consenting Holder's Security, even if notation of the consent, waiver or action is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent, waiver or action as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the Company or an agent of the Company certifies to the Trustee that the consent of the requisite aggregate Principal Amount of the Securities of that series has been obtained. After an amendment, waiver or action becomes effective, it shall bind every Holder of Securities of the relevant series.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment or waiver with respect to a series of Securities. If a record date is fixed, then notwithstanding the first two sentences of the immediately preceding paragraph, those persons who were Holders of Securities of that series at such record date (or their duly designated proxies), and only those persons, shall be entitled to revoke any consent previously given, whether or not such persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

Section 9.05 Notation On or Exchange of Securities. Securities of any series authenticated and delivered after the execution of any supplemental indenture with respect to such series pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of such series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for outstanding Securities of that series.

Section 9.06 Trustee to Sign Supplemental Indentures. The Trustee shall sign any supplemental indenture authorized pursuant to this ARTICLE IX if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing such amendment, the Trustee shall be provided with, and shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

Section 9.07 Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby, except to the extent otherwise set forth therein.

ARTICLE X

SINKING FUNDS

Section 10.01 Applicability of Article. The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series, except as otherwise specified as contemplated by Section 2.03(a) for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "**Mandatory Sinking Fund Payment**," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "**Optional Sinking Fund Payment**." If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 10.02. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of the Securities of such series.

Section 10.02 Satisfaction of Sinking Fund Payments with Securities. The Company (1) may deliver Outstanding Securities of a series with the same interest rate and Stated Maturity (other than any previously called for redemption), together, in the case of any Bearer Securities of such series, with the same interest rate and Stated Maturity with all unmatured Coupons appertaining thereto, and (2) may apply as a credit Securities of a series with the same interest rate and Stated Maturity which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any

part of any mandatory sinking fund payment with respect to the Securities of such series with the same interest rate and Stated Maturity; *provided,* that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund, and the amount of such sinking fund payment shall be reduced accordingly.

Section 10.03 Redemption of Securities for Sinking Fund. Not less than 60 days (or such shorter period as shall be reasonably acceptable to the Trustee) prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 10.02 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 3.02 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 3.03. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 3.04 and 3.06.

ARTICLE XI

ACTIONS OF HOLDERS OF SECURITIES

Section 11.01 Purposes for which Meetings May Be Called. A meeting of Holders of Securities of any series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

Section 11.02 Call, Notice and Place of Meetings.

(a) The Trustee may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 11.01, to be held at such time and at such place in the Borough of Manhattan, The City of New York or, for a series of Securities issued as Bearer Securities, in London as the Trustee shall determine or, with the approval of the Company, at any other place. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 12.02, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) In case at any time the Company or the Holders of at least 10% in Principal Amount of the Outstanding Securities of any series shall have requested the Trustee to call a meeting of the Holders of Securities of such series for any purpose specified in Section 11.01, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held

as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or for a series of Securities issued as Bearer Securities, in London, or in such other place as shall be determined and approved by the Company, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section 11.02.

Section 11.03 Persons Entitled to Vote at Meeting. To be entitled to vote at any meeting of Holders of Securities of any series, a person shall be (1) a Holder of one or more Outstanding Securities of such series, or (2) a person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 11.04 Quorum; Action. The persons entitled to vote a majority in Principal Amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case, the meeting may be adjourned for a period determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 11.02(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series which shall constitute a quorum.

Except as limited by the proviso to Section 9.02, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the Holders of a majority in Principal Amount of the Outstanding Securities of that series; *provided, however,* that, except as limited by the proviso to Section 9.02, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in Principal Amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in Principal Amount of the Outstanding Securities of that series.

Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Securities of such series and the related Coupons, whether or not present or represented at the meeting.

Section 11.05 Determination of Voting Rights; Conduct and Adjournment of Meetings.

(a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities of a series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 11.07 and the appointment of any proxy shall be proved in the manner specified in Section 11.07 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 11.07 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 11.07 or other proof.

(b) The Trustee shall, by an instrument in writing, appoint a chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 11.02(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a chairman.

(c) At any meeting, each Holder of a Security of a series or proxy shall be entitled to vote with respect to the Outstanding Securities of such series held or represented by him; *provided, however,* that no vote shall be cast or counted at any meeting in respect to any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security of such series or proxy.

(d) Any meeting of Holders of Securities of any series duly called pursuant to Section 11.02 at which a quorum is present may be adjourned from time to time by persons entitled to vote a majority in Principal Amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

Section 11.06 Counting Votes and Recording Action of Meetings. The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed signatures of the Holders of Securities of such series or of their representatives by proxy and the Principal Amounts and serial numbers of the Outstanding Securities of such series held or represented by them. The chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting, and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 11.02 and, if applicable, Section 11.04. Each copy shall be signed and verified by the affidavits of the chairman and secretary of the meeting and one such copy shall be

delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 11.07 Actions of Holders Generally.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing. If Securities of a series are issuable as Bearer Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of such series may, alternatively, be embodied in and evidenced by the record of Holders of Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly called and held in accordance with the provisions of this Article, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any person of a Security, shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 11.06.

(b) The fact and date of the execution by any person of any such instrument or writing, or the authority of the persons executing the same, may be proved in any reasonable manner which the Trustee deems sufficient.

(c) The Principal Amount and serial numbers of Registered Securities held by the person, and the date of holding the same, shall be proved by the books of the Registrar.

(d) The Principal Amount and serial numbers of Bearer Securities held by any person, and the date of holding the same, may be proved by the production of such Bearer Securities or by a certificate executed by any trust company, bank, banker or other depositary, wherever situated, as depositary, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had on deposit with such depositary, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced to the Trustee by some other person, or (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding. The Principal Amount and serial numbers of Bearer Securities held by any person, and the date of holding the same, may also be proved in any other manner which the Trustee deems sufficient.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other act of the Holder of any Security in accordance with this Section shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other act in accordance with this Section, the Company may, at its option, by or pursuant to an Officers' Certificate delivered to the Trustee, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or such other act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite percentage of Outstanding Securities or Outstanding Securities of a series, as the case may be, have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other act, and for that purpose the Outstanding Securities or Outstanding Securities of the series, as the case may be, shall be computed as of such record date; *provided*, that no such authorization, agreement or consent by the Holders as of the close of business on the record date shall be deemed effective unless such request, demand, authorization, direction, notice, consent, waiver or other act shall become effective pursuant to the provisions of clause (a) of this Section 11.07 not later than six months after the record date.

ARTICLE XII

MISCELLANEOUS

Section 12.01 Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with another provision hereof which is required to be included in this Indenture by the TIA, the required provision shall control.

