

AB STUMBRAS

INTERIM REPORT FOR THE PERIOD OF SIX MONTHS OF 2007

Kaunas, August 2007

CONFIRMATION BY RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Drawing Up and Submission of Periodic and Additional Information approved by the Lithuanian Securities Commission, we, General Director of *AB Stumbras* Česlovas Matulevičius and Financial Director Voldemaras Kallo, hereby confirm that to the best of our knowledge this Interim Report of *AB Stumbras* for the Period of Six Months of 2007 contains correct business development and activity survey.

General Director

20 August 2007

L.S.

Financial Director

20 August 2007

L.S.



Česlovas Matulevičius

Voldemaras Kallo

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1. Accounting Period of the Report

The Interim Report has been drawn up for the period of six months of 2007, ending on 30 June 2007. All numbers contained in the Interim Report are as of 30 June 2007, unless indicated otherwise. *AB Stumbras* may be hereinafter referred to as the Enterprise, the Company or the Issuer.

2. Issuer and Its Contact Information

Issuer name	Akcinė bendrovė <i>Stumbras</i>
Legal/organisational form	Public limited liability company
Authorised capital	LTL 40 000 000
Registration date and place	4 October 1995, Kaunas City Board
Registration certificate No.	AB 95 – 70B
Enterprise code	1320 82782
Enterprise VAT code	LT3208278211
Enterprise register	Register of Legal Entities of the Republic of Lithuania
Legal address	K. Būgos g. 7, LT- 44355 Kaunas
Phone No.	8 (37) 308800
Fax No.	8 (37) 308833
E-mail	stumbras@stumbras.lt
Website	www.stumbras.eu/lt

3. Main Activities of the Issuer

The main activities involve the production and sale of ethyl alcohol and strong drinks, other activities specified in the Articles of Association may also be carried out.

4. Agreements with Securities Brokers

On 24 October 2003 the Company concluded the Issuer Service Agreement with AB SEB Vilniaus bankas (enterprise code 112021238), Gedimino pr. 12, Vilnius, tel. (8 5) 268 2687, fax. (8 5) 262 6043, which in relations with the Issuer is represented by the Financial Markets Department.

5. Data on Trade in Securities of the Issuer in Regulated Markets

The shares of the Issuer are listed on the Vilnius Stock Exchange. Currently all 40 000 000 ordinary registered shares with the par value of 1 (one) Litas of which the authorised capital of the Company is composed are listed in the Secondary List of the Vilnius Stock Exchange (VSE). ISIN code of securities: LT0000119430.

6. Objective Survey on the Condition, Execution of Activities and Development of the Enterprise. Description of Main Risk Types and Uncertainties Encountered by the Enterprise

According to the data as of 30 June 2007, *AB Stumbras* produced 104 different strong drinks.

Production volumes of the main products during the period of six months of the last 3 years (data is provided in decalitres (dal) and tons):

