

AB "STUMBRAS"

*Independent auditor's report and  
financial statements for the year  
that ended on December 31, 2004.*

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## **Auditor's Report**

### **To the Shareholders of AB "Stumbras":**

1. We have audited the accompanying balance sheet of AB "Stumbras" as of December 31, 2004 and the related income statement, statement of changes in equity, explanatory notes and cash flows statement for the year 2004. These financial statements have been prepared in accordance with the Law on Financial Statements of Companies of the Republic of Lithuania. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the National Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and estimates made by the management, as well as evaluating the compliance of overall financial statement presentation to the general composition order of financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the financial statements present fairly, in all material respects, the financial position of AB "Stumbras" as of December 31, 2004, and the results of their operations and their cash flows for the year 2004 in accordance with the Business Accounting Standards of Lithuania.

4. We have audited the activities report of AB "Stumbras" for the accounting year 2004, which is attached to the audited financial statements of 2004. This report and the plans and forecasts of operations are the responsibility of the Company's management. Our responsibility is to express an opinion on the compliance of the data presented in the Company's activities report with the annual financial statements based on our audit.

5. Our audit was limited to auditing the Company's activities report to the extent of acknowledgement that this report does not include any significant nonconformities in respect of the annual financial statements. We have not audited the part of the Company's activities report containing estimates made by management, plans and forecasts, as it is not the subject of the audit. Therefore there is no opinion expressed on the said issue.

6. On the ground of our audit we are in a position to declare that we have not noticed any significant nonconformities of the Company's activities report of 2004 in respect of the annual financial statements of 2004.

UAB Mokesčių ekspertų biuras  
Auditor Artūras Kapitanovas

2005-03-08  
Vilnius

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General Data

SPAB "Stumbras" was established after reorganization of the state-owned enterprise "Stumbras". It was registered as a Company on October 4, 1995; and on December 24, 2002 a new revision of the Articles of Association was registered, in accordance to which the name of SPAB "Stumbras" was changed to AB "Stumbras". The address of the legal domicile of the Company is as follows:

K. Būgos g. 7  
Kaunas  
The Republic of Lithuania

The main business activity of the Company is manufacture of alcoholic beverages and distilled, rectified and denatured ethyl alcohol.

There were 409 employees employed in AB "Stumbras" on December 31, 2004 (whereas there were 650 employees employed in the Company on December 31, 2003).

The Company prepares its financial statements in accordance with the Law on Financial Statements of Companies of the Republic of Lithuania and the Business Accounting Standards of Lithuania.

The Company's book keeping is done with the help of accounting application "Microsoft Navision XAL (Damgaard XAL 3.0)".

The financial year of the Company coincides with the calendar year.

All the amounts of the accompanying financial statements are presented in national currency of Lithuania, i.e., Litas (Lt).

### 2. Accounting Policy

#### Intangible Fixed Assets

Intangible assets mean identifiable non-monetary assets without physical substance disposed by the enterprise expecting to obtain direct and indirect economic benefits from the use of such assets.

Intangible assets are accepted if they satisfy the definition of intangible assets and the following recognition criteria:

- the enterprise can reasonably expect to obtain economic benefits from the assets in the future;
- the acquisition (production) cost of the assets can be reliably measured and distinguished from the value of other assets;

- the enterprise can dispose such assets, control them or limit the others' right to use such assets.

Intangible assets are recorded in the accounting system at their acquisition (production) cost.

The balance sheet contains the residual value of intangible assets.

Amortisation is calculated by applying the straight-line (linear) method. The liquidation value is not considered.

The useful life of intangible assets is fixed as follows:

Computer software	3 years
Acquired legal rights	3 years
Goodwill	15 years
Other intangible assets	4 years

### **Tangible Fixed Assets**

Tangible assets are accepted and recorded in the accounting system if they satisfy all the following criteria:

- the enterprise manages and controls them;
- the enterprise is going to use them longer than one year;
- the enterprise reasonably expects economic benefits from such assets in future periods;
- the enterprise can reliably measure the acquisition (production) cost of the assets;  
the acquisition (production) cost of the assets is not lower than 500 Lt.

Tangible fixed assets that are accounted in the group "Buildings and structures" are recorded in the accounting system at the acquisition cost and subsequently revalued while recording them at the revaluation amount; whereas for the purposes of financial statements such assets are disclosed at the revaluation amount after having deducted accumulated depreciation and impairment value.

Tangible fixed assets that are accounted in other groups are recorded in the accounting system at the acquisition (production) cost and for the purposes of financial statements such assets are disclosed at the acquisition cost after having deducted accumulated depreciation and impairment value.

Depreciation of all the assets groups is calculated by applying the straight-line (linear) method.

The useful life of tangible assets is fixed as follows:

Buildings and structures	15-20 years
Plant and machinery	5-10 years
Vehicles	6-10 years
Other fixtures, fittings, tools and equipment	3-5 years
Other tangible assets	4 years

Prepayments for tangible fixed assets are recorded in the account of tangible assets.

### **Inventories**

The purchased inventories (raw materials and completion goods) are recorded at the acquisition value in the Company, whereas work in progress and finished goods are estimated at the calculated price that is close to the actual production cost by applying FIFO appraisal method.

Deferred expenses are recorded in the prepayments items of the balance sheet.

### **Amounts Receivable**

Amounts receivable are recorded in the Company's balance sheet at their fair value less doubtful amounts.

### **Cash and Cash Equivalents**

Cash and cash equivalents items include cash at hand and in bank.

### **Liabilities**

Liabilities are accepted in the accounting system and recorded in the balance sheet when the enterprise acquires obligations that require to be fulfilled in the future.

Accrued expenses are recorded in items of relevant liabilities of the balance sheet.

Interest related to the liabilities is accepted as expenses of an reporting period.

### **Income**

Income is accepted pursuant to accrual principle, i.e., they are recorded in the accounting systems after they have been earned, irrespective of receipt of money.

The amounts collected on behalf of the third parties, as well as Value Added Tax and Excise Tax that is included in the selling price, are not accepted as income.

Income is estimated at the fair value considering the discounts granted and intended, as well as return of goods sold and price reduction.

## **Expenses**

The cost of products sold and goods resold is accepted, recorded in the accounting system and presented in the financial statements in the same reporting period during which the said products (goods) have been sold. The cost of the products (goods) sold is calculated constantly by applying FIFO appraisal method.

## **Changes in the Accounting Policies**

Due to changes in the accounting policies the following corrections were made to the Company's financial statements of the previous year:

- The prepayments amount of 201847 Lt for tangible fixed assets was transferred from the current assets item "Prepayments" to the fixed assets item "Other tangible assets" in the balance sheet.
- The assets belonging to the fixed assets group "Buildings and structures" are accounted at the revaluation amount. The revaluation results are presented by applying retrospective method. The increase in assets value of 4023847 Lt and the equal increase of the revaluation reserve are recorded in the accounting system, as well as the decline in the assets value of 25214299 and the equal decline in the profit brought forward of the previous periods.
- The accrued expenses related to holiday payoff 1041446 Lt are transferred from the balance sheet item "Accrued expenses and deferred income" to the item "Liabilities related to labour relations". The taxes related to labour relations, i.e., Personal Income Tax of 249680 Lt and Guarantee Fund Fee of 2559 Lt, are transferred to the above-mentioned item as well.
- The amount of other taxes payable of 10133535 Lt is transferred from the balance sheet item "Taxes payable" to the item "Other amounts payable".
- The item of financing and investing activities shows only the result of currency rate adjustment (profit or loss due to currency rate adjustment). The overall result of the profit due to currency rate adjustment of 80246 Lt and the loss due to currency rate adjustment of 223960 Lt is the loss due to currency rate adjustment of 143714 Lt.
- The expenses of financing and investing activities of 964463 Lt contained in the income statement are transferred to operating expenses item (9262 Lt) and other activities expenses item (955201 Lt); whereas the income of financing and investing activities of 58674 Lt is transferred to operating income item (41000 Lt/reduced) and other activities income item (17674 Lt).
- The gain of 117645 Lt is transferred to operating expenses item (3133 Lt/reduced), other activities income item (17616 Lt) and profits tax item (96896 Lt/reduced). Losses of 51325 Lt are transferred to operating expenses item (42110 Lt), other activities expenses item (8745 Lt) and profit tax expenses (470 Lt/increased).

