(all tabular amounts are in LTL'000 unless otherwise stated)

Notes to the abridged financial statement

1. General information

Stumbras AB (the Company) was registered as a Lithuanian Closed Stock Company under the laws of the
Republic of Lithuania on 17 December 1990. The shares of the Company are listed on the Current List of the National Stock Exchange. Company number is 132082782. The shareholders of the Company are:

	On 30 June 2006	On 30 June 2005
Mineraliniai vandenys UAB	99.3 percent	99.4 percent
Other	0.7 percent	0.6 percent

The ultimate parent of the Company is Koncernas MG Baltic incorporated in Lithuania. Mr. Darius Juozas Mockus is the 100% owner of Koncernas MG Baltic.
The Company is a limited liability company incorporated and domiciled in Kaunas. The address of its registered office is as follows:

K.Būgos 7
LT-44355 Kaunas
Lithuania

The Company is involved in production and trade of strong alcohol drinks.

On 30 June 2006 the Company employed 301 (324 on 31 March 2005).

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the latest annual report and all interim financial reports of the accounting year, unless otherwise stated.

2.1 Basis of preparation

These financial statements of Stumbras AB have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). All International Financial Reporting Standards issued by the IASB and effective at the time of preparing these financial statements have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of the International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement". Following recommendations from the Accounting Regulatory Committee, the Commission adopted the Regulations 2086/2004 and 1864/2005 requiring all listed companies to use of IAS 39 from 1 January 2005, with exception to certain provisions on portfolio hedging of core deposits.
Stumbras AB financial statements were prepared in accordance with Generally Accepted Accounting Principles in Lithuania (GAAP) until 31 December 2004. GAAP differs in some areas from IFRS. While preparing Stumbras AB 2005 financial statements, the management amended certain accounting and valuation methods applied in the GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments.
These financial statements have been prepared under the historical cost convention.

2.2 Segment reporting

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A business segment is a distinguishable component of an enterprise engaged in providing an individual product or service or a group of related products or services and subject to risks and returns that are different from that of other segments. A geographical segment is a distinguishable component of an enterprise engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in litas (LTL), which is the Company's functional and presentation currency.

From 2 February 2002 the exchange rate of the Litas has been pegged to the euro at a rate of LTL 3.4528 = EUR 1.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates valid at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Non-current assets

Non-current asset is stated at cost less accumulated depreciation and impairment. Land is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the asset will contribute to increase future economic advantages and the acquisition cost is identifiable. All other repairs and maintenance are recognized as costs in the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

– Buildings	15 - 20 years
– Plant and machinery	5 - 10 years
– Vehicles	6 - 10 years
– Other property, plant and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, annually at each year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.6).

Gains and losses on non-current tangible asset disposals are determined by comparing proceeds with carrying amount of disposed asset. The transaction result is included in the income statement.

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2.5 Intangible assets

(a) Patents and licences

Patents and licences are recognised at cost. They have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives (3 years).

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's
carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired and whether the investment is quoted in an active market. The management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities longer than 12 months after the balance sheet date. These are classified as non-current assets and are included in non-current receivables and deferred charges in the balance sheet. Loans and receivables are included in trade and other receivables and prepayments in the balance sheet (see Note 2.9).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current

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assets unless the management intends to dispose of the investment or investment matures within 12 months of the balance sheet date in which case it is included in current assets.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little s possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in income statement. Impairment testing of trade receivables is described in Note 2.9.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is

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the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Trade receivables

Trade receivables are recognised initially at fair value of the amount receivable and subsequently measured at amortised cost using the effective interest method. Amortised cost is the amount at which the receivable was recognised at initial recognition minus principal repayments, plus accrued interest, and minus any write-down for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the
Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within "administrative expenses".

2.10 Non-current assets classified as held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount or fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. The Company measures non-current assets classified as held for sale at the lower of the carrying amount or fair value less costs to sell.

The Company adopted IFRS 5 from 1 January 2005 prospectively in accordance with the standard's provisions. The non-current assets (or disposal groups) held for sale were previously neither classified nor presented as current assets or liabilities. Such non-current assets (or disposal groups) were not previously measured differently from other assets and liabilities.

2.11 Cash and cash equivalents

For the purposes of the cash flow statement cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital
Ordinary shares are classified as equity.