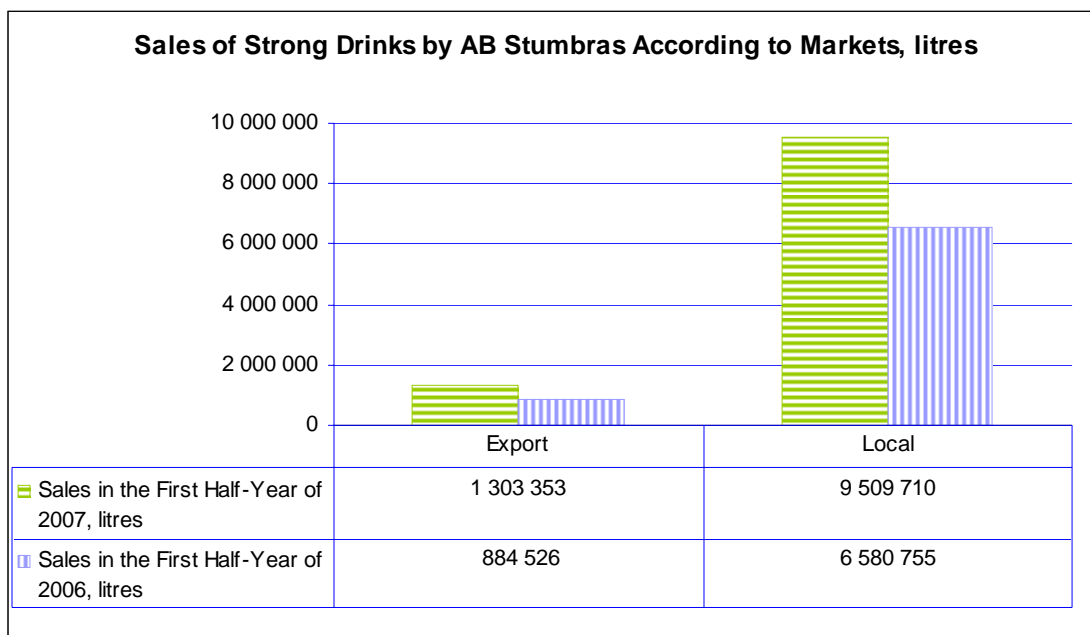
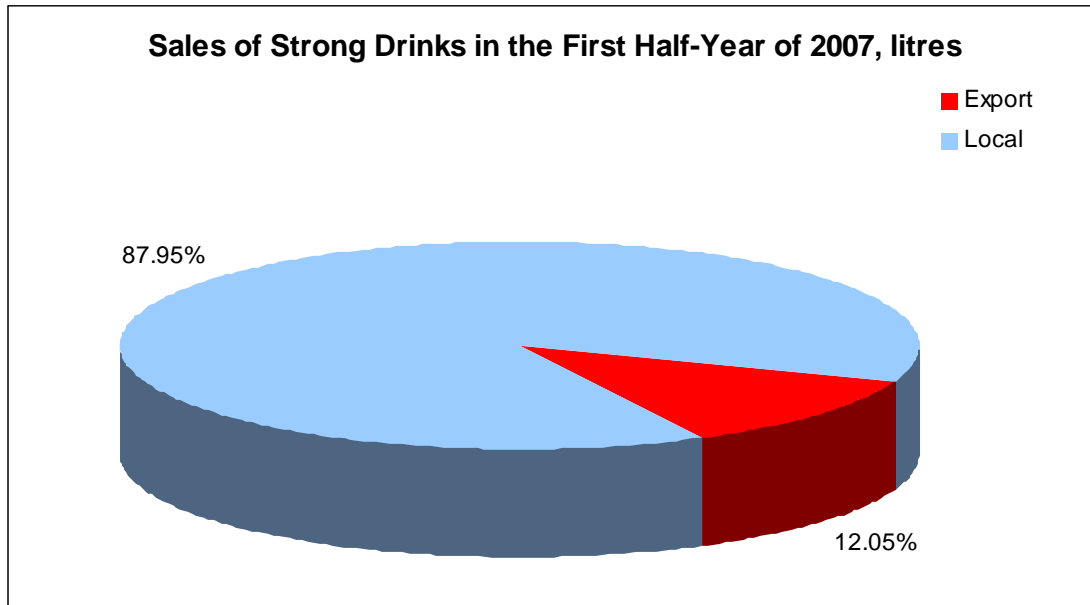
Name	Measurement unit	I half-year of 2007	I half-year of 2006	I half-year of 2005
Alcohol products	thousand dal	1 109	773	646
Including strong drinks	thousand dal	1 106	770	645
Other production	thousand tons	-	-	-

New products the production whereof was commenced in the first half-year of 2007: Original Lithuanian quince-flavoured vodka, *Stumbras* bread vodka, *Nipernaadi* cherry vodka, spirit drink *Akropolis*, spirit drink *Aramis SR*, brandy *Amazonia*, liqueur Lithianian Cranberry.