### 3. Intangible Fixed Assets

Items	Computer software	Acquired legal rights	Total
Acquisition value (2003-12-31)	379546	342815	722361
Acquired in 2004 (+)	36074	89773	147030
Reclassification of the assets groups (-/+)			
The acquisition value of the assets sold and written-off in 2004 (-)	-216572		-237755
Acquisition value (2004-12-31)	199048	432588	631636
Accumulated amortisation (2003-12-31)	288015	222509	510524
Calculated amortisation of 2004 (+)	77898	48989	144884
Reclassification of the assets groups (-/+)			
Reversal of the sold and written-off assets amortisation (-)	-216572		-234569
Accumulated amortisation (2004 12 31)	149341	271498	420839
Residual value (2003-12-31)	91531	120306	211837
Residual value (2004-12-31)	49707	161090	210797

### 4. Tangible Fixed Assets

Items	Land	Buildings and structures	Plant and machinery	Vehicles	Other fixtures, fittings, tools and equipment	Other tangible assets (prepayments)	Constructi on in progress	Total
Acquisition value (2003-12-31)	22240	57461722	41641797	4118715	8987686	201847	4689418	117123425
Acquired in 2004 (+)		383652	545193	32203	449674	137242	4652892	4652892
Reclassification of the assets groups (-/+)		-214388	5889698	-520	264147		-5938937	
The acquisition value of the assets sold and written-off in 2004 (-)		-5867545	-2998979	-1660098	-1436982			-11783604
Acquisition value (2004-12-31)	22240	51943441	45077709	2490300	83264525	339089	3403373	111540677
Revaluation amount (2003-12-31)		4023847						4023847
Increase (decline) in value +/-)		-21484						-21484
Value of the assets transferred and written-off (-)								
Reclassification of the assets groups (-/+)								
Revaluation amount (2004-12-31)		4002363						4002363



**AB "STUMBRAS"**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

Accumulated depreciation amount (2003-12-31)		15740781	20504171	2683121	4696260			4362433
Calculated depreciation amount of 2004		418759	3745398	218194	903422			5285773
Reclassification of the assets groups (-/+)		-178847	4979	-340	174208			
Reversal of the sold and written-off assets depreciation amount (-)		-888023	-2415676	-	-			-5861664
Accumulated depreciation amount (2004 12 31)		15092670	21838872	1607822	4509078			43048442
Decline in value (2003-12-31)		25214299						25214299
Decline (reversal) in value +/-(-)								
Value of the assets transferred and written-off (-)		-1097236						-1097236
Reclassification of the assets groups (-/+)								
Revaluation amount (2004-12-31)		24117063						24117063
Residual value (2003-12-31)	22240	20530489	21137626	1435594	4291426	201847	4689418	52308640
Residual value (2004-12-31)	22240	16736071	23238837	882478	3755447	339089	3403373	48377535

## 5. Investments

The Company's investments include:

	Number of shares	Acquisition value	
		2004-12-31	2003-12-31
UAB "Atrio"	9000	-	750000
AB "Litimpeks bankas"	172	-	172
UAB "Žalasis taškas"	1	15000	0
Total:		15000	750172

During the reporting period the Company wrote-off the acquisition values of the shares of UAB "Artrio" (due to reported intentions to declare bankruptcy) and UAB "Litimpeks bankas" (due to acknowledgement of bankruptcy) to operative expenses item.

**6. Other Fixed Amounts Receivable**

	2004-12-31	2003-12-31
VVP (Government Securities)	658	987
Loans	121500000	-
Total:	121500658	987

**7. Inventories and Prepayments**

	2004-12-31	2003-12-31
Raw materials and completion goods	15925121	13370045
Work in progress	423813	365770
Finished goods	2400066	5944029
Goods purchased for resale	10216	488467
Prepayments	925416	166820
Deferred expenses	124539	93299
Total:	19809171	20428430

**8. Trade amounts receivable**

	2004-12-31	2003-12-31
Trade amounts receivable	16535483	1025225
Doubtful debts	2239199	3114121
Decline of trade amounts receivable account by doubtful amounts	-2239199	-3116362
Total:	16535483	1022984

**9. Amounts Receivable**

	2004-12-31	2003-12-31
Loans	10500	80017700
Other	1777984	2111858
Total:	1788484	82129558

**10. Cash at Hand and in Bank**

	2004-12-31	2003-12-31
Cash in bank	7147820	8327066
Cash at hand	16385	231643
Payment cards	450	134
Cash in transit	-	8900
Total:	71646455	8567743

## 11. Authorised Capital of the Company

The Company's authorised (subscribed) capital amounts to 130676340 Litas. It consists of 32669085 ordinary registered shares. The nominal value of each share is 4 Litas.

By the resolution of the extraordinary general meeting of shareholders held on February 18, 2004 it was decided to increase the authorised capital of AB "Stumbras". The authorised capital was increased from 118640396 Lt to 130676340 Lt by issuing additional 3008986 ordinary registered shares with the nominal value of 4 Litas each. New revision of the Articles of Association was registered in the Register of Legal Entities on August 11, 2004.

## 12. Reserves

	2004-12-31	2003-12-31
Legal reserve	11864040	11864040
Other reserves	20308166	21702281

If the legal reserve is less than 1/10 of the authorised capital, deductions made to the said reserve are obligatory and cannot be less than 1/20 of the net profit until the legal reserve amounting to 1/10 of the authorised capital has been reached.

## 13. Current Amounts Payable

	2004-12-31	2003-12-31
Trade amounts payable	7763770	5604669
Prepayments received	102110	2639484
Liabilities related to labour relations	1947789	2295535
Other amounts payable	43335698	11107122
Total:	53149367	21646810

Other amounts payable consist of:

	2004-12-31	2003-12-31
Excise Tax payable	11242686	6718906
VAT payable	3790811	3195737
Shareholders' contribution to increase capital	28060424	-
	241777	1192479
Total:	43335698	11107122

#### 14. Sales

	2004	2003
Sales	89777723	94330026

#### 15. Cost of Sales

	2004	2003
Cost of sales	47782633	54661885

#### 16. Operating Expenses

	2004	2003
16.1. Sales		
Marketing and advertising	7885114	6536097
Transportation	2079954	1929980
Other sales expenses	533576	2766130
Total sales expenses:	10498644	11232207
16.2. General and administrative		
Remuneration and social security	13692884	6594257
Taxes	1593929	3773795
Waste treatment	575421	521269
Depreciation and amortisation	2284808	334571
Communications and post	184436	249549
Other general and administrative expenses	8410363	4649636
Total general and administrative expenses:	26741841	16123077
Total:	37240485	27355284

#### 17. Other Activities

	2004	2003
Income	4207076	35290
Expenses	3620833	963946

### 18. Financing and Investing Activities

	2004	2003
18.1. Income		
Interest	1902557	2258110
Factoring	24507	519951
Profit due to currency rate adjustment	45037	-
Other	36277	134046
Total financing and investing activities income:	2008378	2912107
18.2. Expenses		
Factoring	24507	519951
Loss due to currency rate adjustment	-	143714
Penalties and fines	8469	195546
Total financing and investing activities expenses:	32976	859211

### 19. Profit Tax

	2004	2003
Profit Tax	929213	1959920

### 20. Actions Taken after the Date of the Balance Sheet

By the resolution of the extraordinary general meeting of shareholders held on September 24, 2004 it was decided to increase the authorised capital of AB "Stumbras". The authorised capital was increased from 130676340 Lt to 158741416 Lt by issuing additional 7016269 ordinary registered shares with the nominal value of 4 Litas each. New revision of the Articles of Association was registered in the Register of Legal Entities on January 25, 2005.