2.13 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the amount at initial recognition and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises

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from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15 Employee benefits

(a) Social security contributions

The Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

(b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.16 Provisions

Provisions for legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of value-added tax, excise tax, rebates and discounts. Revenue is recognised as follows:

(a) Revenues from sales of goods

Sales of goods are recognised when an entity has delivered products to the customer; the customer has accepted the products and collection of the related receivables is reasonably assured.

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(b) Revenues from sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.18 Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made or received under operating leases are charged/credited to the income statement on a straight-line basis over the entire period of the lease.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Non-monetary government grants are recognised at their nominal amount. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. However, foreign exchange risk is not considered to be significant as only a few purchase and sales agreements are carried out in US dollars.

(ii) Price risk

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The Company is not exposed to commodity price risk or equity securities price risk.

(b) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure on a continuous basis that wholesale sales of products are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Loans provided to related parties expose the Company to fair value interest rate risk. The Company's cash flow and fair value interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less impairment provision of trade receivables and the nominal value of accounts payable is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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Provisions for liabilities and charges

Provisions for liabilities and charges were determined based on the management's expectation on the future outflow of resources.

4.2 Critical judgements in applying the Company's accounting policies

Accounting for the discontinued operations

In December 2005 the Company separated its operations by continuing production of strong alcohol beverages as Stumbras AB in Kaunas and establishing a new company Biofuture AB for the production of non-denatured ethyl alcohol of agricultural origin and denatured ethyl alcohol in Šilutė. The demerger was achieved by means of dividend in specie of the shares in the entity that is disposed of to the Company's existing shareholders. No gains or losses were recognised on the disposal because it was a transaction with the Company's shareholders.
After the demerger results of production plants in Antanavas, Balbieriškis and Šilutė were presented as discontinued operations based on the assumption that a demerger may be treated in the same way as abandonment for presentation purposes under IFRS 5. Dividend in specie is charged to equity and shown in the financial statements at the amount of net assets attributable to the demerged subsidiary at the date of the demerger.

During the reporting period until the documents entitling the newly established company Biofuture AB to involve in the production of non-denatured and denatured ethyl alcohol were executed and came into force, these operations were carried out by Stumbras AB. Operation results are reflected as discontinued operations.

5. Segment Information

(a) Primary reporting format – business segments
The Company is operating in one business segment i.e. production and sales of alcohol drinks, another reportable segment – production and sales of ethanol - is related to the discontinued operations.

(b) Secondary reporting format – geographical segments
The home-country of the Company is Lithuania.

Sales	**Deferred income tax**	**Deferred income tax**
Lithuania	37 551	34 682
Latvia	1 764	1 178
Poland	514	316
Israel	237	57
USA	169	20
Estonia	110	54
UAE	84	
Greece	68	97
France		439
Other countries	238	128
	40 735	36 971

Sales are allocated based on the country in which the customers are located.

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Analysis of sales by category	**I HYR 2006**	**I HYR 2005**
Revenue from sales of goods income	40 137	36 747
Revenue from resale of godos	371	36
Revenue from services	227	188
	40 735	36 971

6. Non-current tangible asset

	Land and buildings	**Plant and machinery**	**Vehicles**	**Other non-current asset**	**Construction in progress and prepayments**	**Total**
1 January 2005						
Cost	31 851	45 078	2 490	8 265	3 743	91 427
Accumulated depreciation	(15 093)	(21 839)	(1 608)	(4 509)	-	(43 049)
Net book amount	16 758	23 239	882	3 756	3 743	48 378
30 June 2005						
Opening net book amount	16 758	23 239	882	3 756	3 743	48 378
Additions	446	604	6	159	6 353	7 568
Disposals	(4 523)	(573)	-	(196)	-	(5 292)
Reclassifications	330	3 583	-	36	(3 979)	-
Depreciation charge	(191)	(1 760)	(84)	(358)	-	(2 393)
Closing net book amount	12 820	25 093	804	3 397	6 147	48 261
30 June 2005						
Cost	26 793	48 280	2 296	7 658	6 147	91 174
Accumulated depreciation	(13 973)	(23 187)	(1 492)	(4 261)	-	(42 913)
Net book amount	12 820	25 093	804	3 397	6 147	48 261
1 January 2006						
Cost	12 659	28 362	1 781	5 757	108	48 667
Accumulated depreciation and impairment	(3 942)	(17 345)	(1 268)	(2 604)	-	(25 159)
Net book amount	8 717	11 017	513	3 153	108	23 508
30 June 2006						
Opening net book amount	8 717	11 017	513	3 153	108	23 508
Additions	-	654	1	214	2 496	3 365
Disposals	-	-	-	(385)	(52)	(437)
Reclassification as non-current asset held for sale	3	61	1	4	-	69
Reclassification as current asset	-	-	-	(61)	-	(61)
Reclassifications	47	11	-	-	(58)	-
Depreciation	(102)	(1 382)	(64)	(170)		(1 718)
Closing net book amount	8 665	10 361	451	2755	2494	24 726