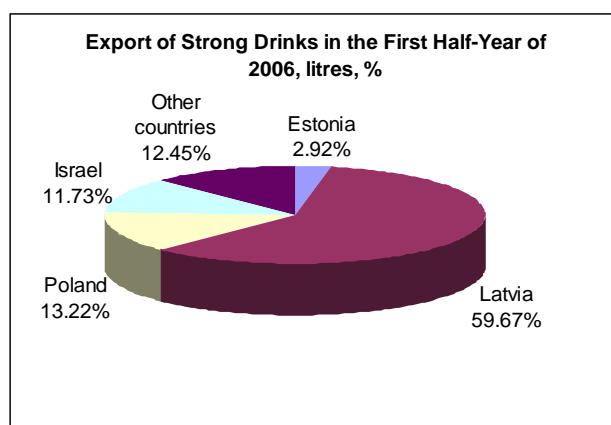
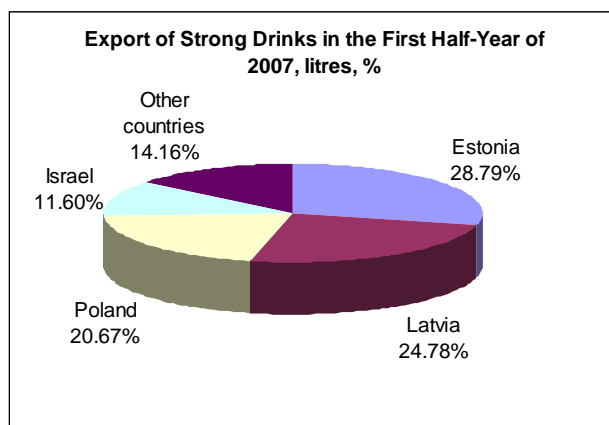
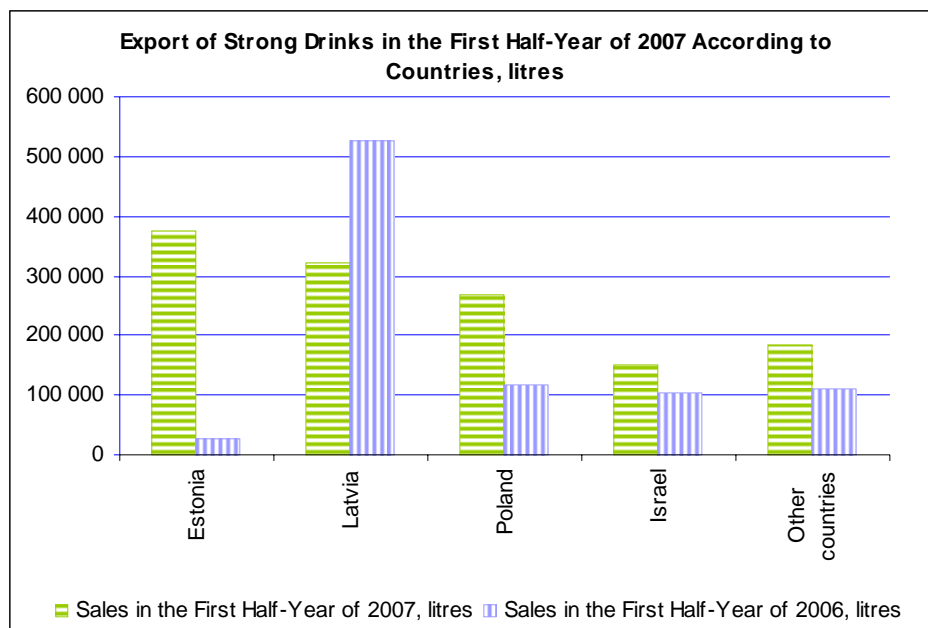
The changes in sale prices and volumes of production of *AB Stumbras* are strongly influenced by the excise tariffs on ethyl alcohol and strong drinks established by the legal acts of the Republic of Lithuania. During the accounting period the excise tariff amounting to LTL 3 200 per hectolitre of pure ethyl alcohol was applicable with respect to strong drinks and ethyl alcohol (based on Article 24 of the Law on Excises of the Republic of Lithuania No. IX-569 dated 30 October 2001 (current version – 7 December 2006)).

During the first half-year of 2007 the average production sale price increased from 8.19 LTL/l to 8.59 LTL/l.

The Company carries out its obligations under the previously concluded long-term sale contracts and concludes new contracts thus ensuring steady and methodical production sale.



In the first half-year of 2007 most of the Company's production was exported to Estonia, Poland, Latvia and Israel (85.84 of all exported production). Other export destinations: US, Denmark, Spain, Northern Ireland, Bulgaria, Peru, Salvador, Greece, Singapore, India, England, Australia, France, Ireland.



Risk Factors Related to the Issuer's Activities:

Economic. The principal activities of the Company are the production and sale of strong drinks. The Company considers other Lithuanian strong drink producers and enterprises which import and distribute strong drinks in the territory of the Republic of Lithuania as its competitors in the market. The performance of the Enterprise is also influenced by the existing illegal production of strong drinks as well as strong drink and rectified ethyl alcohol smuggling. Taking into consideration the competitiveness of the Company it could be stated that the personnel and technical/technological potential possessed currently enables the Company to successfully operate in this market.

One of potential types of risk of the Company are related to the possibility that upon the increase in the standard of living of residents part of consumers may opt for imported strong drinks. Other operational risk may be also linked to the growing power of supermarket nets and their potential for influencing the sale of goods. The Company may also loose part of its profit due to the planned goods export and sales increase in the territories of other European countries.