Section 12.02 Notices. Any notice or communication shall be in writing and delivered in person or mailed by first-class mail, postage prepaid; *provided*, that any notice or communication by and among the Trustee and the Company may be made by telecopy or other commercially accepted electronic means and shall be effective upon receipt thereof and shall be confirmed in writing, mailed by first-class mail, postage prepaid, and addressed as follows:

if to the Company:

Central European Distribution Corporation
Two Bala Plaza, Suite 300
Bala Cynwyd, Pennsylvania 19004
Fax (610) 667-3308

if to the Trustee:

The Bank of New York
One Canada Square
London E14 5AL
Fax 44-207-964-2536

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication given to a Holder of Registered Securities shall be mailed to such Holder at the Holder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed. Notice shall be sufficiently given to Holders of Bearer Securities if published in an Authorized Newspaper in The City of New York and in such other city or cities as may be specified in such Securities on a Business Day at least twice, the first such publication to be not earlier than the earliest date, and not later than the latest date, prescribed for the giving of such notice.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Holders of Securities of the same series. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not received by the addressee.

If the Company mails a notice or communication to the Holders of Securities of a particular series, it shall mail a copy to the Trustee and each Registrar, co-registrar or Paying Agent, as the case may be, with respect to such series.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give notice to Holders of Registered Securities by mail, then such notification as shall be made with the acceptance of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of a Registered Security shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. Neither the failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice to Holders of Registered Securities given as provided herein.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

Section 12.03 Communication by Holders with Other Holders. Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company and the Trustee, the Registrar or the Paying Agent with respect to a particular series of Securities, and anyone else, shall have the protection of TIA Section 312(c).

Section 12.04 Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 12.05 Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company with respect to such factual matters, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Section 12.06 Statements Required in Certificate or Opinion. Each Officers' Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) statement that each person making such Officers' Certificate or Opinion of Counsel has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;

(3) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable such person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement that, in the opinion of such person, such covenant or condition has been complied with.

Section 12.07 Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 12.08 Rules by Trustee, Paying Agent and Registrar. With respect to the Securities of a particular series, the Trustee with respect to such series of Securities may make reasonable rules for action by or a meeting of Holders of such series of Securities. With respect to the Securities of a particular series, the Registrar and the Paying Agent with respect to such series of Securities may make reasonable rules for their functions.

Section 12.09 Legal Holidays. A "**Legal Holiday**" is any day other than a Business Day. If any specified date (including an Interest Payment Date, Redemption Date or Stated Maturity of any Security, or a date for giving notice) is a Legal Holiday at any Place of Payment or place for giving notice, then (notwithstanding any other provision of this Indenture or of the Securities or Coupons other than a provision in the Securities of any series which specifically states that such provision shall apply in lieu of this Section) payment of interest or Principal need not be made at such Place of Payment, or such other action need not be taken, on such date, but the action shall be taken on the next succeeding day that is not a Legal Holiday at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity or such other date and to the extent applicable no Original Issue Discount or interest, if any, shall accrue for the intervening period.

Section 12.10 Governing Law and Jurisdiction. THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK. THE COMPANY, THE TRUSTEE, AND EACH HOLDER OF A SECURITY (BY ACCEPTANCE THEREOF) THEREBY, (I) SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL AND NEW YORK STATE COURTS LOCATED IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING RELATED TO THIS INDENTURE, (II) IRREVOCABLY WAIVES ANY DEFENSE OF LACK OF PERSONAL JURISDICTION IN SUCH SUITS AND (III) IRREVOCABLY WAIVES TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING BROUGHT IN THE FEDERAL AND NEW YORK STATE COURTS LOCATED IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK AND THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Section 12.11 Waiver of Jury Trial. EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTION CONTEMPLATED HEREBY.

Section 12.12 No Recourse against Others. A director, officer, employee, stockholder or agent, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder of such Security shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

Section 12.13 Successors. All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

Section 12.14 Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 12.15 Benefits of Indenture. Nothing in this Indenture or in the Securities, express or implied, shall give to any person, other than the parties hereto and their successors hereunder and the Holders of Securities, any benefits or any legal or equitable right, remedy or claim under this Indenture.

Section 12.16 Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

Section 12.17 Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

[*The Remainder of This Page Intentionally Left Blank; Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first above written.

CENTRAL EUROPEAN DISTRIBUTION CORPORATION,
as Issuer

By: /s/ Christopher Biedermann

Name: Christopher Biedermann
Title: Vice President and Chief Financial Officer

THE BANK OF NEW YORK,
as Trustee

By: /s/ Jason Blondell

Name: Jason Blondell
Title: Authorised Signatory

EXHIBIT A

FORM OF CERTIFICATE RELATING TO DEBT SECURITIES

[CURRENCY][AMOUNT]
[TITLE OF NOTES]

This is to certify that, based on certificates we have received from our member organizations substantially in the form set out in Exhibit B to the Indenture relating to the above-captioned Securities, as of the date hereof, U.S.$ principal amount of the above-captioned Securities acquired from Central European Distribution Corporation (i) is owned by Persons that are not United States Persons (as defined below), (ii) is owned by United States Persons that are (a) foreign branches of United States financial institutions (as defined in United States Treasury Regulations Section 1.165-12(c)(1)(iv) ("**financial institutions**")) purchasing for their own account or for resale or (b) United States Persons who acquired the Securities through foreign branches of United States financial institutions and who hold the Securities through such financial institutions on the date hereof (and in the case of either clause (a) or (b), each such financial institution has agreed for the benefit of Central European Distribution Corporation to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended, and the regulations thereunder) or (iii) is owned by financial institutions for purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)). Financial institutions described in clause (iii) of the preceding sentence (whether or not also described in clause (i) or (ii)) have certified that they have not acquired the Securities for purposes of resale directly or indirectly to United States Persons or to persons within the United States or its possessions.

As used in this Certificate, "**United States Persons**" means citizens or residents of the United States, corporations, partnerships or other entities created or organized in or under the laws of the United States or any political subdivision thereof or estates or trusts the income of which is subject to United States Federal income taxation regardless of its source; "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and its "**possessions**" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

We further certify that (i) we are not making available herewith for exchange any portion of the Temporary Global Bearer Security (as defined in the Indenture) enclosed herewith that is excepted in the certificates referred to in the first paragraph hereof and (ii) as of the date hereof, we have not received any notification from any of our member organizations to the effect that the statements made by such member organizations are no longer true and cannot be relied upon as of the date hereof.

We understand that this certificate is required in connection with certain tax laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceedings or as you otherwise deem appropriate. We agree to retain each statement provided by a member organization for a period of four calendar years following the year in which the statement is received.

Dated: _____ *

* To be dated no earlier than the Exchange Date.