Complete Form of the Balance Sheet

“STUMBRAS” PUBLIC LIMITED LIABILITY COMPANY

(name of the enterprise)

Enterprise registration No 132082782, K.Būgos g. 7, Kaunas

(enterprise registration number, address, other information)

APPROVED

\_\_\_\_\_, 20\_\_

Minutes No. \_\_\_\_\_

**BALANCE SHEET of 2004**

(reporting period)

December 31, 2004

## In Litas

No.	ASSETS	Note No.	Financial year	Previous financial year
<b>A.</b>	<b>Fixed assets</b>		<b>170103990</b>	<b>53271636</b>
<b>I.</b>	<b>Intangible assets</b>		<b>210797</b>	<b>211837</b>
I.1.	Development works			
I.2.	Goodwill			
I.3.	Licences and patents		161090	120306
I.4.	Computer software		49707	91531
I.5.	Other intangible assets			
<b>II.</b>	<b>Tangible assets</b>		<b>48377535</b>	<b>52308640</b>
II.1.	Land		22240	22240
II.2.	Buildings and structures		16736071	20530489
II.3.	Plant and machinery		23238837	21137626
II.4.	Vehicles		882478	1435594
II.5.	Other fixtures, fittings and equipment		3755447	4291426
II.6.	Construction in progress		3403373	4689418
II.7.	Other tangible assets		339089	201847
<b>III.</b>	<b>Financial assets</b>		<b>121515658</b>	<b>751159</b>
III.1.	Investments in subsidiaries and associates			
III.2.	Loans to subsidiaries and associates			
III.3.	Amounts receivable after one year		121500658	987
III.4.	Other financial assets		15000	750172
<b>B.</b>	<b>Current assets</b>		<b>45438149</b>	<b>112148715</b>
<b>I.</b>	<b>Inventories, prepayments and contracts in progress</b>		<b>19809171</b>	<b>20428430</b>
I.1.	Inventories		18759216	20168311
I.1.1.	Raw materials and completing products		15925121	13370045
I.1.2.	Work in progress		423813	365770
I.1.3.	Finished products		2400066	5944029
I.1.4.	Goods purchased for resale		10216	488467
I.2.	Prepayments		1049955	260119
I.3.	Contracts in progress			
<b>II.</b>	<b>Amounts receivable within one year</b>		<b>18323967</b>	<b>83152542</b>
II.1.	Trade amounts receivable		16535483	1022984
II.2.	Receivables from subsidiaries and associates			
II.3.	Other amounts receivable		1788484	82129558
<b>III.</b>	<b>Other current assets</b>		<b>140356</b>	<b>0</b>
III.1.	Current investments			
III.2.	Time deposits			
III.3.	Other currents assets		140356	
<b>IV.</b>	<b>Cash and cash equivalents</b>		<b>7164655</b>	<b>8567743</b>
	<b>Total assets:</b>		<b>215542139</b>	<b>1654202351</b>

No.	EQUITY AND LIABILITIES	Note No.	Financial year	Previous financial year
<b>C.</b>	<b>Equity</b>		<b>161759520</b>	<b>143773541</b>
<b>I.</b>	<b>Capital</b>		<b>130676340</b>	<b>118640396</b>
I.1.	Authorised (subscribed)		130676340	118640396
I.2.	Subscribed uncalled share capital (-)			
I.3.	Share premium			
I.4.	Own Shares (-)			
<b>II.</b>	<b>Revaluation reserve (results)</b>		<b>3849833</b>	<b>4023847</b>
<b>III.</b>	<b>Reserves</b>		<b>32172206</b>	<b>33566321</b>
III.1.	Legal reserve		11864040	11864040
III.2.	Reserve for acquiring own shares			
III.3.	Other reserves		20308166	21702281
<b>IV.</b>	<b>Retained earnings (losses)</b>		<b>-4938859</b>	<b>-12457023</b>
IV.1.	Profit (loss) of the reporting year		6561051	11477177
IV.2.	Profit (loss) of the previous year		-11499910	-23934200
<b>D.</b>	<b>Grants and subsidies</b>		<b>633252</b>	
<b>E.</b>	<b>Amounts payable and liabilities</b>		<b>53149367</b>	<b>21646810</b>
<b>I.</b>	<b>Long-term liabilities and amounts payable after one year</b>		<b>0</b>	<b>0</b>
I.1.	Financial debts		0	0
I.1.1.	Leasing (financial lease) and similar obligations			
I.1.2.	To credit institutions			
I.1.3.	Other financial debts			
I.2.	Trade amounts payable			
I.3.	Amounts received in advance			
I.4.	Provisions		0	0
I.4.1.	For covering liabilities and demands			
I.4.2.	For pensions and similar obligations			
I.4.3.	Other provisions			
I.5.	Deferred taxes			
I.6.	Other amounts payable and long-term liabilities			
<b>II.</b>	<b>Current liabilities and amounts payable within one year</b>		<b>53149367</b>	<b>21646810</b>
II.1.	Current portion of non-current debts			
II.2.	Financial debts		0	0
II.2.1.	To credit institutions			
II.2.2.	Other debts			
II.3.	Trade amounts payable		7763770	5604669
II.4.	Amounts received in advance		102110	2639484
II.5.	Profit tax liabilities			
II.6.	Liabilities related to labour relations		1947789	2295535
II.7.	Provisions			
II.8.	Other amounts payable and current liabilities		433356978	11107122
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>215542139</b>	<b>165420351</b>

General Manager  
(title of the head of enterprise  
administration)

Česlovas Matulevičius  
( full name)

\_\_\_\_\_  
(signature)



Complete Form of Income Statement

“STUMBRAS” PUBLIC LIMITED LIABILITY COMPANY  
(name of the enterprise)

Enterprise registration No 132082782, K.Būgos g. 7, Kaunas  
(enterprise registration number, address, other information)

APPROVED  
\_\_\_\_\_, 20\_\_  
Minutes No. \_\_\_\_\_

**INCOME STATEMENT of 2004**  
(reporting period)

December 31, 2004

No.	Items	Note No.	In Litas	
			Financial year	Previous financial year
I.	SALES INCOME		89,777,723	94,330,026
II.	COST OF SALES		47,782,633	54,661,885
<b>III.</b>	<b>GROSS PROFIT (LOSS)</b>		<b>41,995,090</b>	<b>39,668,141</b>
IV.	OPERATING EXPENSES		37,240,485	27,355,284
IV.1.	Sales		10,498,644	11,232,207
IV.2.	General and administrative		26,741,841	16,123,077
<b>V.</b>	<b>OPERATING PROFIT (LOSS)</b>		<b>4,754,605</b>	<b>12,312,857</b>
VI.	OTHER ACTIVITIES		586,243	-928,656
VI.1.	Income		4,207,076	35,290
VI.2.	Expenses		3,620,833	963,946
VII.	FINANCING AND INVESTING ACTIVITIES		1,975,402	2,052,896
VII.1.	Income		2,008,378	2,912,107
VII.2.	Expenses		32,976	859,211
<b>VIII.</b>	<b>PROFIT (LOSS) FROM NORMAL ACTIVITIES</b>		<b>7,316,250</b>	<b>13,437,097</b>
IX.	GAIN			
X.	LOSSES			
<b>XI.</b>	<b>PROFIT (LOSS) BEFORE TAX</b>		<b>7,316,250</b>	<b>13,437,097</b>
XII.	PROFIT TAX		929,213	1,959,920
<b>XIII.</b>	<b>NET PROFIT (LOSS)</b>		<b>6,387,037</b>	<b>11,477,177</b>

General Manager  
(title of the head of enterprise  
administration)

Česlovas Matulevičius  
( full name)

\_\_\_\_\_  
(signature)



