AB Anykščių Vynas

Financial statements for the year 2005

Contents

Company details

AB Anykščių Vynas

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Board
Vytautas Junevičius, Chairman
Vilmantas Pečiūra
Arvydas Jonas Stankevičius
Darius Vėželis

Management
Marius Gudauskas, Director

Auditor
KPMG Baltics UAB

Banks
AB SEB Vilniaus Bankas
AB Hansabankas
AB Šiaulių Bankas

Annual report

The Board of Directors and the Management have today discussed and authorized for issue the financial statements and the annual report.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union. As far as we know, there are no suppressed facts that could have essential impact on decisions of investors. We consider that the accounting policies used are appropriate and that the financial statements thus give a true and fair view.

We recommend the accounts to be approved at the Annual General Meeting.

Anykščiai, 11 April 2006

Management:

Marius Gudauskas
Director

Board:

Vytautas Junevičius
(Chairman)

Vilmantas Pečiūra

Arvydas Jonas Stankevičius

Darius Vėželis

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Auditor's report to the shareholders of AB Anykščių Vynas

We have audited the accompanying balance sheet of AB Anykščių Vynas as at 31 December 2005 and the related statements of income, movements on equity and cash flows for the year then ended.

These financial statements as set out on pages 4 to 27 are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements give a true and fair view of the financial position of AB Anykščių Vynas as at 31 December 2005, and of the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as adopted by the European Union.

In accordance with the Lithuanian legislation, a report on the Company's activities is presented separately from the annual statutory accounts. It is our additional responsibility to report concerning the consistency of the report on the Company's activities with the audited financial statements. We reviewed the report on the Company's activities for the year 2005 and issued a separate review report dated 11 April 2006 in which we state that no inconsistencies with the financial statements came to our attention.

Vilnius, 11 April 2006
KPMG Baltics, UAB

Leif Rene Hansen
Danish State Authorized
Public Accountant

Domantas Dabulis
Certified Auditor

Income statement

	Note	2005	2004
Turnover	4	36,842,656	32,766,212
Production cost	4	25,132,975	(24,341,078)
Gross profit		11,709,681	8,425,134
Sales expenses	5	(5,258,771)	(4,611,567)
General and administrative expenses	6	(4,158,077)	(7,130,594)
Operating result		2,292,833	(3,317,027)
Financial expenses, net	7	(17,218)	(264,142)
Result before tax		2,275,615	(3,581,169)
Tax for the year	8	150,000	275,000
Result for the year		2,425,615	(3,306,169)
Earnings per share, Litas	9	0.05	(0.07)

The notes set out in pages 9 to 27 form an integral part of these financial statements.

Balance sheet

	Note	2005 12 31	2004 12 31
ASSETS			
Non-current assets			
Intangible non-current assets	10	156,224	175,728
Tangible non-current assets	11	31,359,590	34,477,394
Other investments		436	872
Total non-current assets		31,516,250	34,653,994
Current assets			
Inventories	12	9,319,572	9,491,034
Trade receivables	13	5,122,202	1,894,595
Other assets	14	367,538	229,964
Cash and cash equivalents	15	8,249,027	2,294,728
Total current assets		23,058,339	13,910,321
TOTAL ASSETS		54,574,589	48,564,315

The notes set out in pages 9 to 27 form an integral part of these financial statements.

Balance sheet

	Note	2005 12 31	2004 12 31
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	49,080,535,	49,080,535
Accumulated losses		(11,709,625)	(14,135,240)
Total capital and reserves		37,370,910	34,945,295
Non-current liabilities			
Long-term loan and financial leasing	17	1,657,780	4,188,919
Deferred tax liability	8	1,650,000	1,800,000
Total non-current liabilities		3,307,780	5,988,919
Current liabilities			
Current portion of long-term loan and financial leasing	17	5,982,478	2,077,699
Trade creditors		1,617,769	2,232,072
Other liabilities and accrued expenses	18	6,295,652	3,320,330
Total current liabilities		13,895,899	7,630,101
Total liabilities		17,203,679	13,619,020
TOTAL EQUITY AND LIABILITIES		54,574,589	48,564,315

The notes set out in pages 9 to 27 form an integral part of these financial statements.

