For Lithuanian Securities Commission
Konstitucijos av. 23, LT - 08105 Vilnius

MANAGEMENT CONFIRMATION LETTER

2008-02-28

Hereby we confirm, that according to our knowledge, JSC Stumbras interim financial statement for the perioded ended 31 December 2007 is made in accordance with International Financial Reporting Standards and gives a true and fair view of the financial position, assets, liabilities and profit of the Company.

General Director Česlovas Matulevičius

Chief accountant Rūta Rutkauskaitė

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Correspondent bank (USD): JPMorgan Chase Bank New York, SWIFT CHASUS33
Correspondent bank (EUR): Bank Austria Creditanstalt AG, Vienna, SWIFT BKAUATWW

STUMBRAS AB

CONDENSED INTERIM FINANCIAL

FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2007

CONTENTS Pages

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

Condensed interim balance sheet

	Note	31 December 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	6	35 166	25 149
Intangible assets	7	951	563
Available-for-sale financial assets		15	15
Non-current deferred charges and prepayments		58	42
		36 190	25 769
Current assets			
Inventories	8	15 164	13 242
Trade and other receivables and prepayments		83 699	46 553
Cash and cash equivalents	9	22 228	39 157
		122 062	98 952
Non-current assets classified as held for sale		-	162
		121 091	99 114
Total assets		157 281	124 883
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	40 000	40 000
Reserves	11	1 985	4 990
Retained earnings		34 464	20 692
Total equity		76 449	65 682
LIABILITIES			
Non-current liabilities			
Borrowings	12	12 691	-
Deferred income tax liabilities		78	56
		12 769	56
Current liabilities			
Trade and other payables		56 568	33 749
Borrowings	12	4 231	21 923
Current income tax liabilities		5 546	3 473
Provisions for other liabilities and charges		1 718	-
		68 063	59 145
Total liabilities		80 832	59 201
Total equity and liabilities		157 281	124 883

The General Director and the Finance Director approved the condensed interim financial information on pages 3 to 17 o
11 February 2008.

Česlovas Matulevičius
General Director

Rūta Rutkauskaitė
Chief accountant

The notes on pages 7 to 17 are an integral part of this condensed interim financial information.

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

Condensed interim income statement

	Note	Twelve-month period ended 31 December 2007	Twelve-month period ended 31 December 2006
Continuing operations:			
Sales	5	168 511	101 943
Cost of sales		(85 605)	(52 123)
Gross profit		82 906	49 820
Other gains (losses) -net		(49)	(35)
Selling and marketing costs		(15 065)	(9 751)
Administrative expenses		(26 550)	(17 040)
Other income		1 713	1 839
Other expenses		(1 202)	(885)
Operating profit		41 753	23 948
Finance income		365	190
Finance costs		(1 033)	(984)
Profit before income tax		41 085	23 154
Income tax expense	13	(8 318)	(4 631)
Profit for the twelve-month period from continuing operations		32 767	18 523
Discontinued operations:			
Profit for the twelve-month period from discontinued operations	14	-	1 363
Profit for the twelve-month period		32 767	19 886
Basic and diluted earnings per share for profit from continuing operations attributable to the equity holders of the Company during the period (expressed in LTL per share)	15	0.82	0.47
Basic and diluted earnings per share for profit/losses from discontinued operations attributable to the equity holders of the Company during the period (expressed in LTL per share)	15	-	0.03

The notes on pages 7 to 17 are an integral part of this condensed interim financial information.

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

Condensed interim statement of changes in equity

	Note	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2006		39 685	-	23 655	63 340
Profit for the twelve-month period		-	-	19 886	19 886
Total recognised income for the twelve-month period ended 31 December 2006		39 685	-	43 541	83 226
Increase in share capital		315	-	-	315
Transferred to legal reserve		-	990	(990)	-
Transferred to reserve			4 000	(4 000)	-
Dividend relating to 2005		-	-	(17 859)	(17 859)
Balance at 31 December 2006		40 000	4 990	20 692	65 682
Balance at 1 January 2007		40 000	4 990	20 692	65 682
Profit for the twelve-month period		-	-	32 767	32 767
Total recognised income for the twelve-month period ended 31 December 2007		40 000	4 990	53 459	98 449
Transferred from reserves	11		(4 000)	4 000	-
Transferred to legal reserve	11	-	995	(995)	-
Dividend relating to 2006	16	-	-	(22 000)	(22 000)
Balance at 31 December 2007		40 000	1 985	34 464	76 449

The notes on pages 7 to 17 are an integral part of this condensed interim financial information.