	1	2	3	4	5	6	7	8	9	10	11
9. Net profit / loss of the reporting period of 2003										11477177	11477177
10. Dividends										-8304828	-8304828
11. Other payments										<b>-200000</b>	-200000
12. Formed reserves						2966011			8986988	-11952999	0
13. Used reserves									-7805885		-7805885
14. Increase / reduction of authorised capital											0
<b>15. Balance as of December 31, 2003</b>	<b>118640396</b>	<b>0</b>	<b>0</b>	<b>4023847</b>	<b>0</b>	<b>11864040</b>	<b>0</b>	<b>20308166</b>	<b>1394115</b>	<b>-12457023</b>	<b>143773541</b>
16. Increase / decrease in the value of fixed tangible assets (depreciation share of the revalued amount)				-174014						174014	0
17. Increase / decrease in the value of financial assets											0
18. Acquisition of own shares											0
19. Profit / loss excluded from the income statement									-1394115	1394115	0
20. Net profit / loss of the reporting period										6387037	6387037
21. Dividends											0
22. Other payments										<b>-437002</b>	-437002
23. Formed reserves											0
24. Used reserves											0
25. Increase / reduction of authorised capital	12035944										12035944
<b>26. Balance as of December 31, 2004</b>	<b>130676340</b>	<b>0</b>	<b>0</b>	<b>3849833</b>	<b>0</b>	<b>11864040</b>	<b>0</b>	<b>20308166</b>	<b>0</b>	<b>-4938859</b>	<b>161759520</b>

General Manager  
(title of the head of enterprise  
administration)

Česlovas Matulevičius  
(full name)

\_\_\_\_\_  
(signature)

“STUMBRAS” PUBLIC LIMITED LIABILITY COMPANY

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS OF 2004

I. GENERAL PART

1. “Stumbras” public limited liability Company (enterprise registration No. 132082782) is a private legal entity with limited liability, which was registered as a Company in State Enterprise of the Republic of Lithuania Centre of Registers, Kaunas branch on December 17, 1990. The address of the Company’s legal domicile is: K. Būgos g. 7, Kaunas, the Republic of Lithuania. The Company’s activities are governed by the Articles of Association of AB “Stumbras”, the Civil Code, the Law on Companies of the Republic of Lithuania, as well as other applicable laws and legislative acts.

2. The commercial and economic activity carried out by “Stumbras” public limited liability Company in 2004 included the following business activities:

- manufacture of:
  - distilled, rectified and denatured ethyl alcohol;
  - vodka, bitter, liqueur and other alcoholic beverages;
  - bio-ethanol fuel additive;
  - beer;
  - dry potato starch;
  - mineral water;
  - carbon dioxide;
  - aluminium corks;
  - by-products of distilled and rectified ethyl alcohol, such as crop wastes, aldehydes;
- provision of transport, hotel and catering services to other customers;
- retail trade of alcoholic beverages and other accompanying goods.

In order reduce production and operating expenses by using technological plants, equipment and buildings of the Company in a more effective way and by improving management of the Company, it was decided by the resolution of the board of the Company to cease activities of the trading subdivisions and manufacture activities of Antanavas plant during the reporting period.

3. The Company is comprised of the below structural subdivisions having no rights of legal entities:

- Kaunas plant;
- Antanavas plant
- Balbieriškis plant;
- Šilutė plant
- specialized stores of alcoholic beverages, bars, restaurants and hotels.

4. There were 409 employees employed in AB “Stumbras” on December 31, 2004, whereas there were 650 employees employed in the Company at the end of the previous financial year.

5. During the reporting period AB “Stumbras” issued 3 008 986 ordinary registered shares, thus increasing the authorized capital from 118 640 396 Lt to 130 676 340 Lt. The nominal value of each share is 4 Lit. By executing the additional share issue UAB “Mineraliniai vandenys” (enterprise register No. 2170232), a shareholder of the Company having qualified majority in the meetings of shareholders (owning more than 99 percent of the Company’s shares) sought to ensure performance of the liabilities in respect of the Government of the Republic of Lithuania in accordance with the purchase and sales agreement of 2003-10-21 regarding the shares of the Company that were sold by way of an open procedure.

The Management of the Company is aware of the plans to increase the Company’s authorised capital by 28 065 076 Lt in the January of 2005 by additionally issuing 7 016 269 ordinary registered shares, with the nominal value of 4 Lit. The grounding thereof is

the resolution of the general meeting of shareholders of AB “Stumbras” held on September 24, 2004 regarding increase of the authorised capital.

## I. ACCOUNTING POLICIES

6. The financial statements of AB “Stumbras” have been prepared in accordance with the Accounting Law and Law on Financial Statements of Companies of the Republic of Lithuania, as well as the Business Accounting Standards. The financial year of the Company coincides with the calendar year.

Before preparing the financial statements of 2004 the overall inventory of the Company’s assets was carried out according to the requirements of the inventory rules approved on June 3, 1999 by the Resolution No. 719 of the Government of the Republic of Lithuania.

7. After the Business Accounting Standards had come into force on January 1, 2004, the Company’s accounting policies were changed, thus affecting the Company’s performance due to the following reasons:

7.1. Method for recording distribution of profit in the financial statements with regard to time was changed. i.e., distribution of profit of 2002, approved by the resolution No. 2003-01 of the ordinary general meeting of shareholders of AB “Stumbras” held on April 11, 2003, was included into the performance results of 2003; whereas distribution of profit of 2003, approved by the resolution No. 2004-03(22) of the ordinary general meeting of shareholders of AB “Stumbras” held on April 28, 2004, was included into the performance results of 2004. Due to these changes of accounting policies the “Reserves” item contained in the comparative information increased by 1 394 115 Lt, whereas other amounts payable and current liabilities item decreased by 437 002 Lt, and the retained earnings item declined by 957 113 Lt.

7.2. It was decided with regard to the fixed tangible assets accounting policy that the assets belonging to the fixed tangible assets group “Buildings and structures” shall be recorded at the revaluation amount. Taking into account the opinion of the Auditor, who audited the balance sheet of AB “Stumbras” as of December 31, 2002 and the related income statement and cash flows statement for the year 2002 in accordance with the International Standards on Auditing, stating that the present evaluation of the assets is not based either on the historical cost price or the fair value, and in order to have the financial statements presenting fairly the Company’s financial position and complying with the general accounting principles, it was decided to record the revaluation results by applying a retrospective method. After revaluation of the assets recorded in the said group, increase in value and the revaluation reserve of 4 023 847,03 Lt was recorded in the accounting system, as well as decline in value of 25 214 298,58 Lt, by which the retained earnings of the previous periods was decreased. Due to these changes of the accounting policies the carrying amount of buildings and structures declined by 21 190 452 Lt, whereas the revaluation reserve increased by 4 023 847 Lt, and the retained earnings (loss) decreased by 25 214 299 Lt.

An extract of the balance sheet of AB “Stumbras” of 2003 before changing the accounting policies were applied is presented below.

	ASSETS	Note No.	2003, after changing the accounting policies	2003, before changing the accounting policies
<b>A.</b>	<b>FIXED ASSETS</b>		<b>53271636</b>	<b>74260240</b>
II.	Tangible assets		52106792	73297244
II.2.	Buildings and structures	7.2.	20530489	41720941
II.7.	Other tangible assets / Prepayments		201847	
<b>C.</b>	<b>EQUITY</b>			
II.	Revaluation reserve (results)	7.2.	4023847	
III.	Reserves		33566321	32172206
III.3.	Other reserves	7.1.	21702281	20308166
IV.	Retained earnings (losses)	7.1.; 7.2.	-12457023	13714389
<b>E.</b>	<b>AMOUNTS PAYABLE AND LIABILITIES</b>			
II.8.	Other amounts payable and current liabilities	7.1.	11107122	1410589

## 8. Fixed tangible and intangible assets accounting policies.

### 8.1. Intangible assets.

Intangible assets include identifiable non-monetary assets without physical substance disposed by the enterprise expecting to obtain direct and indirect economic benefits from the use of such assets. Expenses are accepted as intangible assets if they satisfy the following criteria: the enterprise can reasonably expect to obtain economic benefits from the assets in the future; the acquisition (production) cost of the assets can be reliably measured and distinguished from the value of other assets the enterprise can dispose such assets, control them or limit the others' right to use such assets. At the time of acquisition (production) intangible assets are recorded at the acquisition (production) cost. The balance sheet contains the residual value of intangible assets, which is calculated by deducting accumulated amortisation and impairment value from the acquisition cost. Amortisation is calculated by applying the straight-line (linear) method. The liquidation value is not considered. The amortisation costs are recorded as the operating expenses of the Company. The useful life of intangible assets is fixed as follows:

Fixed intangible assets groups	Average useful life (years)
Computer software	3
Acquired legal rights	3
Goodwill	15
Other intangible assets	4

The running costs of intangible assets, as well as other subsequent costs are recorded as the expenses of the reporting period during which they have been incurred. Loss due to reduction in value of intangible assets or loss due to write-off of assets is recorded as the operating expenses of the Company.