Political: The lack in stability of laws and other legal acts covering the activities of the enterprise has negative impact. Among the potential risk factors which may indirectly influence the performance of the Company are restrictions of strong drinks advertising.

Environmental: The Company has paid LTL 840.4 thousand for the environmental pollution in the 1st half-year of 2007 (in the 1st half-year of 2006 – LTL 523.5 thousand). The major part of these costs is composed of costs of waste management of packages issued to the internal market. In the 1st half-year of 2007 the Company provided strong drinks to Customers packed in reusable packing (boxes), but as of 2006 it has gradually switched to packing of production in disposable packing. This results in the increase of package waste management costs.

Technical/Technological factors may influence the economic/financial activities of the Company in the light of the fact that the rectified ethyl alcohol of other producers is used in the production. The dependence on raw material suppliers increases significantly both in terms of production cost and quality.

Financial Risk Factors. AB STUMBRAS had the following loans as of 30 June 2007 (LTL thousand):

Long-term	
Bank loans	-
	-
Short-term	
Bank loans	19 615
Total loans	19 615

The total amount of bank loans is related to syndicated loan received from two banks. The loan has to be repaid by 1 October 2007.

7. Analysis of Financial and Non-Financial Performance

In the 1st half-year of 2007 the income of *AB Stumbras* for the production sold (without the excise tax) and the services rendered amounted to LTL 66 992 thousand, i.e. 64.5 per cent more than in the 1st half-year of 2006, when the sales income amounted to LTL 40 735 thousand.

The Company has earned profit before tax amounting to LTL 17 021 thousand, i.e. 113.5 per cent more than in the 1st half-year of 2006 (1st half-year of 2006 – LTL 7,972 thousand).

During the accounting period, AB Stumbras paid taxes amounting to LTL 121 385 thousand, including:

- excise tax – LTL 92 471 thousand;
- value added tax – LTL 24 680 thousand;
- social insurance contributions – LTL 1 920 thousand;
- income tax of residents – LTL 1 329 thousand.

Key Indicators of Financial/Economic Activities of AB Stumbras:

	1 st half-year of 2007	1 st half-year of 2006
Sales revenues, LTL thousand	66 992	40 735
Sales revenues from foreign markets, LTL thousand	5 971	3 184
Exports in the total volume of sales, per cent	8.9	7.8
Total profit, LTL thousand	31 500	19 194
Total profitability, per cent	47.0	47.1
Profit before tax, LTL thousand	17 021	7 972
Profitability before tax, per cent	25.4	19.6
Net profit, LTL thousand	14 014	6 489
Net profitability, per cent	20.9	15.9
EBITDA, LTL thousand	19 436	10 173
EBITDA profitability	29.0	25.0
Assets (as of the end of the period), LTL thousand	111 430	96 587
Of which: Long-term assets, LTL thousand	28 336	25 230
Short-term assets, LTL thousand	83 094	71 356
Share capital (as of the end of the period), LTL thousand	40 000	39 765
Equity capital (as of the end of the period), LTL thousand	57 696	53 510
Investment for Company modernisation, LTL thousand	4 407	3 365

The Company has incurred costs amounting to LTL 840 thousand in the 1st half-year of 2007, as compared to the same period of the last year these costs increased by 62.2 per cent (1st half-year of 2006 – LTL 518 thousand).

There were no significant changes in the number of personnel of *AB Stumbras* during the accounting period. On 30 June 2007 333 persons were employed by the Company (On 30 June 2006 – 301 persons).

In the 1st half-year of 2007 the Company was also engaged in social/cultural activities: it is the major sponsor of Pažaislis Music Festival.

8. References and Additional Explanations Regarding the Data Represented in the Interim Financial Report

All financial data provided in this interim financial report is calculated based on International Financial Reporting Standards and is not audited, unless specified otherwise.

9. Information on the Acquisition and Holding by the Enterprise of Its Own Shares

The Company had not acquired any own shares during previous periods and did not acquire any during the accounting period.

10. Significant Events Which Happened After the End of the Preceding Financial Year

At the General Meeting of Shareholders of *AB Stumbras* of 30 March 2007 a dividend in respect of 2006 amounting to LTL 0.55 (EUR 0.16) per ordinary registered share with the par value of LTL 1 (one) amounting to a total dividend of LTL 22 million was declared.