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

Condensed interim cash flow statement

	Note	Twelve-month period ended 31 December	
		2007	2006
Cash flows from operating activities			
Cash generated from operations	17	32 752	19 374
Interest received		888	3 465
Interest paid		(1 033)	(984)
Income tax paid		(6 224)	(822)
Net cash generated from operating activities		26 383	21 033
Cash flows from investing activities			
Purchases of property, plant and equipment		(15 923)	(6 436)
Proceeds from sale of property, plant and equipment	17	248	503
Purchases of intangible assets	7	(652)	(248)
Loans granted to related parties		(50 100)	(15 000)
Loan repayments received from related parties		50 100	48 399
Net cash used in investing activities		(16 327)	27 218
Cash flows from financing activities			
Issuance of ordinary shares		-	315
Repayments of borrowings		(5 000)	(4 231)
Dividends paid to the Company's shareholders		(21 985)	(17 852)
Net cash used in financing activities		(26 985)	(21 768)
Net (decrease)/increase in cash, cash equivalents		(16 929)	26 483
Cash and cash equivalents at beginning of period		39 157	12 674
Cash and cash equivalents at end of period		22 228	39 157

The notes on pages 7 to 17 are an integral part of this condensed interim financial information.

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

Selected notes to the condensed interim financial information

1. General information

Stumbras AB (the Company) was registered as a Public Limited Liability Company under the laws of the Republic of Lithuania on 17 December 1990. Company code: 132082782.The shares of the Company are listed on the Secondary List of the Vilnius Stock Exchange. The shareholders of the Company are:

	31 December 2007	**31 December 2006**
Mineraliniai vandenys UAB	93.30 per cent	98.35 per cent
Other	6.70 per cent	1.65 per cent

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 incorporated and domiciled in Kaunas. The address of its registered office is as follows:

K. Būgos 7
LT-44355 Kaunas
Republic of Lithuania

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

The number of the Company's employees as at 31 December 2007 amounted to 364 (31 December 2006: 299).

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

3. Basis of preparation

This condensed interim financial information for the twelve-month period ended 31 December 2007 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

New interpretations IFRIC 7, 8, 9 and 10 become effective from 1 January 2007. None of these interpretations has a material effect of the Company's financial statements. In addition, IFRS 7 will be effective to the annual financial statements for the year ended 31 December 2007.

The Company has not early adopted any of the new or revised standards and interpretations that become effective for financial years beginning on or after 1 January 2008.

4. Comparatives

Where necessary, comparative figures in respect of the period ended have been reclassified to reflect the presentation adjustments during the accounting period. The effect of these reclassifications is described as follows:

LTL'000	31 December 2006
Interest	
Decrease in	
Other income	190
Increase in	
Finance income	190

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

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	**31 December 2007**	**31 December 2006**
Lithuania	153 193	94 701
Estonia	4 578	907
Poland	3 305	1 561
Latvia	2 609	2 996
Kazakhstan	1 891	-
Israel	709	418
USA	417	322
France	199	-
Great Britain	196	100
Spain	192	119
India	189	-
Denmark	184	132
Bangladesh	131	32
Northern Ireland	117	79
El Salvador	90	86
Greece	88	108
Peru	83	-
Finland	79	-
UAE	62	84
Bulgaria	51	-
Other countries	148	298
Total	168 511	101 943

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

All Company's assets are located in Lithuania and all capital expenditure related to Lithuania.

Analysis of sales by category	**31 December 2007**	**31 December 2006**
Sales of goods	167 679	100 534
Revenue from resale of goods	452	921
Revenue from services	380	488
	168 511	101 943

