



Securities Commission of the Republic of Lithuania

10 September 2008

## CONFIRMATION OF RESPONSIBLE PERSONS

The confirmation of responsible persons regarding interim financial statement for 30 June 2008 ended period is provided following the Law of Republic of Lithuania on securities, dated 18 January 2007 and Lithuanian Securities Commission resolution No.1K-3 on the rules of disclosure and submission of periodic and additional information, dated 23 February 2007.

We, responsible persons, hereby confirm that to the best of our knowledge, provided condensed interim financial statements for the period of six months of 2008, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Stumbras AB.

General Manager

Česlovas Matulevičius

The acting chief Financial Officer

Rūta Rutkauskaitė

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

<b>CONTENTS</b>	<b>Pages</b>
<b>CONDENSED INTERIM FINANCIAL INFORMATION</b>	
CONDENSED INTERIM BALANCE SHEET -----	3
CONDENSED INTERIM INCOME STATEMENT -----	4
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY -----	5
CONDENSED INTERIM CASH FLOW STATEMENT -----	6
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION -----	7 - 16

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**Condensed interim balance sheet**

	Note	30 June 2008	31 December 2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	34 816	35 166
Intangible assets	6	775	951
Available-for-sale financial assets		15	15
Non-current deferred charges and prepayments		961	58
		36 567	36 190
<b>Current assets</b>			
Inventories	7	17 314	15 164
Trade and other receivables and prepayments		49 525	83 699
Cash and cash equivalents	8	4 924	22 228
		71 763	121 091
Non-current assets classified as held for sale		-	-
		71 763	121 091
<b>Total assets</b>		108 330	157 281
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	9	40 000	40 000
Reserves	10	3 623	1 985
Retained earnings		15 386	34 464
<b>Total equity</b>		59 009	76 449
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	10 384	12 691
Deferred income tax liabilities		78	78
		10 462	12 769
<b>Current liabilities</b>			
Trade and other payables		26 172	56 568
Borrowings	11	4 615	4 231
Current income tax liabilities		6 079	5 546
		1 993	1 718
<b>Total liabilities</b>		38 859	68 063
		49 321	80 832
<b>Total equity and liabilities</b>		108 330	157 281

The General Director and the Finance Director approved the condensed interim financial information on pages 3 to 16 on 28 July 2008.

Česlovas Matulevičius  
 General Director

Rūta Rutkauskaitė  
 The acting chief Financial Officer

The notes on pages 7 to 16 are an integral part of this condensed interim financial information.

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**Condensed interim income statement**

	Note	Half-year period ended 30 June		Three-month period ended 30 June	
		2008	2007	2008	2007
<b>Continuing operations:</b>					
Sales	4	69 451	66 992	41 634	37 835
Cost of sales		(33 476)	(35 507)	(19 734)	(19 725)
<b>Gross profit</b>		35 975	31 485	21 900	18 110
Other gains (losses) -net		(48)	15	(5)	4
Selling and marketing costs		(5 901)	(5 042)	(3 664)	(3 201)
Administrative expenses		(12 789)	(9 574)	(8 423)	(5 105)
Other income		209	644	206	258
Other expenses		(98)	(138)	(39)	(73)
<b>Operating profit</b>		17 348	17 390	9 975	9 993
Finance income		115	139	43	89
Finance costs		(464)	(508)	(224)	(254)
<b>Profit before income tax</b>		16 999	17 021	9 794	9 828
Income tax expense	13	(2 439)	(3 007)	(2 439)	(3 007)
Profit for the period from continuing operations		14 560	14 014	7 355	6 821
<b>Discontinued operations:</b>					
Profit for the period from discontinued operations		-	-	-	-
<b>Profit for the three-month period</b>		14 560	14 014	7 355	6 821
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)					
	14	0,36	0,35	0,18	0,17
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)					
	14	-	-	-	-

The notes on pages 7 to 16 are an integral part of this condensed interim financial information.

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

(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
<b>Balance at 1 January 2007</b>		40 000	4 990	20 692	65 682
Profit for the three-month period		-	-	14 014	14 014
<b>Total recognised income for the three-month period ended 30 June 2007</b>		40 000	4 990	34 706	79 696
Increase in share capital		-	-	-	-
Transferred from reserves	10	-	(4 000)	4 000	-
Transferred to legal reserve		-	995	(995)	-
Dividend relating to 2006		-	-	(22 000)	(22 000)
<b>Balance at 30 June 2007</b>		40 000	1 985	15 711	57 696
<b>Balance at 1 January 2008</b>		40 000	1 985	34 464	76 449
Profit for the three-month period		-	-	14 560	14 560
<b>Total recognised income for the nine-month period ended 30 June 2008</b>		40 000	1 985	49 024	91 009
Transferred to legal reserve	10	-	1 638	(1 638)	-
Dividend relating to 2007	15	-	-	(32 000)	(32 000)
<b>Balance at 30 June 2008</b>		40 000	3 623	15 386	59 009

The notes on pages 7 to 16 are an integral part of this condensed interim financial information.

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**Condensed interim cash flow statement**

	Note	Half-year period ended 30 June	
		2008	2007
<b>Cash flows from operating activities</b>			
Cash generated from operations	16	20 524	20 639
Interest received		406	139
Interest paid		(464)	(508)
Income tax paid		(1 905)	(692)
Net cash generated from operating activities		18 561	19 578
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1 955)	(4 407)
Proceeds from sale of property, plant and equipment	16	14	122
Purchases of intangible assets	6	(39)	(250)
Loans granted to related parties		-	(39 800)
Loan repayments received from related parties		-	30 000
Net cash used in investing activities		(1 980)	(14 335)
<b>Cash flows from financing activities</b>			
Issuance of ordinary shares		-	-
Borrowing received		3 000	-
Repayments of borrowings		(4 923)	(2 308)
Dividends paid to the Company's shareholders		(31 962)	(21 978)
Net cash used in financing activities		(33 885)	(24 286)
<b>Net (decrease)/increase in cash, cash equivalents</b>		(17 304)	(19 043)
Cash and cash equivalents at beginning of period		22 228	39 157
<b>Cash and cash equivalents at end of period</b>		4 924	20 114

The notes on pages 7 to 16 are an integral part of this condensed interim financial information.