[ ]

[ ]

_____

EXHIBIT B

FORM OF ACCOUNTHOLDER'S CERTIFICATION

Central European Distribution Corporation
(incorporated with limited liability under
the laws of the State of Delaware, United States of America)

[CURRENCY][AMOUNT]
[TITLE OF NOTES]

This is to certify that as of the date hereof, and except as set forth below, the above-captioned Securities held by you for our account (a) are owned by persons that are not (i) citizens or residents of the United States (as defined below), (ii) corporations, partnerships or other entities created or organized in or under the laws of the United States, (iii) estates if the income of such estates falls within the federal income tax jurisdiction of the United States regardless of the source of such income, or (iv) trusts the administration over which a United States court is able to exercise primary supervision and the substantial decisions of which one or more United States Persons have the authority to control (collectively, "**United States Persons**"), (b) are owned by United States Person(s) that (i) are foreign branches of a United States financial institution (as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(iv)) ("**financial institutions**") purchasing for their own account or for resale, or (ii) acquired the Securities through foreign branches of United States financial institutions and who hold the Securities through such United States financial institutions on the date hereof (and in either case (i) or (ii), each such United States financial institution hereby agrees, on its own behalf or through its agent, that you may advise Central European Distribution Corporation (the "**Issuer**") or the Issuer's agent that, for the benefit of the Issuer and the Issuer's agent, it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (c) are owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163- 5(c)(2)(i)(D)(7)), and in addition if the owner of the Securities is a United States or foreign financial institution described in clause (c) (whether or not also described in clause (a) or (b)) this is to further certify that such financial institution has not acquired the Securities for purposes of resale directly or indirectly to a United States Person or to a person within the United States or its possessions.

[If the Securities are of the category contemplated in Rule 903(b)(3) of Regulation S under the Securities Act of 1933, as amended (the "**Act**"), then this is also to certify that, except as set forth below, the Securities are beneficially owned by (1) non-U.S. person(s) or (2) U.S. person(s) who purchased the Securities in transactions which did not require registration under the Act. As used in this paragraph the term "**U.S. person**" has the meaning given to it by Regulation S under the Act.]

As used herein, "**United States**" means the United States of America (including the States and the District of Columbia); and its "**possessions**" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands. We undertake to

advise you promptly by confirmed telex on or prior to the date on which you intend to submit your certification relating to the Securities held by you for our account in accordance with your operating procedures if any applicable statement herein is not or ceases to be correct, and in the absence of any such notification it may be assumed that this certification is correct. This certification excepts and does not relate to [currency] [amount] of such interest in the above Securities in respect of which we are not able to certify and as to which we understand exchange and delivery of definitive Securities (or, if relevant, exercise of any rights or collection of any interest) cannot be made until we do so certify. This certificate is intended to comply with U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D) and shall be interpreted and retained in accordance therewith. We understand that this certification is required in connection with certain tax laws and, if applicable, certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings or as you otherwise deem appropriate.

Dated: _____

[NAME OF ACCOUNT HOLDER]
AS, OR AS AGENT FOR,
THE BENEFICIAL OWNER(S) OF THE SECURITIES
TO WHICH THIS CERTIFICATE RELATES.

By: _____
Authorized signatory

EXHIBIT 4.9

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT dated as of 21 October 2008 (this "**Agreement**"), is between (i) CENTRAL EUROPEAN DISTRIBUTION CORPORATION, a Delaware corporation (the "**Company**"), and (ii) BARCLAYS WEALTH TRUSTEES (JERSEY) LIMITED as Trustee of The First National Trust (the "**Initial Shareholder**").

WHEREAS, on the date hereof, the Initial Shareholder has been issued the number of shares of common stock, par value $0.01 per share, of the Company ("**Common Stock**") set forth on Schedule A attached hereto, in connection with the Company's purchase from the Initial Shareholder of 50% minus one vote of the voting power of Peulla Enterprises Limited, a private limited liability company by shares organized under the laws of Cyprus (the "**SPV**") and 75% of the economic interest in the SPV pursuant to that certain Share Sale and Purchase Agreement dated as of May 23, 2008 by and between the Company, the Initial Shareholder and certain other parties thereto (the "**Purchase Agreement**");

WHEREAS, the shares of Common Stock issued (and to be issued) to the Shareholder have not been registered under the Securities Act (as hereinafter defined) or any state securities laws; and the certificates representing such shares of Common Stock bear a legend restricting their transfer; and

WHEREAS, in connection with the foregoing, the Company has agreed, subject to the terms, conditions and limitations set forth in this Agreement, to provide the Shareholder with certain registration rights in respect of shares of Common Stock.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions. Capitalized words and phrases used and not otherwise defined in this Agreement shall have the following meanings:

"**100% Affiliate**" means, with respect to the Initial Shareholder, either Mark Kaoufman or any direct or indirect Affiliate of Mark Kaoufman one hundred per cent. of whose securities are directly or indirectly owned by Mark Kaoufman and with respect to any other Shareholder means an Affiliate (i) that directly or indirectly owns one hundred per cent. of the securities of such Shareholder, (ii) one hundred per cent. of whose securities are directly or indirectly owned by such Shareholder, or (iii) one hundred per cent. of whose securities are directly or indirectly owned by an Affiliate that directly or indirectly owns one hundred per cent. of the securities of such Shareholder.

"**Affiliate**" means, with respect to any party, any other party that, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such first party; provided that solely for purposes of this Agreement, Mark Kaoufman shall be deemed an Affiliate of the Initial Shareholder.

"**Commission**" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"**Control**" means, as to any party, the power to direct or cause the direction of the management and policies of such party, whether through the ownership of voting securities, by contract or otherwise. The terms "Controlled" and "under common Control with" shall be construed accordingly.

"**Demand Registration**" has the meaning set forth in Section 2.1.

"**Equity Interest**" means:

(a) with respect to a company, any and all shares of capital stock;

(b) with respect to a partnership, limited liability company, trust, or similar Person, any and all units, interests or other partnership or limited liability company interests; and

(c) any other direct equity ownership or participation in a Person.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Known Competitor**" means a Person who, at the time of such transfer, the Shareholder knows is a competitor of the Company.

"**Lock–Up Period**" means the period starting on the date hereof and ending on November 23, 2008.

"**Losses**" has the meaning set forth in Section 6.1.

"**Misstatement/Omission**" has the meaning set forth in Section 6.1.

"**Non-Registration Expenses**" means (a) all overhead and compensation expenses relating to officers, directors, and employees of the Company performing legal or accounting duties, and (b) qualification, filing, printing, messenger and delivery fees and expenses and all reasonable fees and disbursements of legal counsel, accountants, management and other advisors relating to any filings of the Company made with the Commission prior to and following the filing of a registration statement pursuant to this Agreement, whether or not filed in connection with causing the registration of Registrable Securities pursuant to this Agreement, or causing any such registration to be declared effective pursuant to this Agreement, other than such fees and expenses directly relating to supplements or amendments to registration statements filed in connection herewith.