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

6. Property, plant and equipment

	Land and buildings	Plant and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Total
At 31 December 2005						
Cost	11 644	28 362	1 781	5 757	108	47 652
Accumulated depreciation	(2 927)	(17 345)	(1 268)	(2 604)	-	(24 144)
Net book amount	8 717	11 017	513	3 153	108	23 508
Year ended 31 December 2006						
Opening net book amount	8 717	11 017	513	3 153	108	23 508
Additions	-	1 862	1	389	4 184	6 436
Disposals	-	-	-	(524)	-	(524)
Reclassifications	176	2 848	4	22	(3 050)	-
Reclassifications to non-current assets classified as held for sale	3	(96)	1	(7)	-	(99)
Depreciation charge	(201)	(2 931)	(128)	(912)	-	(4 172)
Closing net book amount	8 695	12 700	391	2 121	1 242	25 149
At 1 January 2007						
Cost	12 835	32 027	1 713	4 990	1 242	52 807
Accumulated depreciation and impairment	(4 140)	(19 327)	(1 322)	(2 869)	-	(27 658)
Net book amount	8 695	12 700	391	2 121	1 242	25 149
At 31 December 2007						
Opening net book amount	8 695	12 700	391	2 121	1 242	25 149
Additions	7 000	436	-	759	7 692	15 887
Disposals	-	-	-	(400)	-	(400)
Reclassifications	1 648	7 159	6	26	(8 839)	-
Reclassifications to non-current assets classified as held for sale	-	(6)	-	-	-	(6)
Reduction of property value	-	(641)	-	(40)	-	(681)
Depreciation	(213)	(3 161)	(129)	(1 280)	-	(4 783)
Closing net book amount	17 130	16 487	268	1 186	95	35 166
At 31 December 2007						
Cost	21 484	30 944	1 593	3 485	95	57 601
Accumulated depreciation and impairment	(4 354)	(14 457)	(1 325)	(2 299)	-	(22 435)
Net book amount	17 130	16 487	268	1 186	95	35 166

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

6. Property, plant and equipment (continued)

As at 31 December 2007 property, plant and equipment for the net book value of LTL 16 079 thousand (LTL 17,040 thousand as at 31 December 2006) and land rent rights for the value of LTL 1 thousand (4 thousand as at 31 December 2006) were provided as collateral for bank borrowings (Note 12).

7. Intangible assets

	Patents, licences	Software	Total
At 31 December 2005			
Cost	572	316	888
Accumulated amortisation	(245)	(184)	(429)
Net book amount	327	132	459
Year ended 31 December 2006			
Opening net book amount	327	132	459
Additions	50	198	248
Amortisation charge	(127)	(17)	(144)
Closing net book amount	250	313	563
At 1 January 2007			
Cost	622	515	1 137
Accumulated amortisation	(372)	(202)	(574)
Net book amount	250	313	563
At 31 December 2007			
Opening net book amount	250	313	563
Additions	393	259	652
Amortisation charge	(165)	(99)	(264)
Closing net book amount	478	473	951
At 31 December 2007			
Cost	1 001	773	1 774
Accumulated amortisation	(523)	(300)	(823)
Net book amount	478	473	951

The Company does not have internally generated intangible assets.

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

8. Inventories

	31 December 2007	31 December 2006
Raw materials	11 400	8 837
Work in progress	177	527
Finished goods	3 587	3 878
	15 164	13 242

As at 31 December 2007, inventories of LTL 20 000 thousand (the same amount as at 31 December 2006) are provided as collateral to secure the borrowings (Note 12).

The cost of inventories recognised as expense for the twelve-month period ended 31 December 2007 amounted to LTL 310 thousand (LTL 903 thousand for the twelve month period ended 31 December 2006).

9. Cash and cash equivalents

As at 31 December 2007, cash at bank and future inflows to bank accounts amounting to LTL 20 000 thousand (LTL 60 000 thousand as at 31 December 2006) is provided as collateral for banks' borrowings (see Note 12).

10. Share capital

As at 31 December 2007, the Company's authorised share capital comprised 40 000 000 ordinary registered shares with a par value of LTL 1 per share (as at 31 December 2006: 40 000 000 shares with a par value of LTL 1 per share). All issued shares are fully paid. During 2006 the Company's share capital was increased by LTL 315 thousand by issuing 314 646 ordinary registered shares with a par value of LTL 1 per share holding the employee status, i.e. these shares were sold to the Company's employees and can only be transferred to other employees of the Company within the following 12-month period.

11. 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 regulatory legislation on accounting of the Republic of Lithuania are required until the reserve reaches 10 per cent of the Company's authorised 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 31 December 2006 the legal reserve amounted to LTL 990 thousand. The annual General Shareholders Meeting approved the decision to transfer LTL 995 thousand to the legal reserve in 2007.

According to the shareholders decision, the reserve of LTL 4 000 thousand for the acquisition of own shares was cancelled in 2007.

12. Borrowings

	31 December 2007	31 December 2006
Non current		
Bank borrowings	12 691	-
Current		
Bank borrowings	4 231	21 923
Total borrowings	16 922	21 923

The whole amount of bank borrowings relates to a syndicated loan from two banks at a floating interest rate. This loan is to be repaid by 1 September 2011.