---

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

---

(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:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Mineraliniai vandenys UAB	93.30 per cent	93.30 per cent
Other	6.70 per cent	6.70 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 30 June 2008 amounted to 305 (31 December 2007: 364).

### **2. Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the annual financial statements for the year ended 31 December 2007.

### **3. Basis of preparation**

This condensed interim financial information for the half-year period ended 30 June 2008 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 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 2009.



**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**4. 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	Half-year period ended 30 June		Three-month period ended 30 June	
	2008	2007	2008	2007
Lithuania	62 240	61 020	37 634	34 455
Estonia	2 342	1 873	1 494	969
Poland	1 991	1 421	994	977
Latvia	1 241	1 370	496	593
Israel	409	331	281	153
USA	245	200	184	112
Great Britain	172	51	134	22
Spain	152	59	74	59
Northern Ireland	151	77	70	44
Peru	131	41	90	41
Belgium	108	-	108	-
Denmark	105	77	41	77
India	75	56	-	56
Singapore	40	37	-	-
Ireland	33	24	33	16
El Salvador	-	90	-	90
France	-	54	-	6
Other countries	16	211	1	165
<b>Total</b>	<b>69 451</b>	<b>66 992</b>	<b>41 634</b>	<b>37 835</b>

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	Half-year period ended 30 June		Three-month period ended 30 June	
	2008	2007	2008	2007
Sales of goods	69 052	66 550	41 360	37 542
Revenue from resale of goods	121	228	70	168
Revenue from services	278	214	204	125
	<b>69 451</b>	<b>66 992</b>	<b>41 634</b>	<b>37 835</b>

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**5. Property, plant and equipment**

	Land and buildings	Plant and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Total
<b>At 31 December 2006</b>						
Cost	12 835	32 027	1 713	4 990	1 242	52 807
Accumulated depreciation	(4 140)	(19 327)	(1 322)	(2 869)	-	(27 658)
Net book amount	8 695	12 700	391	2 121	1 242	25 149
<b>Year ended 31 December 2007</b>						
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)
Impairment charge	-	(641)	-	(40)	-	(681)
Depreciation charge	(213)	(3 161)	(129)	(1 280)	-	(4 783)
Closing net book amount	17 130	16 487	268	1 186	95	35 166
<b>At 1 January 2008</b>						
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
<b>At 30 June 2008</b>						
Opening net book amount	17 130	16 487	268	1 186	95	35 166
Additions	-	344	-	485	1 126	1 955
Disposals	-	-	-	(1)	-	(1)
Reclassifications	3	502	-	1	(506)	-
Reclassifications to non-current assets classified as held for sale	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-
Depreciation	(115)	(1 951)	(54)	(184)	-	(2 304)
Closing net book amount	17 018	15 382	214	1 487	715	34 816
<b>At 30 June 2008</b>						
Cost	21 487	30 926	1 593	3 880	715	57 866
Accumulated depreciation and impairment	(4 469)	(15 544)	(1 379)	(2 393)	-	(23 545)
Net book amount	17 018	15 382	214	1 487	715	34 816

As at 30 June 2008 property, plant and equipment for the net book value of LTL 15 332 thousand (LTL 16 079 thousand as at 31 December 2007) and land rent rights for the value of LTL 1 thousand (1 thousand as at 31 December 2007) were provided as collateral for bank borrowings (Note 11).

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**6. Intangible assets**

	<b>Patents, licences</b>	<b>Software</b>	<b>Total</b>
<b>At 31 December 2006</b>			
Cost	622	515	1 137
Accumulated amortisation	(372)	(202)	(574)
Net book amount	<u>250</u>	<u>313</u>	<u>563</u>
<b>Year ended 31 December 2007</b>			
Opening net book amount	250	313	563
Additions	393	259	652
Amortisation charge	(165)	(99)	(264)
Closing net book amount	<u>478</u>	<u>473</u>	<u>951</u>
<b>At 1 January 2008</b>			
Cost	1 001	773	1 774
Accumulated amortisation	(523)	(300)	(823)
Net book amount	<u>478</u>	<u>473</u>	<u>951</u>
<b>At 30 June 2008</b>			
Opening net book amount	478	473	951
Additions	37	2	39
Amortisation charge	(121)	(94)	(215)
Closing net book amount	<u>394</u>	<u>381</u>	<u>775</u>
<b>At 30 June 2008</b>			
Cost	1 037	775	1 812
Accumulated amortisation	(643)	(394)	(1 037)
Net book amount	<u>394</u>	<u>381</u>	<u>775</u>

The Company does not have internally generated intangible assets.

**7. Inventories**

	<b>30 June 2008</b>	<b>31 December 2007</b>
Raw materials	12 735	11 400
Work in progress	291	177
Finished goods	4 288	3 587
	<u>17 314</u>	<u>15 164</u>

As at 30 June 2008, inventories of LTL 20 000 thousand (the same amount as at 31 December 2007) are provided as collateral to secure the borrowings (Note 11).

The cost of inventories recognised as expense for the half-year period ended 30 June 2008 amounted to LTL 66 thousand (LTL 11 thousand for the half-year period ended 30 June 2007).