Upon transfer of intangible assets the result of transaction (profit or loss) is shown in the other activities item of the income statement.

### 8.2. Tangible assets.

Tangible assets include assets that are managed and controlled by the enterprise, that are expected to ensure economic benefits in future periods, that are going to be used longer than one year, and the acquisition (production) cost of which is larger than 500 Lt.

Tangible fixed assets groups are settled as follows:

- Buildings and structures
- Plant and machinery
- Vehicles
- Other fixtures, fittings, tools and equipment
- Other tangible assets

Depreciation of all the assets groups is calculated by applying the straight-line (linear) method. The liquidation value is 1 Lt. The depreciation expenses of tangible fixed assets that are directly involved in the manufacture process of goods are recorded as sales (production) cost, whereas the depreciation expenses of the assets of common usage are recorded as the operating expenses of the Company.

The useful life of tangible assets is fixed as follows (sorted by the assets group):

Tangible fixed assets groups	Average useful life (years)
Buildings and structures	15-20
Plant and machinery	5-10
Vehicles	6-10
Other fixtures, fittings, tools and equipment	3-5
Other tangible assets	4

Prior to the effective date of the business accounting standards, all the tangible fixed assets of AB “Stumbras” were recorded in the accounting system at the acquisition cost, including indexing according to the resolutions of the Government of Lithuania of 1991, by deducting accumulated depreciation.

Due to the fact that the Company was established in 1906, the major part of the tangible fixed assets, which are accounted in group “Buildings and structures”, are in use for more than 20 years, and the carrying amount of such assets are not based either on historical cost or fair value. Therefore it was approved by the accounting policies of AB “Stumbras” to record the fixed assets belonging to group “Buildings and structures” at the revaluation amount (in accordance with the provisions of the 12<sup>th</sup> BAS “Tangible Fixed Assets”, Section VIII).

Tangible assets that are accounted in such groups as: plant and machinery; vehicles; other fixtures, fittings, tools and equipment; and other tangible assets at the moment of acquisition are recorded in the accounting system at the acquisition (production) cost, and for the purposes of financial statements such assets are disclosed at the acquisition cost after having deducted accumulated depreciation and impairment value.

Tangible fixed assets that are accounted in the group “Buildings and structures” are recorded in the accounting system at the acquisition cost and subsequently revalued while recording them at the revaluation amount; whereas for the purposes of financial statements such assets are disclosed at the revaluation amount after having deducted accumulated depreciation and impairment value.

The results of repair work related to fixed tangible assets and their accounting:

The useful life of assets is prolonged and the useful characteristics are improved.	The acquisition cost of assets is increased by the value of work performed, and the useful life is corrected.
The useful characteristics of assets are improved.	The acquisition cost of assets is increased by the value of work performed.
The useful life of assets is prolonged.	The acquisition cost of assets is increased by the value of work performed, and the useful life is corrected.
The useful characteristics are not improved; the useful life of assets is not prolonged; the exploitable conditions are maintained.	The value of work performed is recorded as the operating expenses of the reporting period.

#### 9. Investment accounting methods.

The Company has invested in the shares of other companies, not exceeding 20 percent of votes available in the other companies’ meeting of shareholders and ensuring no right of significant influence. These investments, which are represented as fixed assets, are classified as investments available for sale and recorded at the acquisition cost, whereas the profit or loss due to such investments is accounted in the income statement.

#### 10. Income and expense recognition methods.

The typical activities of AB “Stumbras” are covered by manufacture activities.

The sales income is accepted pursuant to accrual principle. Only increase in the Company’s economic benefit is considered as income. The amounts collected on behalf of the third parties, as well as Value Added Tax and Excise Tax that is included in the selling price, are not accepted as income. The amount of income is settled upon agreement between the Company and the customer. Income is estimated at the fair value considering the discounts granted and intended, as well as return of goods sold and price reduction. The goods are considered to be sold when the following conditions are satisfied: the enterprise has transferred the risk related to the sold goods to the customer; the enterprise does not manage or control the sold goods; the enterprise can reasonably expect to obtain economic benefits

related to the transaction of sales of goods, and such benefits can be reliably measured; the expenses related to the transaction of sales of goods can be reliably measured. The cost of products sold and goods resold is accepted, recorded in the accounting system and presented in the financial statements in the same reporting period during which the said products (goods) have been sold. The cost of the products (goods) sold is calculated constantly by applying FIFO appraisal method. The sales costs are accepted as the expenses of the reporting period during which they have been incurred. The costs related to transportation, storing, etc. of the goods are recorded as the sales expenses.

Other activities except financing and investing activities, include result of transfer of tangible and intangible fixed assets, the Company's revenue and expenses resulting from sales of the inventories not applicable in the Company's activities, as well as other income and expenses that cannot be attributed to the typical activities.

Financing and investing activities include dividends, interest, fines, penalties, result of transfer of financial assets and result of foreign currency rate adjustment.

The income related to dividends is accepted when such dividends have been declared. The fines and penalties are accepted as income (expenses) when they have been accrued.

11. Methods for accounting for borrowing and other similar expenses.

The interest related to the loans received and to the assets acquired through leasing them (financial lease), as well as other expenses related to borrowing, are accepted as expenses in the same reporting periods when they have been accrued.

12. Description of the principles of accounting for grants, subsidies, and assets received gratis;

The Company's accounting policy for grants is established in accordance with the 21<sup>st</sup> business accounting standard "Grants and Subsidies". The Company receives grants supporting development of bio-fuel manufacture, i.e., compensating the expenses incurred in the process of manufacture of the said product. The grants are recorded in the accounting system when they are actually received.

The grant is accepted as used to the extent of the recoverable expenses incurred during the relevant reporting period.

Upon accepting the grant as used the Company's expenses related to manufacture of bio-ethanol are declined, as well as the residual amount of the unused grant.

### III. COMMENTS PRESENTED IN THE EXPLANATORY NOTES

13. Condition of intangible assets and its development during the reporting period, including amortisation of such assets is presented in the table "Intangible Assets" (Annex 1).

14. Condition of tangible assets by the groups of such assets, including their revaluation, write-off and depreciation is presented in the table "Tangible Fixed Assets" (Annex 2).

14.1. The residual value of tangible fixed assets was presented in the following items of the balance sheet of the previous financial year: Land – 22 400 Lt, Buildings and structures – 20 530 489 Lt (see Clause 7.2. of the Explanatory notes), Plant and machinery – 21 137 626 Lt, Vehicles – 1 421 546 Lt, Other fixtures, fittings, tools and equipment – 4 305 473 Lt, Construction in progress (plants and equipment to be installed) – 4 689 418 Lt;

14.2. The market value of the buildings and structures of AB "Stumbras" was estimated by Gintautas Tamašauskas, asset assessor (qualification certificate of asset assessment No. 000127) according to the agreement No. 1/1198-04 with UAB "LATMAS", enterprise register no. 5975914, dated January 5, 2004.

The revaluation result with regard to the buildings and structures is recorded by applying retrospective method, therefore increase in the value of such assets by 4 023 847 Lt is disclosed in the line "At the end of the previous financial year" of Part b, whereas decline in value by 25 214 299 Lt is shown in the line "At the end of the previous financial year" of Part d.



15. AB “Stumbras” has leased the following tangible fixed assets as of the end of the reporting period:

Name of the leased assets by groups	Carrying amount (Lt)	Assets account
Buildings	275810	1320
Structures	799426	13110
Plant and machinery	66883	13120
Other fixtures, fittings, tools and equipment	18875	13340
Total:	1160994	

The carrying amount of the assets transferred on behalf of the Company according to loan-for-use and lease agreements as of the end of the reporting period is 2 637 673 Lt.