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30 June 2006						
Cost	12 706	29 018	1 744	5 518	2 494	51 480
Accumulated depreciation and impairment	(4 041)	(18 657)	(1 293)	(2 763)	-	(24 754)
Net book amount	8 665	10 361	451	2 755	2 494	24 726

As at 30 June 2006 non-current tangible assets for the net book value LTL 16 8694 thousand and land rent rights for the value of LTL 4 thousand were provided as collateral for bank borrowings (Note 16).

No borrowing costs were capitalised during the first half-year 2006 and first half-year 2005.

Lease rentals amounting to LTL 10 thousand relating to the lease of property, plant and equipment are included in the income statement.

7. Intangible asset

	Patents and licences	Software	Total
1 January 2005			
Cost	432	199	631
Accumulated amortisation	(271)	(149)	(420)
Net book amount	161	50	211
30 June 2005			
Opening net book amount	161	50	211
Additions	-	12	12
Amortisation charge	(31)	(25)	(56)
Closing net book amount	130	37	167
30 June 2005			
Cost	432	211	643
Accumulated amortisation	(302)	(174)	(477)
Net book amount	130	37	167
1 January 2006			
Cost	572	317	889
Accumulated amortisation	(245)	(185)	(430)
Net book amount	327	132	459
30 June 2006			
Opening net book amount	327	132	459
Additions	-	-	-
Disposals	-	-	-
Reclassifications to non-current assets classified as held for sale	-	-	-
Amortisation charge	(65)	(8)	(73)
Closing net book amount	262	124	386
30 June 2006			
Cost	572	317	889
Accumulated amortisation	(310)	(193)	(503)
Net book amount	262	124	386

Depreciation and amortizations costs

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The Company does not have internally generated intangible assets.

Distribution of depreciation and amortizations costs

	I HYR 2006	I HYR 2005
Costs of godos sold	1 214	1 521
Administration cost	576	927
	1 790	2 448

8. Deferred income tax

Deferred income tax assets and liabilities are calculates at the end of the calendar year

9. Non-current receivables and deferred charges

	I HYR 2006	I HYR 2005
		146 889
Costs of godos sold	30	-
Administration cost	30	146 889

The fair values of non-current receivables and deferred charges approximate their carrying values. Non-current receivables as at 30 June 2005 includes a loan provided to related parties

10. Inventories

	I HYR 2006	I HYR 2005
Raw materials	7 507	13 962
Work in progress	501	514
Finished goods	2 423	2 109
Goods for resale	3	
	10 434	16 585

At 30 June 2006 inventories of LTL 20,000 thousand (at 30 June 2005: LTL 20,000 thousand) are provided as collateral to secure the borrowings (Note 16).

The cost of inventories recognised as expense amounted to LTL 638 thousand (I HYR 20054: LTL 10 thousand).

11. Trade and other receivables, prepayments

	I HYR 2006	I HYR 2005
Net trade receivables	26 333	5 614
Receivables from related parties	4 299	5 415
Loans to related parties	19 739	-
Prepayments	706	345
Prepaid and recoverable taxes	25	1 048
Loan to other parties	300	-
Other receivables	17	11
	51 419	12 433

The fair values of trade, other receivables and prepayments approximate their carrying values. Loans to related parties include a loan provided to Minvista UAB. The loan generates interest.

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Prepaid and recoverable taxes at 30 June 2006: income tax and temporary social tax – nil, other taxes – LTL 25 thousand. (at 30 June 2005: income tax LTL 1 010 thousand, other taxes – nil)
The loan to other parties matures at 31 December 2006.

12. Cash and cash equivalents

	Q1 2006	Q1 2005
Cash at bank	9 500	9 077
Cash in hand	3	29
Deposits	-	-
	9 503	9 106

Cash at bank and future inflows to bank accounts amounting to LTL 60,000 thousand (at 30 June 2005: the same) is provided as collateral for banks' borrowings (see Note 16).