**8. Cash and cash equivalents**

As at 30 June 2008, cash at bank and future inflows to bank accounts amounting to LTL 20 000 thousand (LTL 20 000 thousand as at 31 December 2007) is provided as collateral for banks' borrowings (see Note 11).

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**9. Share capital**

As at 30 June 2008, 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 2007: 40 000 000 shares with a par value of LTL 1 per share). All issued shares are fully paid.

**10. 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 2007 the legal reserve amounted to LTL 1 985 thousand. The annual General Shareholders Meeting approved the decision to transfer LTL 1 638 thousand to the legal reserve in 2008.

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

**11. Borrowings**

	<b>30 June 2008</b>	<b>31 December 2007</b>
<b>Non current</b>		
Bank borrowings	10 384	12 691
<b>Current</b>		
Bank borrowings	4 615	4 231
<b>Total borrowings</b>	<b>14 999</b>	<b>16 922</b>

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.

Bank borrowings are secured by the property, plant and equipment (Note 5), inventories (Note 6) and cash at banks including future inflows into accounts (Note 8).

Interest rate of borrowings is based on market interest rate with repricing term of 3 months, therefore carrying amount of borrowings approximates to its fair value as discounting effect is not material.

The maturity of non-current borrowings is as follows:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Between 1 and 2 years	9 230	9 230
Between 2 and 5 years	1 154	3 461
	<b>10 384</b>	<b>12 691</b>

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

	<b>30 June 2008</b>	<b>31 December 2007</b>
EUR	14 999	16 922
	<b>14 999</b>	<b>16 922</b>

As at 30 June 2008, the Company had a guarantee provided by SEB Vilnius 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.

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**12. Provisions for other liabilities and charges**

The whole amount of provisions for other liabilities and charges as at 30 June 2008 is established for expected expenses related to legal claims, where the Company is involved.

Part of the provision is established for the tax claim (see note 17.(c))- expected settlement in 2008, remaining part for the probable claim related to the breach of the conditions stated in the agreement with one of the Company's service providers with the expected settlement during 2008-2009.

**13. Income tax expense**

	Half-year period ended 30 June		Three-month period ended 30 June	
	2008	2007	2008	2007
Income tax related with continuing operations	2 439	3 007	2 439	3 007
Income tax related with discontinued operations	-	-	-	-
	<u>2 439</u>	<u>3 007</u>	<u>2 439</u>	<u>3 007</u>

Profit is taxed at the income tax rate of 15 per cent (15 per cent in 2007) 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 3 per cent for 2007 should be paid on taxable income earned during 2007 respectively.

**14. 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.

	Half-year period ended 30 June		Three-month period ended 30 June	
	2008	2007	2008	2007
Profit from continuing operations attributable to the equity holders	14 560	14 014	7 355	6 821
Profit /(loss) from discontinued operations attributable to the equity holders	-	-	-	-
Net profit attributable to equity holders of the Company	14 560	14 014	7 355	6 821
Weighted average number of ordinary shares in issue (thousands)	40 000	40 000	40 000	40 000
Basic earnings per share (LTL per share)				
From continuing operations	0,36	0,35	0,18	0,17
From discontinued operations	-	-	-	-
Basic earnings per share	<u>0,36</u>	<u>0,35</u>	<u>0,18</u>	<u>0,17</u>

*Diluted*

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

**15. Dividends per share**

At the annual General Shareholders' Meeting on 31 March 2008, a dividend in respect of 2007 of LTL 0.80 per share amounting to a total dividend of LTL 32 000 thousand was declared.

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**16. Cash generated from operations**

	<b>30 June 2008</b>	<b>30 June 2007</b>
Net profit for the period	14 560	14 014
Adjustments for:		
- income tax (Note 13)	2 439	3 007
- depreciation (Note 5)	2 304	1 873
- amortisation (Note 6)	215	79
- loss/ (profit) on disposal of property, plant and equipment	(13)	(9)
- interest income	(115)	(357)
- interest expense	464	508
Changes in working capital:		
- non-current receivables and deferred charges	(903)	19
- inventories and assets held for sale	(2 150)	(1 054)
- trade and other receivables and prepayments	33 883	8 055
- trade and other payables, deferred income and provisions	(30 160)	(5 496)
Cash generated from operations	20 524	20 639

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

	<b>30 June 2008</b>	<b>30 June 2007</b>
Net book amount (Note 5 and Note 6)	1	113
Profit/ (loss) on disposal of non-current assets	13	9
Proceeds from sale of non-current assets	14	122

*Non-cash transactions*

No major non-cash transactions took place during the nine-month period ended 31 March 2008 and 31 March 2007.

**17. 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:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Property, plant and equipment	2 439	278

*(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:

	<b>30 June 2008</b>	<b>31 December 2007</b>
No later than 1 year	398	342
Later than 1 year and no later than 5 years	481	437
Later than 5 years	-	-
	879	779

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**17. 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. 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. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect except for the probable claim amounting to LTL 493 thousand for which provision was established ( LTL 218 thousand as at 31 December 2007).