16. In the course of its activities the Company uses the below fixed tangible assets with the residual value of 1 Litas; however their condition is still satisfactory and they can still be used in the future activities:

Name of the assets groups	Acquisition cost, Lt	Increased value after revaluation, Lt
Exploitable assets		
Buildings	452.362	1.195.180
Structures	545.385	999
Plant and machinery	3.000.333	
Vehicles	673.472	
Other fixtures, fittings, tools and equipment	1.252.663	
Currently not exploitable assets		
Buildings	14.218	2.093
Structures	17.194	
Plant and machinery	405.174	
Vehicles	263.574	
Other fixtures, fittings, tools and equipment	132.182	
Total:	6.761.827	

17. During the reporting period AB “Stumbras” concluded the credit agreement with AB Vilnaus bankas and Vereins-und-Westbank AG. Pursuant to the said agreement the following fixed and current assets of the Company have been pledged with the carrying amount set as of the end of 2004:

17.1 Tangible fixed assets:

Name of pledged assets	Carrying amount (LTL)	Pledge expiration date
Buildings and structures	13 799 273	October 1, 2007
Plant and machinery	23 238 837	October 1, 2007
Total:	37 038 110	

17.2. The Company owns inventories amounting to 20 000 000 Lt;

17.3. The present and future funds in the accounts of AB "Stumbras" located in AB Vilniaus bank Kaunas branch and Vereins-und-Westbank Vilnius branch.

18. The value of the financial fixed assets was shown by the Company in the following items of the balance sheet as of the beginning of 2004:

- a) amounts receivable after one year - 987 Lt;
- b) investments due to acquisition of shares of other enterprises - 750 172 Lt  
(up to 20 percent of votes available in the other companies' meeting of shareholders)

During the financial year the following asset modifications have been recorded:

- a) Government securities retired at the nominal value - 329 Lt;
- b) other enterprise's shares acquired - 15 000 Lt;  
(up to 20 percent of votes available in the other companies' meeting of shareholders)
- c) the acquisition value of the possessed shares written-off - 750 172 Lt;
- d) loan provided for a period of five calendar years - 121 500 000 Lt

The Company is paid interest for the loan provided, the annual interest rate amounting to 2,20 (two comma twenty) percent. During the reporting period the Company became aware of the intentions to declare bankruptcy with regard to UAB "Artrio" and of acknowledgement of bankruptcy and subsequent liquidation of UAB "Litimpeks bankas"; therefore the acquisition costs of the shares of these enterprises have been written-off to the operating expenses.

19. The purchased inventories (raw materials and completion goods) are recorded at the acquisition value in the Company, whereas work in progress and finished goods are estimated at the calculated price, which is close to the actual production cost, by applying FIFO appraisal method.

The total value of inventories and the carrying amount of inventories sorted by the types of inventories are presented in the below table:

Indices	Raw materials and completion goods	Work in progress	Finished goods	Purchased goods for resale	Total
a) Costs of purchase of inventories At the end of the previous financial year	13370045	365770	5944029	488467	20168311
At the end of the financial year	15925121	423813	2400066	10216	18759216
b) Write-down to net realisable value (reversal) At the end of the previous financial year					
At the end of the financial year					
c) Net realisable value at the end of the financial year (a) - (b)	15925121	423813	2400066	10216	18759216

The information regarding pledge of inventories to the banks is provided in the Clause 17.2. of the present document.

20. The Company's authorised capital as of the beginning of the reporting period was 118 640 396 Lt. It consisted of 29 660 099 ordinary registered shares. The nominal value of each share is 4 Lt.

During the reporting period the Company issued 3 008 986 ordinary registered shares with the nominal value of 4 Lt each.

The Company's authorised capital as of the end of the reporting period is as follows:

Indices	Number of shares	Amount (Lt)
Share capital structure at the end of the financial year		
1. By types of shares		
1.1. Ordinary shares	32669085	130676340
1.2. Preference shares		
1.3. Employee shares		
1.4. Special shares		
1.5. Other shares		
TOTAL:	32669085	130676340
2. State or municipal capital		
Own shares held by the enterprise itself		
Shares held by subsidiaries		

#### 21. Draft Distribution of Profit:

Items	Amount (Lt)
Undistributed result – profit (loss)	
- at the end of the previous financial year	-
	11.499.909,71
Net result of the financial year – profit (loss)	6.561.051,16
Distributable result - profit (loss) - at the end of the financial year	-4.938.858,55
Shareholders contributions for covering losses	
Transfers from reserves	20.308.166,36
Distributable profit	15.369.307,81
Profit distribution:	
- to statutory reserves	1.203.594,00
- to other reserves	
- dividends	13.889.873,90
- other	
Undistributed result – profit (loss) - at the end of the financial year	275.839,91

22. Information about business segments is provided in the table “Information about Business Segments” (Annex 3).

23. Results of financing and investing activities, in Litass:

Indices	Financial year	Previous financial year
<b>a) REVENUE FROM FINANCING AND INVESTING ACTIVITIES</b>	2008378	2912107
Description of material amounts:		
Interest for the funds in bank accounts and loans provided to other enterprises.	1902557	2258110
Profit due to exchange rate adjustments	45037	
VAT allowance due to persons with limited functional capacity employed in the Company	35972	134046
Income related to factoring agreement	24507	519951
Penalties received	305	
<b>b) EXPENSES FOR FINANCING AND INVESTING ACTIVITIES</b>	32976	859211
Description of material amounts:		
Expenses related to factoring agreement	24507	519951
Loss due to exchange rate adjustments		143714
Taxes paid according to acts, fines and penalties	8469	195546
<b>c) RESULT OF FINANCING AND INVESTING ACTIVITIES (a - b)</b>	1975402	2052896

24. Amounts calculated with regard to managers and other related persons, as well as other assets assigned and guarantees provided are presented in the table “Financial Relations with Managers and Other related Persons” (Annex 4).

25. The accounting errors noticed during the reporting financial year and related to the previous financial periods are not significant and do not influence the amounts of the annual financial reports in accordance with the relevant provisions established in the Company’s accounting policies.

Financial statement item subject to correction and description of error	Scope of error	Amount before correction	Amount after correction
There are expenses presented in the financial statements of 2004, which are related to income earning in 2003, such as:	13240,03	0,13240,03	

Financial statement item subject to correction and description of error	Scope of error	Amount before correction	Amount after correction
- <i>other activities expenses</i>	2552,29		2552,29
- <i>operating expenses (sales)</i>	308,00		308,00
- operating expenses (general and administrative)	10379,74		10379,74
Profit tax expenses after recalculation of the profit tax payable for the year 2003	21761,00	0	21761,00
Income due to reduction of profit tax payable for the year 2002 with regard to legal entities of Lithuania, after having paid out profit dividends for the fiscal year of 2002 and deducted and paid profit tax thereof during 2003	7616,82	0	7616,82

General Manager

Česlovas Matulevičius

Finance Manager

Voldemaras Kallo

R. Rutkauskaitė, 8-37-308811

Annex 1 to the Explanatory Notes to the Financial Statements of 2004

**Intangible Assets**

**(Lt)**

Indices	Development work	Goodwill	Patents, licenses, etc.	Software	Other intangible assets	Total
Residual value at the end of the previous financial year			120306	91531		211837
a) Intangible fixed assets at the acquisition cost						
At the end of the previous financial year			342815	379546		722361
Changes of the financial year:						
- acquisition of assets			89773	36074		125847
- assets assigned to other persons and written-off (-)				-216572		-216572
- transfers between items +/-(-)						
At the end of the financial year			432588	199048		631636
b) Amortisation						
At the end of the previous financial year			222509	288015		510524
Changes of the financial year:						
- amortisation of the financial year			48989	77898		126887
- reversals (-)						
- amortisation of assets assigned to other persons and written-off (-)				-216572		-216572
- transfers between items + /(-)						
At the end of the financial year			271498	149341		420839
c) Impairment value						
At the end of the previous financial year						
Changes of the financial year:						
- impairment value of the financial year						
- reversals (-)						
- assets assigned to other persons and written-off (-)						
- transfers between items + /(-)						
At the end of the financial year						
d) Residual value at the end of the financial year (a) - (b) - (c)			161090	49707		210797