13. Share capital

As at 30 June 2006, the Company's authorised share capital comprised 40 000 000 ordinary registered shares with a par value of LTL 1 per share (at 30 June 2005: 32,685,354 shares with a par value of LTL 4 per share).
The share capital was increased by LTL 314 646 by issuing 314 646 shares corresponding to the employees shareholders with a par value of LTL 1 per share. Subscribed unpaid shares amount to LTL 234 619. Share payment term is 24 May 2007.

14. Reserves

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of 5 per cent of net profit for the reporting period calculated in accordance with the Lithuanian regulatory legislation on accounting are required until the reserve reaches 10 per cent of the authorised share capital. The legal reserve shall not be used for the payment of dividends and it may be used to cover future losses only. As at 30 June 2006 the legal reserve amounted to LTL 990 thousand (at 30 June 2005: LTL 13 068 thousand). Pursuant to the reorganization terms the whole reserve was transferred to Biofuture AB.

General Shareholders' Meeting of 30 June 2005 adopted a resolution to transfer LTL 990 thousand to the legal reserve and LTL 4 000 thousand to the reserve for the acquisition of own shares.

15. Trade and other payables

	I HYR 2006	I HYR 2005
Trade payables	6 6677	6 415
Amounts due to related parties	260	253
Advances received	169	1 142
Payroll related liabilities	1 710	1 856
Income tax payable	1 042	
Taxes payable (other than income tax)	8 650	7 613
Provisions	309	-
Other current liabilities	30	5 190
	18 847	22 469

16. Borrowings

	I HYR 2006	I HYR 2005
Non-current		
Bank borrowings	21 923	26 538
	21 923	26 538
Current		

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LIETUVOS RESPUBLIKA UAB "RUNOS" KAUNAS

(all tabular amounts are in LTL'000 unless otherwise stated)

Bank borrowings	2 308	2 308
	2 308	2 308
Total borrowings	24 231	28 846

The whole amount of bank borrowings relate to a syndicated loan from two. This loan matures at 1 October 2007.
Bank borrowings are secured by the property, plant and equipment (Note 6), inventories (Note 10) and cash at banks including future inflows into accounts (Note 12).

The maturity of non-current borrowings is as follows:

	I HYR 2006	**I HYR 2005**
Between 1 and 2 years	21 923	5 771
Between 2 and 5 years	-	20 767
Over 5 years	-	-
	21 923	26 538

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	I HYR 2006	**I HYR 2005**
EUR	24 231	28 846
	24 231	28 846

Stumbras AB has entered into agreements regarding the security of the Company's liabilities with the following banks:
Bayerische Hypo-und Vereinsbank AG for the amount of LTL 3,000 thousand. The agreement matures on 30 June 2007. In addition, the Company has issued a bill of exchange for the amount of LTL 3,000 thousand to the above bank, which is a collateral for the guarantee provided.
SEB Vilniaus Bankas AB for the amount of LTL 2,000 thousand maturing on 31 December 2006.

17. Other income

	I HYR 2006	**I HYR 2005**
Interest income	448	64
Sold inventories	2 655	673
Profit on disposal of property, plant and equipment	-60	358
Other	11	8
	3 054	1 103

During the reporting period profit on disposal of property, plant and equipment was reduced by LTL 60 thousand as a result of the reduced price of the property sol din 2005 after the Buyer has met his contractual obligations.

18. Finance costs

Finance costs comprise interest expenses on bank borrowings.

19. Income tax expense

	I HYR 2006	**I HYR 2005**
Income tax 15% (in 2005 – 15%)	1 170	321
Temporary social tax 4%	313	-
	1 483	321

20. Cash flows

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LIETUVOS RESPUBLIKA UAB "RUNOS" KAUNAS

(all tabular amounts are in LTL'000 unless otherwise stated)

Data of the previous financial year (30 June 2005) presented in the cash-flow statement were adjusted between items for the purpose of comparison to represent the actually paid dividend amount and actually received (paid) interest.

21. Dividends per share

At the Annual General Shareholders' meeting on 10 April 2006 a dividend in respect of 2005 of LTL 0.45 per share amounting to a total dividend of LTL 17,858 thousand were declared.

22. Related-party transactions

Mineraliniai Vandenys AB is the majority shareholder of the Company owning 99.3 pe cent of the Company's shares. The remaining shares are widely held.

Other companies treated as related parties are subsidiaries of Koncernas MG Baltic UAB.

Services are usually negotiated with related parties on a cost-plus basis. Goods are sold on the basis of the price list in force with non-related parties.