**18. 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*

	<b>30 June 2008</b>	<b>30 June 2007</b>
– UAB „Mineraliniai vandenys”	28 704	30 975
– AB „Biofuture“	2	3
– UAB „Mitnija“	-	1
– Stumbras Poland Sp.zo.o	-	824
	28 706	31 803

*(b) Cost of sales*

	<b>30 June 2008</b>	<b>30 June 2007</b>
– AB „Biofuture“	-	11
	-	11

*(c) Selling and marketing cost*

	<b>30 June 2008</b>	<b>30 June 2007</b>
– UAB „Mineraliniai vandenys”	403	555
– UAB „Tromina“	1	124
– UAB „Laisvas nepriklausomas kanalas“	202	334
– UAB „Neo press“	23	30
	629	1 043

*(d) Administrative expenses*

	<b>30 June 2008</b>	<b>30 June 2007</b>
– UAB Koncernas „MG Baltic”	414	240
– UAB „MG Baltic Trade”	10	43
– UAB „Mineraliniai vandenys”	5	23
– UAB „MG Valda”	2	69
– UAB „Verslo trikampis”	74	-
	505	375

**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**19. Related-party transactions (continued)**

*(e) Other income*

	<b>30 June 2008</b>	<b>30 June 2007</b>
– UAB „Minvista”	-	178
– UAB „Mineraliniai vandenys”	23	40
	<u>23</u>	<u>218</u>

*(f) Finance costs*

	<b>30 June 2008</b>	<b>30 June 2007</b>
– UAB „MG Baltic Trade” ( interest paid )	5	-
	<u>5</u>	<u>-</u>

*(g) Purchases of property, plant and equipment*

	<b>30 June 2008</b>	<b>30 June 2007</b>
– UAB „Mitnija”	-	209
	<u>-</u>	<u>209</u>

*(h) Key management compensation*

	<b>30 June 2008</b>	<b>30 June 2007</b>
Salaries and other short-term employee benefits	851	570
Social security expenses	264	177
	<u>1 115</u>	<u>747</u>

Key management includes 7 (2007: 7) members of the management of the Company.

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

Receivables from related parties:

	<b>30 June 2008</b>	<b>31 December 2007</b>
– UAB „Mineraliniai vandenys” (trade receivable)	12 773	28 550
– UAB „Mineraliniai vandenys” (accrued interest)	-	291
– UAB „Mitnija”	41	-
– Stumbras Poland Sp.zo.o	-	10
	<u>12 814</u>	<u>28 851</u>

(k) Amounts due to related parties:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Trade payables		
– UAB Koncernas „MG Baltic”	71	100
– UAB „Mineraliniai vandenys”	115	410
– UAB „Laisvas nepriklausomas kanalas”	15	156
– UAB „MG valda”	-	15
– UAB „Neo press”	7	1
– UAB „Verslo trikampis”	14	-
	<u>222</u>	<u>682</u>



**STUMBRAS AB**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2008**

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

**19. Related-party transactions (continued)**

*(I) Loans to related parties (provided to Mineraliniai vandenys UAB)*

	<b>30 June 2008</b>	<b>31 December 2007</b>
<i>Loans to related parties</i>		
Beginning of year	-	-
Loan repayments received	-	(50 100)
Additional loans	-	50 100
End of the year	-	-
	<b>30 June 2008</b>	<b>31 December 2007</b>
<i>Accrued interest on the loans to related parties</i>		
Beginning of year	291	169
Interest charged	-	645
Interest payments received	(291)	(523)
End of the year	-	291

**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.

# ***AB STUMBRAS***

INTERIM REPORT FOR THE PERIOD OF SIX MONTHS OF 2008

Kaunas, August 2008

<b>CONTENTS</b>	<b>Pages</b>
1. Reporting period covered by the Report.....	3
2. Issuer and its contact data.....	3
3. Nature of the Issuer's operations.....	3
4. Contracts with intermediaries of securities' public turnover.....	3
5. Information about trade in the Issuer's securities in the regulated markets.....	3
6. Objective overview of the Company's financial position, performance and development, description of its exposure to key risks and contingencies.....	3
7. Analysis of financial and non-financial performance.....	6
8. References and Additional Explanations Regarding the Data Represented in the Interim Financial Report.....	7
9. Information about own shares owned and acquired by the Company.....	7
10. Significant events subsequent to the end of the previous financial year.....	7
11. Company's business plans and perspectives.....	7
12. Structure of the Issuer's authorised share capital.....	7
13. Restrictions on disposal of securities.....	8
14. Shareholders.....	8
15. Shareholders holding special control rights and descriptions of these rights.....	8
16. All restrictions regarding voting rights.....	8
17. All mutual agreements of shareholders of which the Issuer is aware and due to which restrictions on transfer of securities and/or voting rights may be imposed.....	8
18. Employees.....	9
19. Amendment procedure of the Issuer's Articles of Association.....	9
20. Issuer's bodies.....	9
21. Members of the collegial bodies, the Company Manager, the Chief Financier .....	10
22. Information about significant agreements .....	10
23. Information about the compliance with the Governance Code.....	10
24. Information about transactions with related parties.....	10
25. Data on publicly announced information.....	10

## 1. Reporting period covered by the Report

The interim report is prepared for the period of six months of 2008, ending on 30 June 2008. All amounts in the interim report present situation as at 30 June 2008, unless otherwise stated. Further in this report Stumbras AB can be referred to as the Company or the Issuer.

## 2. Issuer and its contact data

Issuer name	<i>Stumbras AB</i>
Legal/organisational form	public company
Authorised capital	LTL 40 000 000
Registration date and place	4 October 1995, Kaunas City Council
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	<a href="mailto:stumbras@stumbras.lt">stumbras@stumbras.lt</a>
Website	<a href="http://www.stumbras.eu/lt">www.stumbras.eu/lt</a>

The Company has established no affiliates and agencies.

## 3. Nature of the Issuer's operations

The Company's principal activities represent production of and trade in ethyl alcohol and alcoholic drinks. The Company can pursue other activities stipulated in its Articles of Association.