## Annex 2 to the Explanatory Notes to the Financial Statements of 2004

**Tangible Fixed Assets****(Lt)**

Indices	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Other intangible assets	Total
Residual value at the end of the previous financial year	22240	20530489	21137626	1421546	4305473	4689418		5210672
a) Acquisition cost At the end of the previous financial year	22240	57461722	41641797	4118715	8987685	4689418		116921577
Changes of the financial year: - acquisition of assets		383652	545193	32203	449674	4652892		606314
- assets assigned and written-off (-)		-5687545	-2998979	-1660098	-1436981			-11783603
- transfers between items + / (-)		-214388	5881404 8294	-520	57533 206614	-5938937		0 0
At the end of the financial year	22240	51943441	45077709	2490300	8264525	3403373		111201588
b) Revaluation At the end of the previous financial year		4023847						4023847
Changes of the financial year: - increase in value (impairment) + / (-)								
- assets assigned to other persons and written-off (-)		-21484						-21484
- transfers between items + / (-)								
At the end of the financial year		4002363						4002363
c) Depreciation At the end of the previous financial year		15740781	20504171	2683121	4696260			43624333
Changes of the financial year: - depreciation of the financial year		418759	3745398	218194	903422			5285773
- reversals (-)								
- depreciation of assets assigned to other persons and written-off (-)		-888023	-2415676	-1293153	1264812			-5861664

Indices	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Other intangible assets	Total
- transfers between items + / (-)		-178847	4979	-340	174208			0
At the end of the financial year		15092670	21838872	1607822	4509078			43048442
d) Impairment value At the end of the previous financial year		25214299						25214299
Changes of the financial year: - impairment value of the financial year								
- reversals (-)								
- of assets assigned to other persons and written-off (-)		-1097236						-1097236
- transfers between items + /(-)								
At the end of the financial year		24117063						21447063
e) Residual value at the end of the financial year (a) + (b) - (c) - (d)	2240	16736071	23238837	882478	3755447	3403373	0	48038446



**INFORMATION ABOUT BUSINESS SEGMENTS**

Indices	Segments (types of products, goods activities)												All enterprises	
	Alcoholic beverages		Rectified and denatured ethyl alcohol		Starch		Ethanol		Other products and goods		Services			
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Income	72,965	80,370	6,503	8,689	5,204	1,340	1,595	52	2,170	2,691	1,341	1,188	89,778	94,330
Expense	36,030	44,411	5,898	5,894	4,399	1,436	364	47	561	2,446	531	428	47,783	54,662
Operating expenses	30,266	23,307	2,697	2,520	2,159	389	662	15	900	780	556	345	37,240	27,355
<b>Operating profit</b>	<b>6,669</b>	<b>12,652</b>	<b>-2,092</b>	<b>275</b>	<b>-1,354</b>	<b>-485</b>	<b>569</b>	<b>-10</b>	<b>709</b>	<b>-535</b>	<b>254</b>	<b>415</b>	<b>4,755</b>	<b>12,313</b>

Annex 4 to the Explanatory Notes to the Financial Statements of 2004

**Financial Relations with Managers and Other Related Persons**

**(Lt)**

<b>Indices</b>	<b>Financial year</b>	<b>Previous financial year</b>	<b>Closing balance of the financial year</b>
A. Amounts calculated during a year in connection with employment relations to: 1. Managers 2. Other related persons	811927		
B. Loans granted by the enterprise to: 1. Managers 2. Other related persons			
C. Loans obtained from: 1. Managers 2. Other related persons			
D. Assets transferred gratis and presents to: 1. Managers 2. Other connected persons			X
E. Miscellaneous guarantees issued on behalf of the enterprise to: 1. Managers 2. Other related persons			
F. Other material amounts calculated during a year to: 1. Managers 2. Other related persons			
G. Other liabilities material to the enterprise of: 1. Managers 2. Other related persons			
H. Assets sold to: 1. Managers 2. Other related persons			X
Average annual number of managers	8		X

Form of the Statement Prepared according to the Indirect Method

**“STUMBRAS” PUBLIC LIMITED LIABILITY COMPANY**

(name of the enterprise)

Enterprise registration No 132082782, K.Būgos g. 7, Kaunas  
(enterprise registration number, address, other information)

APPROVED

\_\_\_\_\_, 20\_\_

Minutes No. \_\_\_\_\_

**CASH FLOW STATEMENT of 2004**

(reporting period)

December 31, 2004

in Litas

to specify – in Litas or thousands of litas

No.	Items	Note No.	Financial year	Previous financial year
<b>I.</b>	<b>Cash flows from operating activities</b>			
I.1.	Net profit (loss)		6,387,037	11,477,177
I.2.	Depreciation and amortization expenses		5,412,659	5,142,756
I.3.	Decrease (increase) in amounts receivable after one year		329	659
I.4.	Decrease (increase) in inventory		1,409,095	1,190,223
I.5.	Decrease (increase) in prepayments		-927,078	3,507,133
I.6.	Decrease (increase) in contracts in progress			
I.7.	Decrease (increase) in trade amounts receivables		-15,512,499	8,830,771
I.8.	Decrease (increase) in amounts receivable from subsidiaries and associates			
I.9.	Decrease (increase) in other amounts receivable		333,874	1,497,973
I.10.	Decrease (increase) in other current assets		-140,356	70,527,599
I.11.	Increase (decrease) in fixed trade amounts payable and prepayments received			
I.12.	Increase (decrease) in current trade amounts payable and prepayments received		-378,273	3,488,135
I.13.	Increase (decrease) in profit tax liability			
I.14.	Increase (decrease) in liabilities related to labour relations		-347,746	-2,472,933
I.15.	Increase (decrease) in provisions			
I.16.	Increase (decrease) in other amounts payable and liabilities		32,228,576	2,796,401
I.17.	Elimination of financing and investing activity results		-1,947,594	-2,868,900
	<b>Net cash flows from operating activities</b>		<b>26,518,024</b>	<b>103,116,994</b>
<b>II.</b>	<b>Cash flows from investing activities</b>			
II.1.	Acquisition of fixed assets (excluding investments)		-4,770,112	-3,647,566
II.2.	Transfer of fixed assets (excluding investments)		3,426,840	1,094,571

II.3.	Acquisition of long-term investments		-15,000	
II.4.	Transfer of long-term investments		750,172	
II.5.	Loans granted		-55,200,000	-80,000,000
II.6.	Loans recovered		13,707,200	6,800
II.7.	Dividends and interest received		1,902,557	2,258,110
II.8.	Other increase in cash flows from investing activities			
II.9.	Other decrease in cash flows from investing activities			
	<b>Net cash flows from investing activities</b>		<b>-40,198,343</b>	<b>-80,288,085</b>
<b>III.</b>	<b>Cash flows from financing activities</b>			
III.1.	Cash flows related to enterprise owners		12,035,944	-8,289,931
III.1.1.	Issue of shares		12,035,944	
III.1.2.	Owners' contributions against losses			
III.1.3.	Purchase of own shares			
III.1.4.	Dividends paid			-8,289,931
III.2.	Cash flows arising from other financing sources		196,250	-7,468,126
III.2.1.	Increase in financial debts		0	0
III.2.1.1.	Loans received			
III.2.1.2.	Issue of bonds			
III.2.2.	Decrease in financial debts		0	0
III.2.2.1.	Loans repaid			
III.2.2.2.	Purchase of bonds			
III.2.2.3.	Interest paid			
III.2.2.4.	Payments of leasing (finance lease) liabilities			
III.2.3.	Increase in other enterprise liabilities		633,252	
III.2.4.	Decrease in other enterprise liabilities		-437,002	-7,468,126
III.2.5.	Other increase in cash flows from financial activities			
III.2.6.	Other decrease in cash flows from financial activities			
	<b>Net cash flows from financing activities</b>		<b>12,232,194</b>	<b>-15,758,057</b>
<b>IV.</b>	<b>Cash flows from extraordinary items</b>		<b>0</b>	<b>0</b>
IV.1.	Increase in cash flows from extraordinary items			
IV.2.	Decrease in cash flows from extraordinary items			
<b>V.</b>	<b>The influence of exchange rates adjustments on the balance of cash and cash equivalents</b>		<b>45,037</b>	<b>-143,714</b>
<b>VI.</b>	<b>Net increase (decrease) in cash flows</b>		<b>-1,403,088</b>	<b>6,927,138</b>
<b>VII.</b>	<b>Cash and cash equivalents at the beginning of period</b>		<b>8,567,743</b>	<b>1,640,605</b>
<b>VIII.</b>	<b>Cash and cash equivalents at the end of period</b>		<b>7,164,655</b>	<b>8,567,743</b>