Acting Chief Executive Officer Arūnas Minelga

Chief Financial Officer Voldemaras Kalio

Rūta Rutkauskaitė, pone +370 37 308811

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LIETUVOS RESPUBLIKA UAB "RUNOS" KAUNAS

(all tabular amounts are in LTL'000 unless otherwise stated)

Complete Form of the Balance Sheet

PUBLIC LIMITED LIABILITY COMPANY STUMBRAS
(enterprise name)

Company number 132082728, K. Būgos g. 7, Kaunas
(enterprise identification number, address, other information)

APPROVED
Minutes No ________
____ _________20__

FINANCIAL STATEMENTS PREPARED IN COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS APPROVED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD

UNAUDITED

BALANCE SHEET

30 June 2006

(all tabular amounts are in LTL'000 unless otherwise stated)

First half-year 2006
(reporting period)

(in litas)

	ASSETS	Note No.	Financial year 30 06 2006	Previous financial year 31 12 2005
A.	***Non-Current Assets***		**25,230,279**	**25,539,818**
I.	**Intangible Assets**	7	**385,899**	**459,217**
I.1.	Development works			
I.2.	Goodwill			
I.3.	Licences and patents		261,952	326,726
I.4.	Computer software		123,947	132,491
I.5.	Other intangible assets			
II.	**Tangible Assets**	6	**24,726,305**	**23,507,526**
II.1.	Land			
II.2.	Buildings and constructions		8,665,504	8,716,621
II.3.	Plant and equipment		10,360,823	11,016,567
II.4.	Vehicles		450,635	513,310
II.5.	Other property, plant and equipment		2,754,712	3,152,834
II.6.	Construction in progress		59,026	51,682
II.7.	Other tangible assets / advance payments		2,435,605	56,512
II.8.	Investment assets		0	0
I.8.1.	Land			
I.8.2.	Buildings			
III.	**Financial Assets**		**45,105**	**1,500,105**
III.1.	Investments in subsidiaries and associates			
III.2.	Loans to subsidiaries and associates			
III.3.	Amounts receivable after one year	9	30,105	1,485,105
III.4.	Other financial assets		15,000	15,000
Iv.	**Other Non-Current Assets**		**72,970**	**72,970**
IV.1.	Deferred tax assets	8	72,970	72,970
IV.2.	Other non-current assets			
B.	***Current Assets***		**71,356,470**	**101,732,293**
I.	Inventories, Prepayments and Contracts in Progress		11,140,576	25,489,009
I.1.	Inventories		10,434,336	24,553,442
I.1.1.	Raw materials and components		7,506,764	16,108,145
I.1.2.	Work in progress		500,796	456,365
I.1.3.	Finished products		2,423,412	1,757,537
I.1.4.	Goods for resale		3,364	6,231,395
I.2.	Prepayments		706,240	935,567
I.3.	Contracts in progress			
II.	**Amounts receivable within one year**		**50,713,258**	**63,568,977**
II.1.	Trade amounts receivable		30,631,845	26,773,141
II.2.	Receivables from subsidiaries and associates			
II.3.	Other amounts receivable		20,081,413	36,795,836
III.	**Other Current Assets**		**0**	**0**
III.1.	Current investments			
III.2.	Time deposits			
III.3.	Other current assets			
IV.	**Cash And Cash Equivalents**	12	**9,502,636**	**12,674,307**
	Total Assets:		**96,586,749**	**127,272,111**

LIETUVOS RESPUBLIKA UAB "RUNOS" KAUNAS

Translation is correct. Translator of UAB „Runos" Edita Tarasovaite.

STUMBRAS AB
FOR THE PERIOD ENDED 30 JUNE 2006

(all tabular amounts are in LTL'000 unless otherwise stated)