## 4. Contracts with intermediaries of securities' public turnover

On 24 October 2003, the Company concluded a contract on the service of the Issuer with SEB Vilniaus Bankas AB (company code 112021238), Gedimino pr. 12, Vilnius, tel. (8 5) 268 2687, fax (8 5) 262 6043. In relationship with the Issuer the latter is represented by the Department of Financial Markets.

## 5. Information about trade in the Issuer's securities in the regulated markets

The Issuer's shares are listed on the Vilnius Stock Exchange. At the present moment, all 40,000,000 ordinary registered share with a par value of LTL 1 (one) comprising the Company's authorised share capital are listed on the Current List of the Vilnius Stock Exchange. ISIN code of securities: LT0000119430.

## 6. Objective overview of the Company's financial position, performance and development, description of its exposure to key risks and contingencies

As at 30 June 2008, Stumbras AB produced alcoholic drinks with 91 different names.

Main volumes of production over the period of the last 3 years are as follows (data is provided in decaliters (dal) and tons):

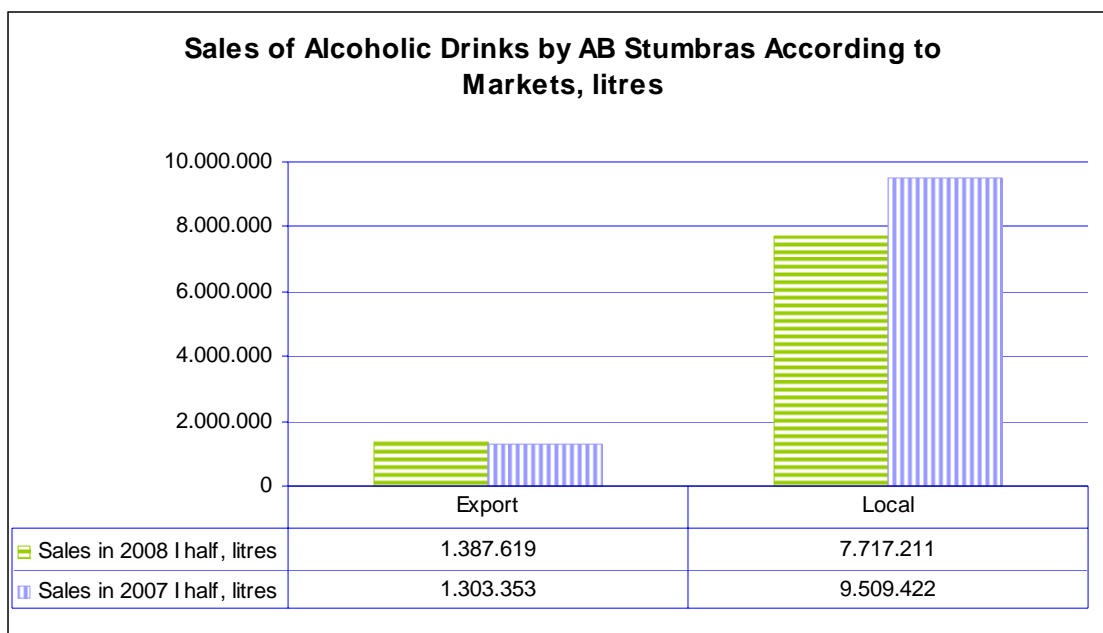
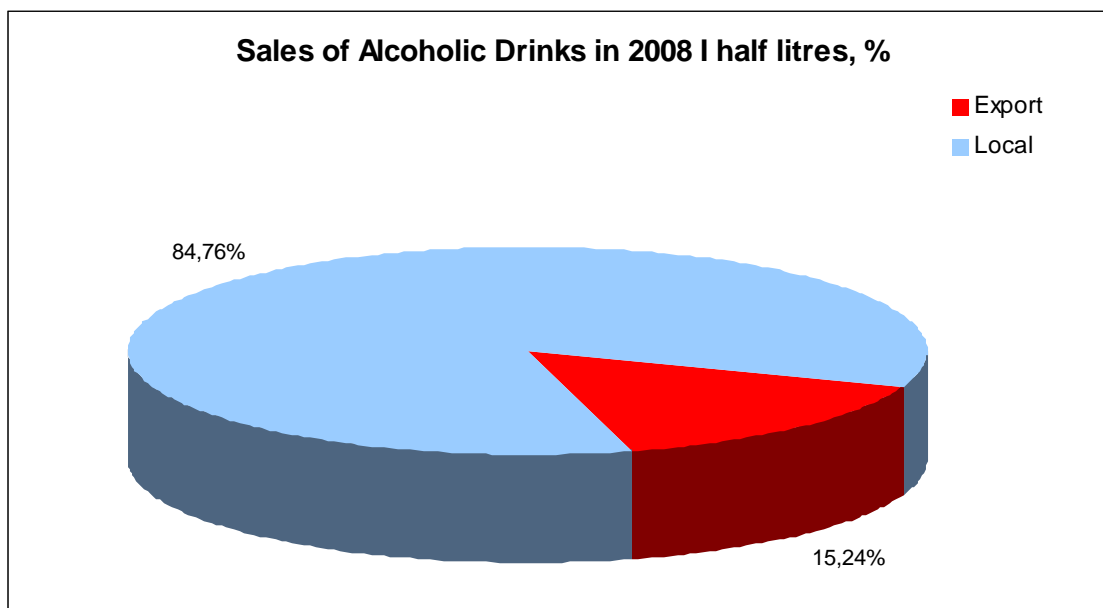
Name	Measurement unit	I half-year of 2007	I half-year of 2007	I half-year of 2006
Alcohol products	thousand dal	918	1 109	773
Including strong drinks	thousand dal	917	1 106	770
Other production	thousand tons	-	-	-

For the half-year period ended 30 June 2008, new products were launched: : vodka "Skaidrioji", "Bison grass vodka", herbal spirit drink "Red Nines", cocktail "Ozone Premium cocktail Cherry & Pear".