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

12. Borrowings (continued)

Bank borrowings are secured by the property, plant and equipment (Note 6), inventories (Note 8) and cash at banks including future inflows into accounts (Note 9).

Interest rate of borrowings is based on market interest rate, therefore carrying amount of borrowings approximates to its fair value.

The actual interest rate at the balance sheet date was 5.883 per cent (4.73 per cent as at 31 December 2006).

The maturity of non-current borrowings is as follows:

	31 December 2007	31 December 2006
Between 1 and 2 years	9 230	-
Between 2 and 5 years	3 461	-
	12 691	-

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

	31 December 2007	31 December 2006
EUR	16 922	21 923
	16 922	21 923

As at 31 December 2007, the Company had a guarantee provided by SEB Vilniaus Bankas AB for the amount of LTL 500 thousand maturing on 31 December 2008. The Company pays annual interest of 1.1 per cent on the guarantee amount. The maximum amount of guarantees that could be issued by the bank is LTL 500 thousand.

13. Income tax expense

	31 December 2007	31 December 2006
Income tax related with continuing operations	8 318	4 631
Income tax related with discontinued operations	-	320
	8 318	4 951

Profit is taxed at the income tax rate of 15 per cent (15 per cent in 2006) according to the tax laws of the Republic of Lithuania. According to the newly adopted Provisional Law on Social Tax of the Republic of Lithuania, social tax at the rate of 4 per cent for 2006 and at a rate of 3 per cent for 2007 should be paid on taxable income earned during 2006 and 2007 respectively.

14. Discontinued operations

In December 2005 the Company split its operations and assets and liabilities into those related to production of strong alcohol drinks and production of non-denatured ethyl alcohol and bioethanol. Production of strong alcohol drinks remained at Stumbras AB. Production of non-denatured ethyl alcohol and bioethanol, considered as discontinued operations, together with all related assets and liabilities was transferred to a newly established company Biofuture AB.

In 2006, until final registration and enforcement of necessary documentation allowing the newly established company Biofuture AB to operate non-denatured and denatured ethyl alcohol production and sales, these activities were performed by Stumbras AB. Income and expenses related to these activities were disclosed as the result of discontinued operations.

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

14. Discontinued operations (continued)

The result of discontinued operations presented in the Income statement is as follows:

	31 December 2007	31 December 2006
Revenue	-	17 896
Expenses	-	(16 213)
Profit/(loss) before tax of discontinued operations	-	1 683
Income tax	-	(320)
Profit/(loss) after tax of discontinued operations	-	1 363

15. Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	31 December 2007	31 December 2006
Profit from continuing operations attributable to the equity holders	32 767	18 523
Profit /(loss) from discontinued operations attributable to the equity holders	-	1 363
Net profit attributable to equity holders of the Company	32 767	19 886
Weighted average number of ordinary shares in issue (thousands)	40 000	39 848
Basic earnings per share (LTL per share)		
From continuing operations	0.82	0.47
From discontinued operations	-	0.03
Basic earnings per share	0.82	0.50

Diluted

The Company has no dilutive potential ordinary shares and therefore the diluted earnings per share are the same as basic earnings per share.

16. Dividends per share

At the annual General Shareholders' Meeting on 30 March 2007, a dividend in respect of 2006 of LTL 0.55 per share amounting to a total dividend of LTL 22 000 thousand was declared.

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

17. Cash generated from operations

	31 December 2007	31 December 2006
Net profit for the period	32 767	19 886
Adjustments for:		
- income tax (Note 13)	8 318	4 951
– depreciation (Note 6)	4 783	4 172
– amortisation (Note 7)	264	144
– loss/ (profit) on disposal of property, plant and equipment	833	21
– interest income	(1 010)	(789)
– interest expense	1 033	984
Changes in working capital:		
- non-current receivables and deferred charges	20	1 443
– inventories and assets held for sale	(1 754)	11 248
– trade and other receivables and prepayments	(37 024)	(18 650)
– trade and other payables, deferred income and provisions	24 522	(4 036)
Cash generated from operations	32 752	19 374

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	31 December 2007	31 December 2006
Net book amount (Note 6 and Note 7)	400	524
Profit/ (loss) on disposal of non-current assets	(152)	(21)
Proceeds from sale of non-current assets	248	503

Non-cash transactions
No major non-cash transactions took place during the twelve-month period ended 31 December 2007 and 31 December 2006.