	EQUITY AND LIABILITIES	Note No.	Financial year 30 06 2006	Previous financial year 31 12 2005
C.	**Equity**		**53,509,689**	**63,340,188**
I.	**Capital**	13	**39,765,381**	**39,685,354**
I.1.	Authorised (subscribed)		40,000,000	39,685,354
I.2.	Subscribed uncalled share capital (-)		-234,619	
I.3.	Share premium			
I.4.	Own shares (-)			
II.	**Revaluation Reserve (Results)**		**0**	**0**
III.	**Reserves**	14	**4,990,250**	**0**
III.1.	Legal reserve		990,250	
III.2.	Reserve for acquiring own shares		4,000,000	
III.3.	Other reserves			
IV.	**Retained Earnings (Losses)**		**8,754,058**	**23,654,834**
IV.1.	Profit (loss) of the reporting year		7,947,883	19,805,002
IV.2.	Profit (loss) of the previous year		806,175	3,849,832
D.	***Grants And Subsidies***			
E.	***Amounts Payable And Liabilities***		**43,077,060**	**62,338,486**
I.	Non-Current Amounts Payable And Liabilities	16	21,922,518	21,922,518
I.1.	Financial debts		21,922,518	21,922,518
I.1.1.	Leases and similar obligations			
I.1.2.	To credit institutions		21,922,518	21,922,518
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 tax liabilities			
I.6.	Other amounts payable and non-current liabilities			
II.	**Current Amounts Payable And Liabilities**	15	**21,154,542**	**40,415,968**
II.1.	Current portion of non-current debts			
II.2.	Financial debts		2,307,852	4,231,061
II.2.1.	To credit institutions		2,307,852	4,231,061
II.2.2.	Other debts			
II.3.	Trade amounts payable		6,937,085	9,654,555
II.4.	Amounts received in advance		169,441	217,720
II.5.	Profit tax liabilities		1,041,630	
II.6.	Liabilities related with labour relations		1,709,988	1,764,108
II.7.	Provisions		309,101	559,101
II.8.	Other amounts payable and current liabilities		8,679,445	23,989,423
	Total Equity And Liabilities:		**96,586,749**	**127,272,111**

Acting CEO
title of the head of enterprise administration (signature) Arūnas Minelga
(name and surname)

31 07 2006
date

LIETUVOS RESPUBLIKA UAB "RUNOS" KAUNAS

Translation is correct. Translator of UAB „Runos" Edita Tarasovaitė.

(all tabular amounts are in LTL'000 unless otherwise stated)

PUBLIC LIMITED LIABILITY COMPANY STUMBRAS
(Company name)

Company number 132082728, K. Būgos g. 7, Kaunas
(company number, address, other data)

UNAUDITED

INCOME STATEMENT FOR THE PERIOD JANUARY – JUNE 2006
(reporting period)

30 June 2006

No.	ITEMS	Note no.	Financial year (01 01 2006 – 30 06 2006)			Previous financial year (01 01 2005 – 30 06 2005)		
			Total	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations
I.	SALES INCOME		53,206,152	40,735,317	12,470,835	44,571,494	36,970,986	7,600,508
II.	COST OF SALES		28,966,106	21,524,693	7,441,413	22,716,942	17,853,685	4,863,257
III.	**GROSS PROFIT (LOSS)**		**24,240,046**	**19,210,624**	**5,029,422**	**21,854,552**	**19,117,301**	**2,737,251**
IV.	OTHER PROFIT (LOSS)		-16,718	-16,646	-72	75,148	8,693	66,455
V.	OPERATING COSTS		14,488, 561	11,253,749	3,234, 812	14,395,709	10,002,198	4,393,511
V.1	Sales		5,266,019	3,642,788	1,623,231	3,994,329	2,933,666	1,060,336
V.2	General and administrative		9,222,542	7,610,961	1,611,581	10,401,380	7,068,532	3,332,848
VI.	**OPERATING PROFIT (LOSS)**		**9,734,767**	**7,940,229**	**1,794,538**	**7,533,991**	**9,123,796**	**-1,589,805**
VII.	OTHER ACTIVITIES		511,046	512,815	-1,769	-383,602	-424,735	41,133
VII.1	Income	17	8,479,142	3,053,840	5,425,302	1,211,120	1,103,440	107,680
VII.2	Expenses		7,968,096	2,541,025	5,427,071	1,594,722	1,528,175	66,547
VIII.	FINANCING AND INVESTING ACTIVITIES		-481,356	-481,356	0	-442,606	-442,606	
VIII.1	Income				0			
VIII.2	Expenses		481,356	481,356	0	442,606	442,606	
IX.	**PROFIT (LOSS) FROM NORMAL ACTIVITIES**		**9,764,457**	**7,971,688**	**1,792,769**	**6,707,783**	**8,256,455**	**-1,548,672**
X.	GAIN							
XI.	LOSSES							
XII.	**PROFIT (LOSS) BEFORE TAX**		**9,764,457**	**7,971,687**	**1,792,770**	**6,707,783**	**8,256,455**	**-1,548,672**
XIII.	PROFIT TAX	19	1,816,574	1,482,652	333,922	159,356	320,836	-161,480
XIV.	**NET PROFIT (LOSS)**		**7,947,883**	**6,489,035**	**1,458,848**	**6,548,427**	**7,935,619**	**-1,387,192**

Acting CEO
title of the head of enterprise administration

Aūnas Minelga
(name and surname)

signature

Translation is correct. Translator of UAB „Runos" Edita Tarasovaite.