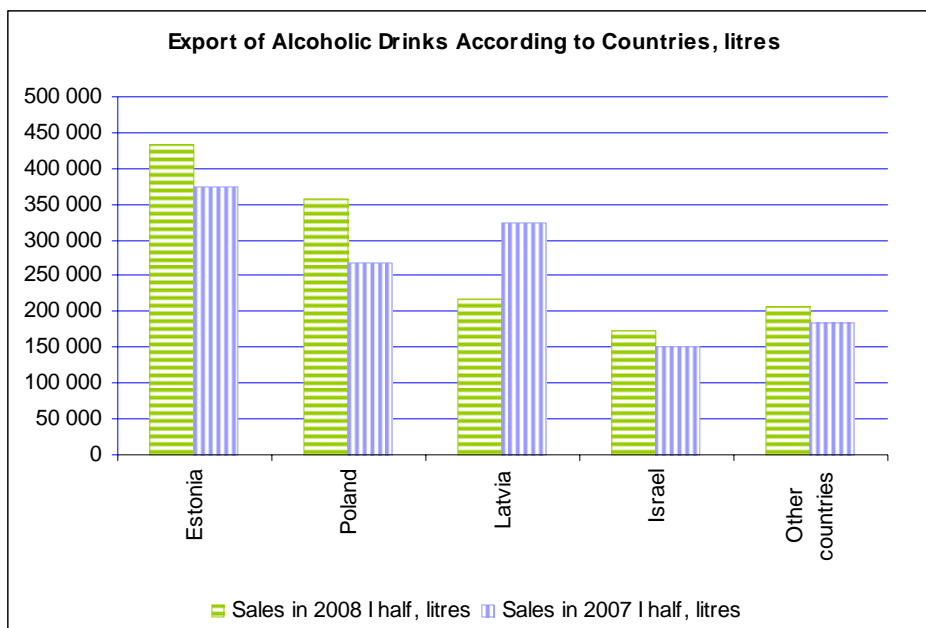
Rectified ethyl alcohol and alcoholic drinks are subject to excise duties established under legal acts of the Republic of Lithuania. The latter duties make a significant impact on changes in prices and volumes of sales of products produced by Stumbras AB. During a reporting period an excise duty of LTL 3,840 per hectoliter of pure ethyl alcohol was applicable to alcoholic drinks and ethyl alcohol (in accordance with Article 24 of the Law on Excise Duties of the Republic of Lithuania No. IX-569 (effective wording: 15 December 2007).

For the half-year period ended 30 June 2008, an average selling price of products LTL 10.47 per liter .

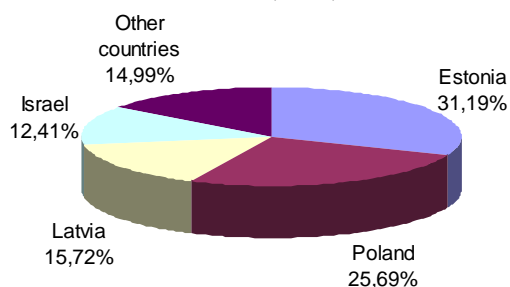
When implementing its obligations under earlier concluded long-term sales contracts and entering into new contracts, the Company ensures constant and scheduled sales of products.



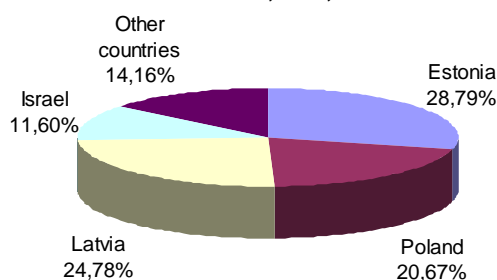
In the first half-year of 2008 most of the Company's production was exported to Estonia, Poland, Latvia and Israel (85.01% of all exported production). Other export destinations: US, Peru, Spain, Denmark, Great Britain, India, Singapore, Ireland, Canada, Norway, Belarus.



**Export of Alcoholic Drinks in the First Half of 2008, litres, %**



**Export of Alcoholic Drinks in the First Half of 2007, litres, %**



#### **Risk Factors Related to the Issuer's operations:**

**Economic factors.** The Company's principal activities represent production of and trade in strong alcoholic drinks. The Company's competitors in the market are other Lithuanian producers of strong alcoholic drinks and business entities importing and selling strong alcoholic drinks in the Republic of Lithuania. Performance of the Company may be also affected by the existing illegal production of alcoholic drinks and contraband in these products as well as in rectified ethyl alcohol. When assessing the Company's competitive features, it can be claimed that the potential of employees and technical-technological base serves as a ground for a successful operations of the Company in this market.

One of potential operational risks that the Company is exposed to represents circumstances when with a growing level of living standards of local residents, a part of consumers may start choosing imported drinks. Another operational risk may be linked with a growing power of commercial retail chains and their ability to affect sales of goods.

**Political factors.** Instability of laws and other regulatory legislation governing the Company's activities has a negative impact. One of potential risk factors capable of making an indirect impact on the performance of the Company represents restrictions on advertising of alcoholic drinks.

**Ecological factors.** Expenses of environmental pollution incurred by the Company for the half-year period ended 30 June 2008 amounted to LTL 1,156 thousand (LTL 840 thousand for the half-year period ended 30 June 2007). Costs related to the management of package waste released to the domestic market constitute the major part of these expenses. The increase in these expenses was determined by higher management costs and that from 2006 the Company started a gradual use of single-use packaging.