"**Parent**" means, with respect to any Person, any such other Person that owns, directly or indirectly, fifty per cent. or more of the outstanding capital stock or other Equity Interests of such Person, and in the case of the Shareholder, any of the direct or indirect ultimate beneficial holders of shares of the Shareholder and any immediate family member thereof.

"**Person**" means any individual, corporation, partnership, trust or other entity of any nature whatsoever.

"**Piggyback Registration**" has the meaning set forth in Section 3.1.

"**register**", "**registered**", and "**registration**", when used with respect to the capital stock of the Company, mean a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act which has been declared or ordered effective, or is automatically effective on filing, in accordance with the Securities Act.

"**Registrable Securities**" means (i) the shares of Common Stock issued to the Shareholder in connection with the Purchase Agreement, (ii) any Common Stock issued (or issuable upon the conversion or exercise of any warrant, right, option or other convertible security which is issued) as a dividend or other distribution with respect to, or in exchange for, or in replacement of, the Common Stock referred to in clause (i) above, and (iii) any Common Stock issued by way of a stock split of the Common Stock referred to in clauses (i) or (ii) above. Shares of Common Stock shall cease to be Registrable Securities when (A) a registration statement with respect to the sale of such shares of Common Stock shall have become effective under the Securities Act pursuant to Section 2.1 or 3.1 of this Agreement, (B) such shares of Common Stock shall have been sold or otherwise distributed pursuant to Rule 144 (or any successor provision) under the Securities Act, (C) the one year anniversary of the issuance of the shares of Common Stock issued pursuant to the Purchase Agreement occurs, (D) such shares of Common Stock are Transferred in accordance with Section 9.1(b) or are otherwise no longer held by the Shareholders, or (E) such shares of Common Stock shall have ceased to be outstanding.

"**Registration Expenses**" means all registration, qualification, filing, printing, messenger and delivery fees and expenses and all reasonable fees and disbursements of legal counsel, accountants and other advisors relating to the registration of Registrable Securities pursuant to this Agreement, relating to causing such registration to become effective pursuant to this Agreement, and relating to causing such registration to remain effective for the time periods set forth in this Agreement, but excluding all underwriting discounts and selling commissions applicable to the registration and sale of Registrable Securities pursuant to this Agreement.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"**Shareholder**" or "**Shareholders**" means individually or collectively, as applicable: (i) the Initial Shareholder; (ii) a Person who owns Registrable Securities pursuant to a transfer of such Registrable Securities that meets the terms and conditions set forth in ARTICLE IX hereof and who has agreed to be bound by the terms of this Agreement; (iii) upon the death of any natural Shareholder, the executor of such Shareholder or such Shareholder's heirs, devisees, legatees or assigns; or (iv) upon the disability of any natural Shareholder, any guardian or conservator of such Shareholder.

"**Shareholder Indemnified Parties**" has the meaning set forth in Section 6.1.

"**Transfer**" means any transfer, sale, gift, assignment, distribution, conveyance, pledge, hypothecation, encumbrance or other voluntary or involuntary transfer of title or beneficial interest, whether or not for value, including, without limitation, any disposition by operation of law or any grant of a derivative or economic interest therein.

"**Ultimate Parent**" means, in relation to any Person, any Parent of such Person who is not a Subsidiary of another Person.

ARTICLE II

DEMAND REGISTRATION

2.1 Demand Registration. If, at any time after the expiration of the Lock–Up Period, the Shareholders make a written request to the Company requesting that the Company register under the Securities Act all or any part of the issued and outstanding Registrable Securities (a "**Demand Registration**"), then, subject to the restrictions contained herein, the Company shall file a registration statement under the Securities Act with the Commission, and use commercially reasonable efforts to cause such Registrable Securities to be registered under the Securities Act, in accordance with Article V below.

2.2 Number of Demand Registrations. The Shareholders shall be entitled to request one (1) Demand Registration.

2.3 Expenses. With respect to the Demand Registration, the Company shall bear sole responsibility for all Registration Expenses and Non-Registration Expenses incurred in connection with such Demand Registration.

2.4 Underwriting. If the Shareholders intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their request. In such case, the Shareholders shall negotiate with an underwriter selected by them and approved by the Company, which approval shall not be unreasonably withheld, with regard to the underwriting of such requested registration. The right of the Shareholders to include Registrable Securities in such registration shall be conditioned upon (i) the Shareholders' participation in such underwriting and the inclusion of such Shareholder's Registrable Securities in the underwriting (unless otherwise agreed by a majority in interest of the Shareholders requesting such registration), (ii) the entry of the participating Shareholders (together with the Company and other holders distributing their securities through such underwriting) into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting, and (iii) the completion and execution by the participating Shareholders of all questionnaires, powers of attorney, indemnities and other documents required under the terms of such underwriting arrangements. If any Shareholder of Registrable Securities disapproves of the terms of the underwriting, such Shareholder may elect to withdraw all of its Registrable Securities by written notice to the Company, the managing underwriter and the other Shareholders; provided, that, subject to Section 2.5 hereof, such registration shall be counted as a Demand Registration for the purposes of calculating the remaining number of Demand Registrations to which the Shareholders are entitled pursuant to this Section 2.4. The securities so withdrawn shall also be withdrawn from registration.

2.5 Shareholder Withdrawal. Shareholders may, at any time prior to the effective date of the registration statement in respect of a Demand Registration, revoke such Demand Registration by providing a written notice to the Company to such effect, and such revoked Demand Registration shall not be deemed to be a Demand Registration pursuant to this ARTICLE II; provided, that only one Demand Registration may be revoked pursuant to this Section 2.5.

2.6 Registration on Form S–3. If, at the time of delivery of a request to the Company pursuant to Section 2.1, the Company is a registrant entitled to use Form S–3 or any successor thereto to register shares of Common Stock, then the Company shall use its commercially reasonable efforts to effect the Demand Registration on Form S–3 or any successor thereto.

2.7 Priority for Demand Registrations. Notwithstanding any other provision of this ARTICLE II, if the managing underwriter (which managing underwriter shall be an internationally recognized financial institution experienced in securities offerings registered under the Securities Act, selected by the Shareholder subject to the Company's reasonable approval) advises the Company that the marketability of the offering would be adversely affected by the number of securities included in such offering, then the Company shall so advise all Shareholders, and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be reduced as required by the underwriter(s), and the Company shall include in such registration the maximum number of Registrable Securities permitted by the underwriter to be included therein, pro rata among the respective Shareholders thereof on the basis of the amount of Registrable Securities requested to be included in such registration by each such Shareholder; provided that no Shareholder shall be subject to any such pro rata reduction

unless and until any securities proposed by the Company to be registered for its own account and any securities proposed to be registered, pursuant to the exercise of their piggyback registration rights or otherwise, by other holders shall first have been required to withdraw all such securities from the registration. The first time the Shareholders are prohibited from registering all of the Registrable Securities requested to be included in such registration because of reductions required by this Section 2.7, the Shareholders shall not be deemed to have exercised a Demand Registration. Any other Demand Registration that is required to be reduced pursuant to this Section 2.6 will, however, be deemed to be a properly exercised Demand Registration.