General Manager  
(title of the head of enterprise  
administration)

\_\_\_\_\_  
(signature)

Česlovas Matulevičius  
(full name)

**AB “STUMBRAS”  
Activities Report of 2004**

March 2, 2005

The Company’s activities report has been prepared in accordance with the Article 36 of the Law on Companies of the Republic of Lithuania. The Company’s Articles of Association do not provide for any additional requirements with regard to the activities report.

UAB “Mokesčių ekspertų biuras”, the auditor of the Company has audited the data of the Company’s annual financial statements included in the present report, and it has been confirmed it in the auditor’s report.

The present report was approved in the meeting of the Board of AB “Stumbras” held on March 2, 2005.

**I. Review of the Company’s activities during the reporting financial year**

The main business activities of the Company in 2004 included manufacture and sales of alcoholic products, as well as manufacture and sales of potato starch, mineral water and carbon dioxide.

The Company’s income for the products sold (excluding excise taxes) and services provided in 2004 amounted to 89.777.723 Lt. The Company’s profit before taxes for the financial year 2004 amounts to 7.316.250 Lt.

During 2004 the Company assessed relevant taxes that have been paid or will be paid to the budget according to the terms established by the regulatory acts. The total of the said taxes amount to 156.697.547 Lt, including excise tax: 117.309.050 Lt, VAT: 26.934.090 Lt, social insurance tax: 4.867.486 Lt, and personal income tax: 3.867.948 Lt.

The main indices of the Company’s financial and economic activities of 2004 are as follows:

	2004	2003
Sales and services	89,8 mill. of Lt	94,3 mill. of Lt
Export included in the overall scope of sales	4,6%	1,0%
Net profit	6,4 mill. of Lt	11,5 mill. of Lt
Profitability of sales and services	7,1%	12,2%
Investments in modernisation and development of production line	6,5 mill. of Lt	3,9 mill. of Lt
Number of employees at the end of the year	409	650
Fixed assets at the end of the year	48,6 mill. of Lt	53,3 mill. of Lt
Current assets at the end of the year	166,9 mill. of Lt	112,1 mill. of Lt
Assets total	215,5 mill. of Lt	165,4 mill. of Lt
Share capital	130,7 mill. of Lt	118,6 mill. of Lt
Capital and reserves	161,8 mill. of Lt	143,8 mill. of Lt

The products manufactured by the Company that have been exported or sold beyond the territory of the Republic of Lithuania amounts to 4,1 mill. of Lt.

Changes in the Company’s management bodies are as follows:

<b>SUPERVISORY BOARD</b>	
<b>No changes since 2003-11-21</b>	<b>Romanas Raulynaitis</b> , lawyer, the Chairman of the Supervisory Board; <b>Inga Žemkauskienė</b> , lawyer; <b>Dalius Balceris</b> , the lawyer of UAB “Mineraliniai vandenys”.
<b>BOARD</b>	
<b>No changes since 2003-11-21</b>	<b>Darius Juozas Mockus</b> , the president of UAB Concern “MG Baltic”, the Chairman of the Board; <b>Artūras Listavičius</b> , the General Manager of UAB Concern “MG Baltic”; <b>Rolandas Vingilis</b> , the Manager of UAB “Troja”; <b>Vidas Lazickas</b> , the Economic and Finance Manager of UAB Concern “MG Baltic”; Aurelijus Racevičius, Vindication Manager of UAB Concern “MG Baltic”.
<b>THE MANAGER OF THE COMPANY</b>	
<b>Since 2003-11-03</b>	<b>Artūras Listavičius</b>
<b>Since 204-09-01</b>	<b>Česlovas Matulevičius</b>

### **The activities report of Šilutė plant belonging to AB “Stumbras”**

In 2004 the activities of Šilutė plant belonging to AB “Stumbras” included manufacture of distilled and dehydrated ethyl alcohol and liquid carbon dioxide. The plant was being reconstructed from the middle of July of 2004 to the November of 2004.

During 2004 12.351,66 tons of grain were processed, which resulted in manufacture of 2.281.233,7 LPA of distilled ethyl alcohol, 194.881 kg of liquid carbon dioxide, and 22.951,9 tons of crop wastes.

The amount of the ethyl alcohol produced is 2.326.284 LPA.

During 2004 there were 10 inspections executed by the controlling bodies; no significant violations were identified.

### **The activities report of Antanavas plant belonging to AB “Stumbras”**

In 2004 the activities of Antanavas plant belonging to AB “Stumbras” included manufacture of distilled ethyl alcohol and potato starch.

The manufacture process of alcohol proceeded from January to March, whereas that of starch proceeded from September to October.

The activities of the plant were ceased on October 25, 2004.

During 2004 1704,5 tons of grain were processed, which resulted in manufacture of 614132,5 LPA of distilled ethyl alcohol, 7833,7 tons of crop wastes, and 1197,2 tons of dry potato starch.

### **The activities report of Balbieriškis plant belonging to AB “Stumbras”**

In 2004 the activities of Balbieriškis plant belonging to AB “Stumbras” included manufacture of distilled ethyl alcohol and liquid carbon dioxide, which proceeded during the whole year.

During 2004 12.835,7 tons of grain were processed, which resulted in manufacture of 4767870,5 LPA of distilled ethyl alcohol, 494,154 tons of liquid carbon dioxide, and 65.960,5 tons of crop wastes.

The repair work accomplished in the plant during 2004 amounted to 25.500 Lt.

The investment plan for the year 2005 does not include any significant investments with regard to the plant.

During 2004 there were 34 inspections executed by the controlling bodies; no significant violations were identified.

**II. The names of the Company’s subsidiaries, the number of shares of the subsidiaries owned by the Company, the total nominal value thereof, and the share of the authorised capital present in the subsidiaries represented by such shares, as well as the assessment of economic benefits received by the Company due to possession of the majority of votes or use of deciding influence in the said subsidiaries.**

The Company did not establish any subsidiaries or in any other ways acquire any shares of other companies in 2004.

**III. The number of the Company’s own shares acquired or assigned during the reporting financial year, the total nominal value thereof and share in the Company’s authorised capital represented by such shares, and acknowledgement of acquisition or assignment of these shares.**

The Company had no own shares that were acquired or assigned during 2004.

### **IV. Information about the Company’s branches and agencies**

The Company did not establish or registered any branches or agencies either in the territory of the Republic of Lithuania or in other countries during 2004.

**V. The major events recorded in the Company during the current financial year up to the ordinary meeting of shareholders**

On 2005-01-25 the amendments to the Company’s Articles of Association were registered, related to the increase in the authorised capital. Starting from 2005-01-25 the Company’s authorised capital amounts to 158 741 416 Lt, consisting of 39 658 354 (thirty nine million six hundred eighty five thousand three hundred and fifty four) ordinary registered shares. The nominal value of each share is 4 (four) Litass.

### **VI. The perspectives and plans of Company’s activities**

The increase in the exportable products of AB “Stumbras” will be pursued in 2005, as well as further manufacture development of bio-fuel (dehydrated denatured ethyl alcohol).

The export amounts are expected to increase up to 13.000.000 Lt in 2005.

1.500.000 gallons of bio-fuel are expected to be produced in 2005.

The profit before taxes amounting to 15.000.000 Lt is expected to be reached in 2005.