(all tabular amounts are in LTL'000 unless otherwise stated)

PUBLIC LIMITED LIABILITY COMPANY STUMBRAS
(Company name)
Company number 132082728, K. Būgos g. 7, Kaunas
(company number, address, other data)

APPROVED
____ ____________ 2006, Minutes No.

STATEMENT OF CHANGES IN EQUITY

First half-year 2006 (reporting period)

30 June 2006

in litas
specify in litas or thousand litas

	Paid up authorised capital	Share premium	Own skares (-)	Revaluation reserve (results): Of non-current tangible assets	Revaluation reserve (results): Of financial assets	Legal reserves: Compulsory	Legal reserves: Acquisition of own shares	Other reserves: Undistributable	Other reserves: Distributable	Retained earnings (losses)	Total
	1	2	3	4	5	6	7	8	9	10	11
1. Balance at 31 December 2005	**39,685,354**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**23,654,834**	**63,340,188**
2. Increase / decrease in non-current tangible assets value											0
3. Increase / decrease in financial assets value											0
4. Acquisition of own shares											0
5. Profit / loss, excluded from Income Statement											0
6. Net profit / loss of the reporting period										7,947,883	7,947,883
7. Dividends										-17,858,409	-17,858,409
8. Other payments											0
9. Formed reserves						990,250	4,000,000			-4,990,250	0
10. Used reserves											0
11. Increase / reduction of authorised capital	80,027										80,027
12. Balance at 30 June 2006	**39,765,381**	**0**	**0**	**0**	**0**	**990,250**	**4,000,000**	**0**	**0**	**8,754,058**	**53,509,689**

Acting CEO — signature — Aūnas Minelga
title of the head of enterprise administration — (name and surname)

Translation is correct. Translator of UAB „Runos" Edita Tarasovaite.

LIETUVOS RESPUBLIKA UAB „RUNOS" KAUNAS

(all tabular amounts are in LTL'000 unless otherwise stated)

PUBLIC LIMITED LIABILITY COMPANY STUMBRAS
(Company name)
Company number 132082728, K. Būgos g. 7, Kaunas
(company number, address, other data)

APPROVED
__ ____________ 2006. Minutes No.

STATEMENT OF CHANGES IN EQUITY

First half-year 2006 — 30 June 2006 — in litas
(reporting period) — specify in litas or thousand litas

	Paid up authorised capital	Share premium	Own shares (-)	Revaluation reserve (results)		Legal reserves		Other reserves		Retained earnings (losses)	Total
				Of non-current tangible assets	Of financial assets	Compulsory	Acquisition of own shares	Undistributable	Distributable		
	1	2	3	4	5	6	7	8	9	10	11
1. Balance at 31 December 2004	**130,676,340**	**0**	**0**	**0**	**0**	**11,864,040**	**0**	**20,308,166**	**0**	**-1,089,026**	**161,759,520**
2. Increase / decrease in non-current tangible assets value											0
3. Increase / decrease in financial assets value											0
4. Acquisition of own shares											0
5. Profit / loss, excluded from Income Statement										0	0
6. Net profit / loss of the reporting period										6,548,427	6,548,427
7. Dividends										-13,889,874	-13,889,874
8. Other payments											0
9. Formed reserves						1,203,594				-1,203,594	0
10. Used reserves							-20,308,166			20,308,166	0
11. Increase / reduction of authorised capital	28,065,076										28,065,076
12. Balance at 30 June 2005	**158,741,416**	**0**	**0**	**0**	**0**	**13,067,634**	**4,000,000**	**0**	**0**	**8,754,058**	**53,509,689**

Acting CEO — signature — Aūnas Minelga
title of the head of enterprise administration — (name and surname)

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LIETUVOS RESPUBLIKA U A B "RUNOS" KAUNAS

STUMBRAS AB
FOR THE PERIOD ENDED 30 JUNE 2006

(all tabular amounts are in LTL'000 unless otherwise stated)

Cash Flow Statement prepared according to the Indirect Method

PUBLIC LIMITED LIABILITY COMPANY STUMBRAS
(Company name)
Company number 132082728, K. Būgos g. 7, Kaunas
(company number, address, other data)

APPROVED
____ ____________ 2006.
Minutes No.