18. Contingent and off-balance sheet liabilities

(a) Capital commitments
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	31 December 2007	31 December 2006
Property, plant and equipment	278	106

(b) Operating lease commitments – where the Company is the lessee
The Company leases various property, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2007	31 December 2006
No later than 1 year	335	383
Later than 1 year and no later than 5 years	421	653
Later than 5 years	18	4
	774	1 040

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

18. Contingent and off-balance sheet liabilities (continued)

(c) Tax audits
The tax authorities have carried out a full-scope tax audit at the Company until September 2003 and also started tax audit in 2007. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties.

19. Related-party transactions

Mineraliniai vandenys AB is the majority shareholder of the Company owning 93.30 per 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.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	31 December 2007	31 December 2006
– UAB „Mineraliniai vandenys"	85 996	44 216
– AB „Biofuture"	5	5 699
– UAB „Mitnija"	1	19
– Stumbras Poland Sp.zo.o	843	1 253
– UAB „TV 1"	-	10
	60 227	51 197

(b) Cost of sales

	31 December 2007	31 December 2006
– UAB „Trojina"	-	90
– AB „Biofuture"	11	260
	-	350

(c) Selling and marketing cost

	31 December 2007	31 December 2006
– UAB „Mineraliniai vandenys"	1 316	544
– UAB „Trojina"	-	44
– UAB ,,Tromina"	124	266
– UAB ,,Laisvas nepriklausomas kanalas"	855	732
– UAB „Neo press"	50	23
– UAB „Apranga"	3	-
– UAB „TV 1"	-	10
– Stumbras Poland Sp.zo.o	-	119
– UAB „Alfa media"	-	10
	2 348	1 748

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

19. Related-party transactions (continued)

(d) Administrative expenses

	31 December 2007	31 December 2006
– UAB Koncernas „MG Baltic”	572	486
– UAB Koncernas „MG Baltic Trade”	79	418
– UAB „Mineraliniai vandenys”	29	43
– UAB „MG Valda”	142	184
– AB „Biofuture	-	865
– AB „MG Baltic Investment“	-	2
	822	1 998

(e) Other income

	31 December 2007	31 December 2006
– UAB „Minvista”	178	571
– UAB „Mineraliniai vandenys”	467	-
	645	571

(f) Other expenses

	31 December 2007	31 December 2006
– UAB „Biofuture”	-	2 914
	-	2 914

(g) Purchases of property, plant and equipment

	31 December 2007	31 December 2006
– UAB „Mitnija”	209	-
	209	-

(h) Key management compensation

	31 December 2007	31 December 2006
Salaries and other short-term employee benefits	1 190	1 229
Social security expenses	368	403
	1 558	1 632

Key management includes 7 (2006: 9) members of the management of the Company.

(i) Year-end balances arising from sales/purchases of goods/services

Receivables from related parties:

	31 December 2007	31 December 2006
– UAB „Mineraliniai vandenys”	28 841	16 496
– AB „Biofuture“	-	83
– UAB „Mitnija“	-	24
– Stumbras Poland Sp.zo.o	17	672
– UAB „Minvista”	-	169
	28 858	17 444

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

19. Related-party transactions (continued)

(j)Amounts due to related parties:

	31 December 2007	31 December 2006
Trade payables		
– UAB Koncernas „MG Baltic"	100	55
– UAB Koncernas „MG Baltic Trade"	-	48
– UAB „Mineraliniai vandenys"	410	98
– UAB „Tromina"	-	136
– UAB "MG Baltic Investment"	-	3
– UAB „Laisvas nepriklausomas kanalas"	156	390
– UAB „MG valda"	15	15
– AB „Biofuture"	-	4
– UAB „Neo press"	1	-
	682	749

(k) Loans to related parties (provided to Minvista UAB and Mineraliniai vandenys UAB)

	31 December 2007	31 December 2006
Loans to related parties		
Beginning of year	-	33 399
Loan repayments received	(50 100)	(48 399)
Additional loans	50 100	15 000
End of the year	-	-

The annual interest rate for the loan amounts to 6.00 per cent (2006: 2.05 per cent).

	31 December 2007	31 December 2006
Accrued interest on the loans to related parties		
Beginning of year	169	2 833
Interest charged	645	571
Interest payments received	(523)	(3 235)
End of the year	291	169

20. Seasonality

The Company's sales are subject to seasonal fluctuations with peak demand in the fourth quarter and the lowest sales in the first quarter of the year. This is due to the holiday periods.