ARTICLE III

PIGGYBACK REGISTRATION

3.1 Right to Piggyback Registrations. At any time after the receipt by the Shareholders of the shares of Common Stock issued to the Shareholders pursuant to the Purchase Agreement, whenever the Company or another party having registration rights proposes that the Company register any of the Company's equity securities under the Securities Act for any reason (other than a registration on Form S-4 or Form S-8 or any successor forms thereto), whether or not for sale for the Company's own account, the Company will give written notice of such proposed registration to all Shareholders at least 30 days before the anticipated filing date. Such notice shall offer such Shareholders the opportunity to register such amount of Registrable Securities as they shall request (a "**Piggyback Registration**"). The Company shall use commercially reasonable efforts to include in each such Piggyback Registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 20 days after notice has been given by the Company to the Shareholders. If the registration statement relating to the Piggyback Registration is for an underwritten offering, such Registrable Securities shall be included in the underwriting on the same terms and conditions as the securities otherwise being sold through the underwriters. The Shareholder shall be permitted to withdraw all or part of the Registrable Securities from a Piggyback Registration prior to the effective time of such Piggyback Registration on one occasion and in exercising such Piggyback Registration the Shareholder shall not be deemed to have exercised its rights under this Section 3.1. The right of any Shareholder to a Piggyback Registration shall be conditioned upon such Shareholder entering into an underwriting agreement in customary form with the managing underwriter or underwriters for such registered offering. No registration pursuant to this ARTICLE III will relieve the Company of its obligations to register Registrable Securities pursuant to a Demand Registration contemplated by ARTICLE II hereof. The rights to Piggyback Registration may be exercised an unlimited number of occasions.

3.2 Priority for Piggyback Registrations. If the underwriter of a Piggyback Registration advises the Company that, in its opinion, the amount of Registrable Securities requested to be included in such Piggyback Registration exceeds the amount which can be sold in such offering without adversely affecting the distribution of the securities being offered, then the Company will allocate the securities to be included in such registration as follows:

(i) first, pro rata among (A) the Company, to the extent the Company proposes to register any securities for its own account, and (B) another party having registration rights causing the Company to effect a registration, to the extent such party proposes to register any securities; and

(ii) second, pro rata to the Shareholders and any others requesting registration of securities of the Company.

ARTICLE IV

PERMITTED DELAYS IN REGISTRATION

4.1 Suspension of Company Obligations. Notwithstanding anything to the contrary set forth in this Agreement, the Company's obligation under ARTICLE II of this Agreement to file any registration statement and to cause Registrable Securities to be registered as provided therein shall be suspended in the event that (i) the Company is currently engaged in an underwritten primary offering, or (ii) a registration statement for a public offering of the Company's securities was declared effective within the previous 180 days. In addition, the Company's obligation under ARTICLE II of this Agreement to file any registration statement, to cause Registrable Securities to be registered, and to maintain the effectiveness of such registration statement shall be suspended (and, to the extent applicable, the Shareholders shall suspend the disposition of any Registrable Securities pursuant to a then currently effective registration statement) for a period not to exceed 90 days in the event that, in the good faith opinion of the Company's Board of Directors, effecting or maintaining the effectiveness of the registration of Registrable Securities would be detrimental to any financing, acquisition, merger, disposition of assets, disposition of stock or other comparable transaction then being pursued by the Company or would require the Company to make public disclosure of information which could have an adverse effect upon the Company. The Company shall notify the Shareholders in writing of the existence of any suspension event set forth in this Section 4.1, and such notice and all facts and circumstances relating to such suspension event shall be kept confidential by the Shareholders.

ARTICLE V

REGISTRATION PROCEDURES

5.1 Registration Procedures. Whenever the Company is obligated to register the Registrable Securities pursuant to this Agreement, the Company shall use its commercially reasonable efforts to:

(a) prepare and file with the Commission a registration statement with respect to such Shareholder's Registrable Securities in a reasonable amount of time after receiving the appropriate request from the Shareholders, and to include in such registration statement the Registrable Securities which the Company has been requested to register;

(b) cause all such Registrable Securities to be registered under the Securities Act in a reasonable amount of time and, subject to Section 4.1, to cause such registration statement to remain effective until the earlier of (i) the one year anniversary of the issuance of the shares of Common stock issued pursuant to the Purchase Agreement, and (ii) the completion of the distribution described in the registration statement relating thereto;

(c) furnish the Shareholders, their underwriters, if any, and their respective counsel, at such times so as to permit their reasonable review, the opportunity to review the registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and to consider in good faith incorporating any comments reasonably requested by the Shareholders, their underwriters, if any, and their respective counsel, provided that the Shareholders', the underwriters', if any, and their respective counsels' review of such documents shall not delay the filing of the registration statement so long as such parties have been provided a reasonable time to review the same;

(d) make available for reasonable inspection by, or give reasonable access to, any underwriter participating in any disposition of Registrable Securities all pertinent financial and other records, pertinent corporate documents and properties of the Company, and to cause its senior management to participate in such management presentations and one roadshow as such underwriters may reasonably request (provided that such managers are given reasonable advanced notice of such presentations and roadshow and that such managers shall only be obligated to participate in one roadshow of reasonably customary duration) and to cause the Company's directors, officers and employees to supply all information reasonably requested by any such underwriter in connection with the offering thereunder;

(e) furnish, without charge, to the Shareholders and to the underwriters of the securities being registered such number of copies of the registration statement, preliminary prospectus, final prospectus and other documents incident thereto as such underwriters and the Shareholders from time to time may reasonably request;

(f) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(g) register or qualify the Registrable Securities covered by such registration statement under such other securities laws or state blue sky laws of such U.S. jurisdictions as shall be reasonably requested by the Shareholders for the distribution of the Registrable Securities covered by the registration statement; provided that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions or to subject itself to taxation in any such states or jurisdictions wherein it would not but for the requirements of this paragraph (g) be required to do so;

(h) enter into customary agreements in form and substance reasonably satisfactory to the Company (including a customary underwriting agreement in form and substance reasonably satisfactory to the Company, if the offering is to be underwritten, in whole or in part);