*Technical-technological factors* may impact the Company's economic and financial performance taking into consideration that rectified ethyl alcohol of other producers is used in the production process. The Company faces a substantial increase in dependence on providers of raw materials in respect of cost of products and quality.

*Factors of financial risk.* As at 30 June 2008, Stumbras AB had the following loans (LTL thousand):

<b>Long-term</b>	
Loans received from bank	10,384
<b>Short-term</b>	
Loans received from bank	4,615
<b>Total loans</b>	16,999

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

## 7. Analysis of financial and non-financial performance

For the half-year period ended 30 June 2008, the Company's revenue from sales of goods (net of excise duty) and provision of services amounted to LTL 69,451 thousand, i.e. 3.7 per cent more as compared to half-year period ended 30 June 2007 when revenue from sales (including discontinued operations) amounted to LTL 66,992 thousand.

The Company's profit before tax was LTL 16,999 thousand, i.e. 0.1 per cent less as compared to half-year period ended 30 June 2008 (including discontinued operations). During a reporting period, the Company's taxes paid or payable to the budget in accordance with the terms prescribed under regulatory legislation totalled LTL 133,264 thousand comprising:

- excise duty – LTL 100,973 thousand;
- value-added tax – LTL 25,743 thousand;
- social security tax – LTL 2,033 thousand;
- income tax of individuals – LTL 1,391 thousand;
- corporate income tax – LTL 2,439 thousand;
- other taxes – LTL 685 thousand.

The Company's key financial and economic performance indicators are as follows:

	30 June 2008	30 June 2007
Sales revenue, LTL thousand	69,451	66,992
Sales revenue in foreign markets, LTL thousand	7,211	5,971
Exports per total sales, per cent	10.4	8.9
Gross profit, LTL thousand	35,975	31,500
Gross profitability, per cent	51.8	47.0
Profit before tax, LTL thousand	16,999	17,021
Profitability before tax, per cent	24.5	25.4
Net profit, LTL thousand	14,560	14,014
Net profitability, per cent	21.0	20.9
EBITDA, LTL thousand	19,983	19,436
EBITDA profitability	28.8	29.0
Assets (at the end of the period), LTL thousand	108,330	111,430
including: non-current assets, LTL thousand	36,567	28,336
current assets, LTL thousand	71,763	83,094
Authorised share capital (at the end of the period), LTL thousand	40,000	40,000
Equity (at the end of the period), LTL thousand	59,009	57,596
Investments in modernisation of the Company, LTL thousand	1,994	4,407

For the half-year period ended 30 June 2008, the Company's costs related to waste management amounted to LTL 1,156 thousand i.e. 37.6 per cent more as compared to half-year period ended 30 June 2007 (LTL 840 thousand).

As at 30 June 2008 Stumbras AB had 305 employees. (30 June 2007: 333 employees).

During the reporting period the number of staff decreased due to lower volume of production.

In the 1<sup>st</sup> half-year of 2008 the Company was engaged in social and cultural activities: the main 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 about own shares owned and acquired by the Company

Neither during previous periods, nor during a reporting period own shares have been acquired by the Company.

## 10. Significant events subsequent to the end of the previous financial year

During a general meeting of shareholders of Stumbras AB as of 31 March 2008 dividends for 2007 were announced amounting to LTL 0.80 (EUR 0.23) per one ordinary registered share with the nominal value of LTL 1 (one) and making a total amount of LTL 32 million.

## 11. Company's business plans and perspectives

In 2008, Stumbras AB aims for an increase in sales of products in the domestic market, in the EU countries and production export to the third countries.

In 2008, the Company expects to receive LTL 147.9 million from the sales of products and to earn LTL 33.1 million in profit before tax.

In 2008, the Company plans to invest nearly LTL 5 million in modernisation of production process.

## 12. Structure of the Issuer's authorised share capital

As at 30 June 2008, the Company's authorised share capital was comprised of 40,000,000 ordinary registered shares with par value of LTL 1 each.

Structure of the Company's authorised share capital according to categories of shares:

Category of shares	Number of shares	Nominal value (LTL)	Total nominal value (LTL)	Percentage in the authorised share capital (%)
Ordinary registered shares	40,000,000	1	40,000,000	100.00
<b>Total</b>	<b>40,000,000</b>		<b>40,000,000</b>	<b>100.00</b>

All shares of Stumbras AB are fully paid.



The Company's shareholders shall have the following property rights:

- 1) to receive a part of the Company's profit (dividend);
- 2) to receive a part of assets of the Company in liquidation;
- 3) to receive shares without payment if the authorised share capital is increased out of the Company's funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
- 4) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Shareholder Meeting decides to withdraw this right for all the shareholders;
- 5) to leave all or a part of shares to one or several persons under a will;
- 6) to transfer all or a part of shares to the ownership of other persons, except in cases specified in the laws of the Republic of Lithuania;
- 7) other property rights established by laws and the Company's Articles of Association.

The Company's shareholders shall have the following non-property rights:

- 1) to attend the General Shareholder Meetings and 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 a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Company Manager of his/her obligations prescribed by the Articles of Association of the Company and other laws as well as in other cases laid down by laws;
- 5) other non-property rights established by laws and the Company's Articles of Association.

### 13. Restrictions on disposal of securities

There are no restrictions.

### 14. Shareholders

As at 30 June 2008, the number of shareholders of Stumbras AB was 749

Shareholders holding more than 5 per cent of the Company's authorised share capital as at 30 June 2008 are as follows:

Full name of the shareholder (company name, type, official seat, code of the legal entities' register)	Number of shares owned by the shareholder (units)	Share in the authorised capital	Share of votes represented by shares owned	Share of votes conferred to the shareholder together with persons acting jointly
Mineraliniai Vandenys UAB J.Jasinskio g. 16, Vilnius, company code 121702328	37,320,311	93.30	93.30	93.30

### 15. Shareholders holding special control rights and descriptions of these rights

There are no such shareholders.