CASH FLOW STATEMENT FOR THE FIRST HALF-YEAR 2006

30 June 2006

In litas

No.	ITEMS	Note No.	Financial Year	Previous financial year
I.	**Cash flows from operating activities**			
I.1.	Net profit (loss)		7,947,883	6,548,427
I.2.	Depreciation and amortization costs		1,790,852	2,448,542
I.3.	Decrease (increase) in amounts receivable after one year		1,455,000	-1,455,000
I.4.	Decrease (increase) in inventory		14,111,261	2,174,523
I.5.	Decrease (increase) in advances received		229,327	359,512
I.6.	Decrease (increase) in contracts in progress			
I.7.	Decrease (increase) in trade receivables		-3,870,819	5,306,792
I.8.	Decrease (increase) in amounts receivable from subsidiaries and associates			
I.9.	Decrease (increase) in other amounts receivable		221,646	733,919
I.10.	Decrease (increase) in other current assets		0	-343,036
I.11.	Increase (decrease) in non-current payables to suppliers and advances received			
I.12.	Increase (decrease) in current payables to suppliers and advances received		-4,359,186	-55,564
I.13.	Increase (decrease) in profit tax liability		1,041,630	
I.14.	Increase (decrease) in liabilities connected with labour relations		-54,120	-91,433
I.15.	Increase (decrease) in provisions		-250,000	
I.16.	Increase (decrease) in other amounts payable and liabilities		-15,319,808	-35,696,774
I.17.	Elimination of financing and investing activity results		50,457	-139,714
	Net cash flows from operating activities		**2,994,123**	**-20,209,806**
II.	**Cash flows from investing activities**			
II.1.	Acquisition of non-current assets (excluding investments)		-3,365,627	-3,790,314
II.2.	Transfer of non-current assets (excluding investments)		437,159	4,846,910
II.3.	Acquisition of long-term investments			
II.4.	Transfer of long-term investments			
II.5.	Loans granted		0	-38,000,000
No.	ITEMS	Note No.	Financial Year	Previous financial year

Translation is correct. Translator of UAB „Runos" Edita Tarasovaitė

LIETUVOS RESP... "RUNOS" KAUNAS

(all tabular amounts are in LTL'000 unless otherwise stated)

II.6.	Loans recovered		14,000,000	14,070,083
II.7.	Dividends and interest received		2,952,959	256,855
II.8.	Other increase in cash flows from investing activities			
II.9.	Other decrease in cash flows from investing activities			
	Net cash flows from investing activities		**14,024,491**	**-25,616,466**
III.	**Cash flows from financing activities**			
III.1.	Cash flows related to enterprise owners:		-17,769,002	19,338,568
III.1.1.	Emission of shares		80,027	28,065,076
III.1.2.	Owners' contributions against losses			
III.1.3.	Purchase of own shares			
III.1.4.	Dividends paid		-17,849,029	-8,726,508
III.2.	Cash flows arising from other financing sources		-2,404,565	28,354,294
III.2.1.	Increase in financial debts		0	28,846,073
III.2.1.1.	Loans received			28,846,073
III.2.1.2.	Issue of bonds			
III.2.2.	Decrease in financial debts		-2,404,565	0
III.2.2.1.	Loans repaid		-1,923,209	
III.2.2.2.	Purchase of bonds			
III.2.2.3.	Interest paid		-481,356	
III.2.2.4.	Payments of lease (finance lease) liabilities			
III.2.3.	Increase in other enterprise liabilities			
III.2.4.	Decrease in other enterprise liabilities			
III.2.5.	Other increase in cash flows from financial activities			
III.2.6.	Other decrease in cash flows from financial items			-491,779
	Net cash flows from financing activities		**-20,173,567**	**47,692,862**
IV.	**Cash flows from extraordinary items**		**0**	**0**
IV.1.	Increase in cash flows from extraordinary items			
IV.2.	Decrease in cash flows from extraordinary items			
V.	**The effects of changes in foreign exchange rates on cash and cash equivalents balance**		**-16,718**	**75,148**
VI.	**Net increase (decrease) in cash flows**		**-3,171,671**	**1,941,738**
VII.	**Cash and cash equivalents at the beginning of period**		**12,674,307**	**7,164,655**
VIII.	**Cash and cash equivalents at the end of period**		**9,502,636**	**9106393**

Acting CEO
title of the head of enterprise administration

Aūnas Minelga
signature (name and surname)

LIETUVOS RESPUBLIKA UAB "RUNOS" KAUNAS

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