(i) notify the Shareholders at any time when a prospectus relating thereto covered by such registration statement is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing and, at the request of any Shareholder, promptly prepare and furnish to such Shareholder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing; provided that, upon receipt of such notice from the Company, the Shareholders will forthwith discontinue disposition of their Registrable Securities pursuant to the registration statement covering such Registrable Securities until the Shareholders receive the copies of the supplemented or amended prospectus covering such Registrable Securities (and the Shareholders shall return to the Company all copies of the unsupplemented or unamended prospectus covering such Registrable Securities);

(j) list all Registrable Securities covered by such registration statement on the NASDAQ or on such other securities exchange on which shares of Common Stock are then currently listed;

(k) prevent the issuance of any order suspending the effectiveness of a registration statement or suspending the qualification (or exemption from qualification) of any of the Registrable Securities included therein for sale in any U.S. jurisdiction, and, in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending the qualification of any Registrable Securities included in such registration statement for sale in any U.S. jurisdiction, the Company will use commercially reasonable efforts to promptly obtain the withdrawal of such order;

(l) obtain "cold comfort" letters and updates thereof reasonably satisfactory to the managing underwriters from the independent certified public accountants of the Company, addressed to each of the underwriters, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings; and

(m) obtain opinions of independent counsel to the Company reasonably satisfactory to the managing underwriters, addressed to each of the underwriters covering the matters customarily covered in opinions of issuer's counsel requested in underwritten offerings.

ARTICLE VI

INDEMNIFICATION

6.1 Indemnification by the Company. In the event of any registration of any Registrable Securities pursuant to this Agreement under the Securities Act, the Company will indemnify, hold harmless and reimburse each participating Shareholder, each of the directors, officers, employees, managers, stockholders, partners, members, counsel, agents, trustees or representatives of such Shareholder and its Affiliates and each Person who controls any such Person, if any, and each other Person who participates as an underwriter for the Shareholders in the offering or sale of such securities and each other Person (including its officers and directors) who controls any such underwriter within the meaning of the Securities Act (collectively, "**Shareholder Indemnified Parties**"), against any Registration Expenses, Non-Registration Expenses losses, claims, damages or liabilities, joint or several, to which such participating Shareholder or any such Person, underwriter or controlling person may become subject under the Securities Act or otherwise (collectively "**Losses**"), insofar as such Losses arise out of or are based on any untrue statement or alleged untrue statement of any material fact contained in the registration statement, or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading (a "**Misstatement/Omission**"), under which such Registrable Securities were registered under the Securities Act, in any preliminary prospectus, final prospectus or summary prospectus contained therein, or in any amendment or supplement thereto, and shall reimburse such Shareholder Indemnified Parties, such Person participating as an underwriter for the Shareholders in the offering or sale of such securities and each other Person (including its officers and directors) who controls any such underwriter within the meaning of the Securities Act for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such Losses; provided, however, that the Company shall not be liable in any such case to the extent that any such Losses or expense arises out of or is based upon a Misstatement/Omission made in such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with information furnished to the Company by any participating Shareholder or any other Person who participates as an underwriter in the offering or sale of such securities or any of their controlling persons. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of any such participating Shareholder or any such underwriter or controlling person and shall survive the transfer of such securities by the Shareholder.

6.2 Indemnification by Participating Shareholders. Each of the participating Shareholders whose Registrable Securities are included or are to be included in any registration statement, as a

condition to including Registrable Securities in such registration statement, hereby agrees to indemnify, hold harmless and reimburse (in the same manner and to the same extent as set forth in Section 6.1) the Company, each of its directors, officers, employees, managers, stockholders, counsel, agents or representatives and the Company's Affiliates and each Person who controls any such Person within the meaning of the Securities Act, and each other Person who participates as an underwriter in the offering or sale of such securities and each other Person who controls any such underwriter within the meaning of the Securities Act with respect to any Losses that arise out of or are based on any Misstatement/Omission, from such registration statement, preliminary prospectus, final prospectus or summary prospectus, or any amendment or supplement thereto, if such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with information furnished to the Company by any participating Shareholder. Notwithstanding the foregoing, the obligation to indemnify will be individual (several and not joint) to each Shareholder and will be limited to the net amount of proceeds received by such Shareholder from the sale of Registrable Securities pursuant to such registration statement giving rise to such indemnification obligation. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any such director, officer, or any such underwriter or controlling person and shall survive the transfer of such securities by any participating Shareholder.

6.3 Notices of Claims. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in Section 6.1 or 6.2, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided, however, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under Section 6.1 or 6.2, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled to participate in and to assume the defense of such action, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to the indemnified party for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, that the indemnified party may participate in such defense at the indemnified party's expense and provided, further, that all indemnified parties shall have the right to employ one counsel to represent them if, in the reasonable judgment of such indemnified parties, it is advisable for them to be represented by separate counsel by reason of having legal defenses which are different from or in addition to those available to the indemnifying party, and in that event the reasonable fees and expenses of such one counsel shall be paid by the indemnifying party. If the indemnifying party is not entitled to, or elects not to, assume the defense of a claim, it will not be obligated to pay the fees and expenses of more than one counsel for the indemnified parties with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the fees and expenses of such additional counsel for the indemnified parties. No indemnifying party shall consent to entry of any judgment or enter into any settlement without the consent of the indemnified party which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation. No indemnifying party shall be subject to any liability for any settlement made without its written consent. The indemnifying party's liability to any such indemnified party hereunder shall not be extinguished solely because any other indemnified party is not entitled to indemnity hereunder.

6.4 Survival. The indemnification provided for under this Agreement will (i) remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party, (ii) survive the transfer of securities and (iii) survive the termination of this Agreement.

6.5 Contribution. If, for any reason, the foregoing indemnity is unavailable, or is insufficient to hold harmless an indemnified party, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of the expense, loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party on the other (determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission), as well as any other relevant equitable considerations. The amount paid or payable by a party as a result of the expense, loss, claim, damage or liability referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding. The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section 6.5 were determined by pro rata allocation or by any other means of allocation, unless such contribution takes into account the equitable considerations referred to in this paragraph. Notwithstanding the provisions of this Section 6.5, a Shareholder shall not be required to contribute any amount in excess of the amount by which (i) the amount at which the securities that were sold by such Shareholder and distributed to the public were offered to the public exceeds (ii) the amount of any damages which such Shareholder has otherwise been required to pay by reason of such Misstatement/Omission or violation. No indemnified party guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any indemnifying party who was not guilty of such fraudulent misrepresentation.