### 16. All restrictions regarding voting rights

There are no restrictions

### 17. All mutual agreements of shareholders of which the Issuer is aware and due to which restrictions on transfer of securities and/or voting rights may be imposed

There are no such agreements

## 18. Employees

	30 June 2008	30 June 2007
<b>Number of employees</b>	305	333
Managers	7	7
Officials-specialists	64	61
Workers	234	265
	30 June 2008	30 June 2007
<b>Average gross remuneration</b>	3,292	3,022
Managers	21,013	13,230
Officials-specialists	5,394	5,348
Workers	2,187	2,217

## 19. Amendment procedure of the Issuer's Articles of Association

The Law on Companies of the Republic of Lithuania establishes that the General Shareholder Meeting shall be vested with an exclusive right to amend the Articles of Association.

The Company's Articles of Association stipulate that decision to amend Articles of Association is adopted by a 2/3 majority of the votes conferred by the shares of the shareholders present at the General Shareholder Meeting. Following the decision by the General Shareholder Meeting to amend the Company's Articles of Association, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Shareholder Meeting

## 20. Issuer's bodies

The Company's Articles of Association stipulate that the Company shall have the following bodies: the General Shareholder Meeting, the Supervisory Board, the Board and the Company Manager.

Articles of Association provide that restrictions on rights of the members of the Company's bodies shall be determined by the Law on Companies of the Republic of Lithuania.

Articles of Association provide that the competence of the General Shareholder Meeting shall be defined by the Law on Companies.

The Supervisory Board is a collegial supervisory body of the Company. The Supervisory Board composed of 3 (three) members is elected by the General Shareholder Meeting for the term of 4 (four) years. The General Shareholder Meeting may remove from office the entire Supervisory Board or its individual members before the expiry of the term of their office.

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

The Articles of Association of the Company stipulate that the Board shall deal with major production, organisational, financial and economic issues, analyse and approve the operating strategy, the use of financial resources, approve the organisational and management structure of the Company, elect and remove the Company manager and shall fulfil other functions prescribed by the Law on Companies.

The Company Manager – the Chief Executive Office – is elected and removed under procedure prescribed by the Law on Companies. The competence of the Company Manager is defined by the Law on Companies. The Company Manager shall be responsible for the organisation of the Company's operations, implementation of it objectives, shall be entitled to enter into transactions at his own discretion, save in cases where the Law on Companies provides that there is a decision of the Board to enter into transactions. The Head of Administration shall follow decisions passed by the General Shareholder Meeting, the Supervisory Board and the Board.



## 21. Members of the collegial bodies, the Company Manager, the Chief Financier

Position of the person	Name, surname	Number of the Issuer's shares held	Commencement date	Termination date
<b>Supervisory Board</b>				
Chairman of the Supervisory Board	Romanas Raulynaitis	10,060	01/12/2007	01/12/2011
Member of the Supervisory Board	Inga Žemkauskienė	-	01/12/2007	01/12/2011
Member of the Supervisory Board	Dalius Balceris	-	01/12/2007	01/12/2011
<b>Board</b>				
Chairman of the Board	Darius Juozas Mockus	-	28/11/2007	28/11/2011
Member of the Board	Artūras Listavičius	-	28/11/2007	28/11/2011
Member of the Board	Rolandas Vingilis	-	28/11/2007	28/11/2011
Member of the Board	Raimondas Kurliauskis	-	28/11/2007	28/11/2011
Member of the Board	Česlovas Matulevičius	15,730	28/11/2007	28/11/2011
Member of the Board	Aurelijus Racevičius	5,650	28/11/2007	28/11/2011
<b>Head of Administration and the Financial Manager</b>				
Chief Executive Officer	Česlovas Matulevičius	15,730	01/09/2004	-
Financial Manager	Voldemaras Kallo	19,666	07/11/2003	-

## 22. Information about significant agreements

The Company has concluded no significant agreements in which the Company is a party to and which would come into effect, change or terminate as a result of the change in the control of the Company.

## 23. Information about the compliance with the Governance Code

Stumbras AB confirms its substantial compliance with the principles of the Governance Code approved by the Vilnius Stock Exchange (VSE) for the companies listed on the regulated market. There were no significant changes subsequent to the Company's report on the compliance with the Governance Code of companies listed on the VSE for the reporting period of six months of 2008 ending on 30 June 2008.

## 24. Information about transactions with related parties

The major shareholder of the Company is Mineraliniai Vandenys AB which holds 93.30 per cent of the Company's shares. The remaining amount of the Company's shares is held by different small shareholders. Subsidiaries of the Concern MG Baltic UAB are treated as other related parties. Negotiations with related parties regarding services are conducted on "a cost plus" basis. Products are sold based on a price list applicable to unrelated parties.

Results of transactions with related parties performed in the 1<sup>st</sup> half-year of 2008 are disclosed in the notes to the financial statements of Stumbras AB as at 30 June 2008.

## 25. Data on publicly announced information

In the period from 1 January 2008 to 30 June 2008, the Company publicly announced information on the website of OMX Client News Service and on the Company's website. In addition, the Company announced dates of General Shareholder Meetings in the daily *Respublika*. The Company's public communications are available on the website of VSE at <http://www.baltic.omxgroup.com/market/?pg=news> and on the Company's website at <http://www.stumbras.eu/investuotojams/>.

Česlovas Matulevičius  
General Director

25 August 2008