On 6 June 2007 the amended Articles of Association of the Company were registered with the Lithuanian Register of Legal Entities. The amendments to the Articles of Association were registered following the expiration of the term of validity of 314 646 (three hundred fourteen thousand six hundred forty six) ordinary registered shares with the par value of LTL 1 (one) issued by the Company and holding the employee status.

11. Activity Plans and Forecasts for the Enterprise

AB Stumbras is seeking to increase the sales of production in the local market, in the territory of the European Union states and export of production to the third countries in 2007.

The Company is expecting its production sales to amount to LTL 115.7 million and to earn profit before tax amounting to approximately LTL 25.8 million in 2007.

Investment to the Company's modernisation amounting to LTL 6.6 million has been scheduled for 2007.

12. Structure of the Authorised Capital of the Issuer

The authorised capital of the Company was composed of 40 000 000 ordinary registered shares with the par value of LTL 1 as of 30 June 2007.

Structure of the share capital of *AB Stumbras* according to share types:

Share type	Number of shares	Par value (LTL)	Total par value (LTL)	Share in the authorised capital (%)
Ordinary registered shares	40 000 000	1	40 000 000	100.00
Total:	40 000 000		40 000 000	100.00

All shares of *AB Stumbras* have been paid up.

The shareholders of the Company have the following property rights:

- 1) to receive part of the Company's profit (dividend);
- 2) to receive part of the assets of the Company in liquidation;
- 3) to receive shares free of charge in case the authorised capital is increased out of the company's funds, except for cases specified in the Law on Companies of the Republic of Lithuania;
- 4) to have the pre-emption right in respect of the shares or convertible debentures issued by the Company, except for cases when the General Meeting of Shareholders resolves to withdraw this right for all the shareholders;
- 5) to bequeath all or part of the shares to one or several persons;
- 6) to transfer all or part of the shares into the ownership of other persons, except for cases specified in the laws of the Republic of Lithuania;
- 7) other property rights provided for by laws or the Articles of Association of the Company.

The shareholders of the Company have the following non-property rights:

- 1) to participate in the General Meetings of Shareholders and to vote;
- 2) to receive information on the Company specified in Paragraph 1 of Article 18 of the Law on Companies of the Republic of Lithuania;
- 3) to file the action with the court requesting the compensation for the damage incurred by the Company as a result of the failure to fulfil or the improper fulfilment of obligations of the Company's manager established in the Articles of Association of the Company and other laws, as well as in other cases specified by laws;
- 5) other non-property rights provided for by laws and the Articles of Association of the Company.

13. Restrictions on Transfer of Securities

None.

14. Shareholders

The number of shareholders of *AB Stumbras* amounted to 549 on 30 June 2007.

Shareholders who held more than 5 per cent of the Company's authorised capital on 30 June 2007.

Shareholder name, family name (enterprise name, type, legal address, enterprise register code)	Number of shares held by the shareholder under the ownership right (units)	Share of the authorised capital held	Percentage of votes granted by the shares held under the ownership right	Percentage of shares held by the shareholder together with jointly acting persons
<i>UAB Mineraliniai vandenys</i> J.Jasinskio g. 16, Vilnius, Enterprise code 121702328	37 464 743	93.66	93.66	93.66

15. Shareholders Enjoying Special Control Rights and Descriptions of Such Rights

None.

16. All Restrictions on Voting Rights

None.

17. All Agreements Among the Shareholders of Which the Issuer is Aware and Due to Which the Transfer of Securities and/or Voting Rights May Be Restricted

None.

18. Personnel

	30 06 2007	30 06 2006
<u>Number of personnel</u>	333	301
Managers	7	7
Employees-specialists	61	65
Workers	265	229
	30 06 2007	30 06 2006
<u>Average gross salary, LTL</u>		
Managers	13 230	11 170
Employees-specialists	5 348	3 842
Workers	2 217	1 745

19. Procedure of Amendment of the Articles of Association of the Issuer

According to the Law on Companies of the Republic of Lithuania, the exceptional right to amend the Articles of Association is exercised by the General Meeting of Shareholders.

According to the Articles of Association of the Company, the resolution on the amendment of the Articles of Association shall be adopted by the 2/3 majority of all votes granted by the shares of shareholders participating at the meeting. Following the adoption of the resolution on the amendment of the Articles of Association of the Company by the General Meeting of Shareholders the full text of the amended Articles of Association shall be drawn up and a person authorised by the General Meeting of Shareholders shall sign it.