ARTICLE VII

INFORMATION BY PARTICIPATING SHAREHOLDERS

7.1 Information Regarding Participating Shareholders. If any Registrable Securities are to be included in any registration, each participating Shareholder shall promptly furnish to the Company and any applicable underwriter such information regarding such Shareholder and the distribution proposed by such Shareholder as the Company or such underwriter reasonably believes is required in connection with any registration, qualification or compliance referred to in this Agreement.

ARTICLE VIII

RULE 144 SALES

8.1 Reporting. With a view to making available to the Shareholders the benefits of certain rules and regulations of the Commission which may permit the sale of Registrable Securities to the public without registration or through short form registration forms, the Company agrees to use its commercially reasonable efforts to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act; and

(b) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act.

ARTICLE IX

RESTRICTIONS ON TRANSFER

9.1 Restrictions on Transferability.

(a) During the Lock–Up Period, the Registrable Securities held by the Shareholders may not be Transferred without the prior written consent of CEDC, in whole or in part, except in accordance with Section 9.1(b). After the Lock–Up Period, the Registrable Securities held by the Shareholders may be Transferred, in whole or in part, to any Person provided, that:

(i) there is in effect a registration statement under the Securities Act covering such proposed Transfer and such Transfer is made in accordance with such registration statement; or

(ii) such Transfer is eligible under Rule 144 or such Transfer is otherwise made in accordance with applicable securities law, and (A) the Shareholders shall have notified the Company of the proposed Transfer and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed Transfer, provided that such detailed statement is kept confidential and is not disclosed to any other Person until prior written consent from the Shareholder is given which explicitly authorizes the disclosure of the information in such detailed statement, or (B) the Shareholders provide the Company and the Company's transfer agent with a legal opinion from independent internationally recognized legal counsel experienced in such matters, which legal opinion shall be in customary form reasonably acceptable to the Company and shall state that such Transfer is eligible under Rule 144 or is otherwise made in accordance with applicable securities laws.

(b) The Registrable Securities held by the Shareholders may be transferred at any time, in whole or in part, (i) to any Person that is a 100% Affiliate of an Ultimate Parent, so long as such Person (A) remains a 100% Affiliate of such Ultimate Parent and (B) agrees in writing to be bound by the terms and conditions of this Agreement, (ii) pursuant to a tender offer within the meaning of the Exchange Act for any or all of the shares of Common Stock of the Company, (iii) in connection with any plan of reorganization, restructuring, bankruptcy, insolvency, merger or consolidation, reclassification, recapitalization, or, in each case, similar corporate event of the Company, or (iv) an involuntary transfer pursuant to operation of law.

(c) Any proposed Transfer of any Registrable Securities held by any Shareholder to a Known Competitor of the Company, including the circumstances surrounding such proposed Transfer, shall be disclosed in writing to the Company 10 days before such proposed Transfer is effected.

(d) Each Shareholder is aware of the following Telephone Interpretation in the SEC Manual of Publicly Available Telephone Interpretations (July 1997):

A.65. Section 5

An issuer filed a Form S-3 registration statement for a secondary offering of common stock which is not yet effective. One of the selling shareholders wanted to do a short sale of common stock "against the box" and cover the short sale with registered shares after the effective date. The issuer was advised that the short sale could not be made before the registration statement

becomes effective, because the shares underlying the short sale are deemed to be sold at the time such sale is made. There would, therefore, be a violation of Section 5 if the shares were effectively sold prior to the effective date.

(e) The Company is required to refuse to register any transfer of the Shares which is not made in accordance with Regulation S under the Securities Act, pursuant to a registration statement under the Securities Act or pursuant to an available exemption therefrom.

9.2 Restrictions on Sales During Registration Periods. In addition to the restrictions set forth in Section 9.1, each Shareholder agrees not to, except with respect to a 100% Affiliate of an Ultimate Parent that (a) remains a 100% Affiliate of such Ultimate Parent and (b) agrees in writing to be bound by the terms and conditions of this Agreement, offer, sell (including pursuant to Rule 144), distribute, sell short, loan, grant an option for the purchase of, enter into any swap or hedge agreement in connection with, or otherwise Transfer any Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock, during the 15 days prior to and the 180 days after the effective date of any underwritten public offering of the Company's securities, unless the Company's Board of Directors and the underwriters managing such public offering otherwise agree. The Shareholders shall not take any action with respect to any distribution deemed to be made pursuant to any Demand Registration that would constitute a violation of Regulation M under the Exchange Act.

9.3 No Participation in Other Securities Offerings. The rights granted by the Company hereunder shall be the exclusive rights granted to Shareholders with respect to Registrable Securities. Except as otherwise provided herein, the Shareholders shall have no rights to participate in any offering of securities by the Company to third parties, whether such offering is effected pursuant to registration under the Securities Act or pursuant to an exemption from registration thereunder.

ARTICLE X

COVENANTS

10.1 Shareholders. Each Shareholder hereby agrees (i) to cooperate with the Company and to furnish to the Company all such information regarding such Shareholder, its ownership of Registrable Securities and the disposition of such securities in connection with the preparation of the registration statement and any filings with any state securities commissions as the Company may reasonably request, (ii) to the extent required by the Securities Act, to deliver or cause delivery of the Prospectus contained in the registration statement, any amendment or supplement thereto, to any purchaser of the Registrable Securities covered by the registration statement from the Shareholder, (iii) if requested by the Company, to notify the Company of any sale of Registrable Securities by such Shareholder and (iv) not to sell any of its Registrable Securities held by such holder for a period of six months following the Closing Date.

ARTICLE XI

TERMINATION

11.1 Termination. This Agreement and the rights provided hereunder shall terminate and be of no further force and effect with respect to each Shareholder on the date the Registrable Securities held by such Shareholder cease to be Registrable Securities pursuant to the terms of this Agreement. This Section 11.1 shall not, however, apply to the provisions of ARTICLE VI of this Agreement, which shall survive the termination of this Agreement.

ARTICLE XII

MISCELLANEOUS

12.1 Decisions or Actions of the Shareholders. For the purposes of this Agreement, an action or decision shall be deemed to have taken by all of the Shareholders if such action or decision shall have been made by Shareholders holding a majority of the Registrable Securities.

12.2 Successors and Assigns. Subject to the provisions of Section 9.1, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors, assigns and transferees of the parties. If any successor, assignee or transferee of any Shareholder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities such Person shall be conclusively deemed to have agreed to be bound by all of the terms and provisions hereof.

12.3 Notices. All notices and other communications provided for hereunder shall be in writing and sent by registered or certified mail, return receipt requested, postage prepaid or delivered in person or by courier, telecopier or electronic mail, and shall be deemed to have been duly given on the date on which personally delivered to, or actually received by, the party to whom such notice is to be given at its address set forth below, or at such other address for the party as shall be specified by notice given pursuant hereto:

(a) If to the Company, to:

Central European Distribution Company
Two Bala Plaza
Suite #300
Bala Cynwyd, Pennsylvania 19004
United States of America
Attn: William V. Carey, President

with a copy (which shall not constitute notice) to:

Dewey & LeBoeuf LLP
1301 Avenue of the Americas
New York, New York 10019
United States of America
Attn: Frank R. Adams, Esq.

(b) If to the Shareholders, to:

Barclays Wealth Trustees (Jersey) Limited as Trustee
of The First National Trust
39-41 Broad Street,
St Helier
Jersey JE4 5PS
The Channel Islands
Attn: Robert Kerley

with a copy (which shall not constitute notice) to:

Darrois Villey Maillot Brochier
69 avenue Victor Hugo
75116 Paris
France
Attn: Ben Burman

12.4 Governing Law. This Agreement and any controversy or claim arising out of or relating to this Agreement shall be governed by the laws of the State of New York, without giving effect to the principles of conflicts of laws.

12.5 Entire Agreement; Amendments and Waivers. This Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions whether oral or written, of the parties. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by all parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

12.6 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts.

12.7 Severability. In the event that any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement.

12.8 Headings. The headings of the Articles and Sections herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

12.9 Gender and Other References. Unless the context clearly indicates otherwise, the use of any gender pronoun in this Agreement shall be deemed to include all other genders, and singular references shall include the plural and vice versa.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CENTRAL EUROPEAN DISTRIBUTION CORPORATION

By: /s/ William Carey
Name: William Carey
Title: President

BARCLAYS WEALTH TRUSTEES (JERSEY) LIMITED
as Trustee of The First National Trust

By: /s/ Paul Sinel
Name: Paul Sinel
Title: Director

Schedule A

Name of Shareholder	Number of Shares of Common Stock
BARCLAYS WEALTH TRUSTEES (JERSEY) LIMITED as Trustee of The First National Trust	843,524

Exhibit 21

1. Carey Agri International Poland Sp. z o.o., a limited liability company organized under the laws of Poland.
2. Multi Trade Company Sp. z o.o., a limited liability company organized under the laws of Poland.
3. Piwnica Wybornych Win Sp. z o.o., a limited liability company organized under the laws of Poland.
4. Polskie Hurtownie Alkoholi Sp. z o.o., a limited liability company organized under the laws of Poland.
5. Astor Sp. z o.o., a limited liability company organized under the laws of Poland.
6. Damianex S.A., a corporation formed under the laws of Poland.
7. Agis S.A., a corporation formed under the laws of Poland.
8. Onufry S.A., a corporation formed under the laws of Poland.
9. Dako Galant Sp. z o.o., a limited liability company organized under the laws of Poland.
10. Panta Hurt Sp z o.o., a limited liability company organized under the laws of Poland.
11. Multi-Ex S.A., a corporation formed under the laws of Poland.
12. Miro Sp z o.o., a limited liability company organized under the laws of Poland.
13. Saol Sp z o.o., a limited liability company organized under the laws of Poland.
14. Polnis Sp z o.o., a limited liability company organized under the laws of Poland.
15. Fine Wines and Spirits, Sp z o.o., a limited liability company organized under the laws of Poland.
16. Imperial Sp z o.o., a limited liability company organized under the laws of Poland.
17. Delikates Sp z o.o., a limited liability company organized under the laws of Poland.
18. Krokus Sp z o.o., a limited liability company organized under the laws of Poland.
19. Bols Sp z o.o., a limited liability company organized under the laws of Poland.
20. Polmos Bialystok S.A., a corporation formed under the laws of Poland.
21. Bols Hungary, Kft, a limited liability company organized under the laws of Hungary.
22. Classic Sp z o.o., a limited liability company organized under the laws of Poland.
23. PHS Sp. z o.o., a limited liability company organized under the laws of Poland.
24. Copecresto Enterprises Limited, a limited liability company organized under the laws of Cyprus.
25. OOO Parliament Production, a limited liability company organized under the laws of the Russian Federation.
26. OOO Parliament Distribution, a limited liability company organized under the laws of the Russian Federation.
27. Lugano Holding Limited, a limited liability company organized under the laws of Cyprus.
28. ISF GmbH, a limited liability company organized under the laws of Germany.
29. Peulla Enterprises Limited, a limited liability company organized under the laws of Cyprus.
30. WHL Holdings Limited, a limited liability company organized under the laws of Cyprus.
31. Dancraig Wine & Spirits Trading Limited, a limited liability company organized under the laws of the Isle of Man.

32. Global Wine & Spirit Holdings Limited, a limited liability company organized under the laws of Cyprus.

33. Tisifoni Wines & Spirits Limited, a limited liability company organized under the laws of Cyprus.

34. OOO Whitehall-Center, a limited liability company organized under the laws of the Russian federation.

35. OOO WH Import Company, a limited liability company organized under the laws of the Russian Federation.

36. OOO Whitehall Severo-Zapad, a limited liability company organized under the laws of the Russian Federation.

37. OOO Whitehall-Saint-Petersburg, a limited liability company organized under the laws of the Russian Federation.

38. OOO Whitehall-Siberia, a limited liability company organized under the laws of the Russian Federation.

39. OOO WH Rostov-na-Donu, a limited liability company organized under the laws of the Russian Federation.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333 – 146375) and Form S-3 (Nos. 333 – 129073, 333 – 138809 and 333-149487) of Central European Distribution Corporation of our report dated March 2, 2009 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this annual report on Form 10-K.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland
March 2, 2009

Exhibit 31.1

CERTIFICATIONS

I, William V. Carey, President and Chief Executive Officer of Central European Distribution Corporation, certify that:

1. I have reviewed this report on Form 10-K of Central European Distribution Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2009

By: /s/ WILLIAM V. CAREY
William V. Carey
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATIONS

I, Chris Biedermann, Vice President and Chief Financial Officer of Central European Distribution Corporation, certify that:

1. I have reviewed this report on Form 10-K of Central European Distribution Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2009

By: /s/ CHRIS BIEDERMANN

Chris Biedermann
Vice President and Chief Financial Officer
(principal financial officer)

Exhibit 32.1

Written Statement of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of Central European Distribution Corporation (the "Company"), hereby certifies that, to his knowledge on the date hereof:

(a) the Form 10-K of the Company for the fiscal year ended December 31, 2008, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WILLIAM V. CAREY
William V. Carey
Chairman, President and Chief Executive Officer

March 2, 2009

Exhibit 32.2

Written Statement of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Financial Officer of Central European Distribution Corporation (the "Company"), hereby certifies that, to his knowledge on the date hereof:

(a) the Form 10-K of the Company for the fiscal year ended December 31, 2008, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ CHRIS BIEDERMANN
Chris Biedermann
Vice President and Chief Financial Officer

March 2, 2009