20. Bodies of the Issuer

According to the Company's Articles of Association, the Company has the following bodies: the General Meeting of Shareholders, the Supervisory Board, the Management Board and the Manager of the Company. The Articles of Association establish that restrictions on the rights of the members of the Company's bodies are provided for by the Law on Companies of the Republic of Lithuania.

According to the Articles of Association, the competence of the General Meeting of Shareholders is established by the Law on Companies of the Republic of Lithuania.

The Supervisory Board of the Company is a collegial body supervising the activities of the Company. The Supervisory Board composed of 3 (three) members is elected by the General Meeting of Shareholders for the term of 4 (four) years. The Supervisory Board *in corpore* or its individual members may be removed from office before the expiry of their term by the General Meeting of Shareholders.

The Management Board is a collegial management body of the Company. The Management Board composed of 6 (six) members is elected by the Supervisory Board for the term of 4 (four) years. The Management Board *in corpore* or its individual members may be removed from office before the expiry of their term by the Supervisory Board.

According to the Articles of Association of the Company the Management Board considers the main production, organisational, financial and economic issues of the Company, analyses and approves the activity strategy, use of financial resources, approves the organisational and management structure of the Company, elects and removes from office the Manager of the Company and performs other functions established by the Law on Companies.

The Company's Manager (General Director) is elected and removed from office by the Management Board pursuant to the procedure provided for by the Law on Companies. The competence of the Manager of the Company is established by the Law on Companies. The Manager of the Company is responsible for the organisation of the Company's activities, implementation of its objectives, he is entitled to enter into transactions on its own account, except for cases specified by the Law on Companies when the decision regarding the transaction is adopted by the Management Board. In his activities the Manager follows the resolutions of the General Meeting of Shareholders, the decisions of the Supervisory Board and the Management Board.

21. Members of Collegial Bodies, Manager of the Company, CFO

Status of the person	Name, family name	Number of shares of the issuer held	Commencement date	Termination date
<u>Supervisory Board</u>				
Chairman of the Supervisory Board	Romanas Raulinaitis	10 060	31 10 2003	31 10 2007
Member of the Supervisory Board	Inga Žemkauskienė	-	31 10 2003	31 10 2007
Member of the Supervisory Board	Dalius Balceris	-	31 10 2003	31 10 2007
<u>Management Board</u>				
Chairman of the Management Board	Darius Juozas Mockus	-	27 10 2003	27 10 2007
Member of the Management Board	Artūras Listavičius	-	27 10 2003	27 10 2007
Member of the Management Board	Rolandas Vingilis	-	27 10 2003	27 10 2007
Member of the Management Board	Aurelijus Racevičius	5 000	27 10 2003	27 10 2007
Member of the Management Board	Raimondas Kurlianskis	-	14 05 2007	27 10 2007
Member of the Management Board	Česlovas Matulevičius	15 730	14 05 2007	27 10 2007
<u>Manager and Financial Director</u>				
General Director	Česlovas Matulevičius	15 730	01 09 2004	-
Financial Director	Voldemaras Kallo	7 868	07 11 2003	-

22. Information Concerning the Compliance with the Corporate Governance Code

In principle, *AB Stumbras* complies with recommendations of the Corporate Governance Code for Listed Companies approved by the Vilnius Stock Exchange. Following the Company's declaration on compliance with the Corporate Governance Code for Companies Listed on the Vilnius Stock Exchange after the end of 2006 no material changes during the accounting period have taken place.

23. Information on Transactions with Related Parties

AB Mineraliniai vandenys is the major shareholder of the Company holding 93.66 per cent of the Company's shares. The rest of the Company's shares are held by different minority shareholders.

Other enterprises considered as related parties are subsidiaries of the Concern *MG Baltic*.

Negotiations on services with related parties are conducted following the cost-plus principle. Goods are sold based on the pricelist applicable with respect to unrelated parties.

The outcomes of transactions with related parties executed in the 1st half-year of 2007 are disclosed in the notes of the Financial Report of *AB Stumbras* for the Period Ended 30 June 2007.

24. Data on the Publicly Announced Information

During the period between 01 01 2007 and 30 06 2007 the Company publicly announced information via OMX Client News Service and on the Company's website. The Company additionally published information on the convened General Meetings of Shareholders in the daily *Respublika*. In order to familiarise with the contents of public announcements issued by the Company please visit the website of the Vilnius Stock Exchange <http://www.baltic.omxgroup.com/market/?pg=news> and the website of the Enterprise <http://www.stumbras.eu/investuotojams/>