Statement of changes in shareholders' equity

Litas'000	Share capital	Legal reserve	Accumulated losses	Total
Capital and reserves a 1 January 2004	49,080,535,	11,561,000	(22,390,071)	38,251,464
Transfers to reserves		(11,561,000)	11,561,000	0
Net result for 2004			(3,306,169)	(3,306,169)
Capital and reserves at 1 January 2005	49,080,535	0	(14,135,240),	34,945,295
Net profit for 2005			2,425,615	2,425,615
Capital and reserves at 31 December 2005	49,080,535	0	(11,709,625)	37,370,910

The notes set out in pages 9 to 27 form an integral part of these financial statements.

Cash flow statement

	2005	2004
Result after tax	2,425,615	(3,306,169)
Adjustments for:		
Depreciation and amortization	3,765,311	4,045,219
Profit (loss) from disposal of non-current assets	(28,219)	79,450
Change in impairment of trade debtors	(9,310)	
Change in provision for impairment of non-current assets	0	412,737
Write off of tangible non-current assets	(57,490)	
Change in provision for inventories	0	(283,242)
Change in provision for receivables	0	(108,230)
Write off of inventories	121,139	
Change in deferred taxation	(150,000)	(275,000)
Change in accruals	0	(462,334
Interest expenses	262,369	368,500
Interest income	(7,610)	0
Net cash inflow from ordinary activities before any change in working capital	6,321,805	470,931
Change in inventories	50,322	3,704,299
Change in receivables	(3,355,433)	(1,007,637)
Change in creditors	2,361,019	(1,588,337)
Net cash inflow fro ordinary activities	5,377,713	1,579,256
Interest paid	(262,369)	(368,500)
Interest received	7,610	0
Net cash inflow from operating activities	5,122,954	1,210,756
Acquisition of non-current assets	(570,077)	(557,969)
Sales of non-current assets	28,219	247,751
Net cash outflow from investing activities	(541,858)	(310,218)
Loans received	3,452,800	6,007,872
Repayment of loans	(1,864,512)	(7,600,000)
Repayment of financial leasing	(215,085)	(69,605)
Net cash inflow/outflow from financing, net	1,373,203	(1,661,733)
Net cash inflow/outflow from operating activities, investing activities and financing	5,954,299	(761,195)
Cash and cash equivalents at 1 January	2,294,728	3,055,923
Cash and cash equivalents at 31 December	8,249,027	2,294,728

The notes set out in pages 9 to 27 form an integral part of these financial statements.

Notes to the financial statements

1 Summary of significant and accounting policies and practises

Background information

AB Anykščių Vynas (the Company) is a publicly listed joint stock company domiciled in Lithuania. The company was established in 1926. It was registered as a state enterprise in 1990 and re-registered as a joint stock company in 1995. The Company produces alcohol beverages: fruit-berry wine, strong alcohol beverages, alcohol cocktails, cider, sparkling wine and also other fruit and berry products.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of preparation

The financial statements are presented in Litas. They are prepared on the historical cost basis except for derivative financial instruments, which are stated at their fair value.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies of the Company as set out below have been applied consistently and are consistent with those of the preceding year, except as a result of change in accounting policies resulting from amendments to existing IFRS and the introduction of new IFRS applicable as of 1 January 2005 which are described in Note 2.

Notes to the financial statements

Financial instruments

Receivables originated by the Company are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, receivables originated by the Company are measured at amortized cost using the effective interest method, less impairment, if any. Short-term receivables are not discounted.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Litas at foreign exchange rates ruling at the dates the fair value was determined..

Property, plant and equipment

Owned assets

Items of property, plant and equipment acquired on 1 January 1996 or later are stated at cost as deemed cost less accumulated depreciation and impairment losses. Items of property, plant and equipment acquired before 1 January 1996 are stated at cost less accumulated depreciation adjusted by revaluations made following rates specified by the Government of the Republic of Lithuania for separate assets groups. The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Notes to the financial statements

Subsequent costs

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the profit and loss account as an expense as incurred.

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- Buildings and constructions 8 - 80 years
- Machinery and equipment 4 - 50 years
- Transport vehicles 4 - 25 years
- Other equipment and tools 3 - 11 years

Depreciation methods, residual values and useful lives are reassessed annually.

Intangible assets

Intangible assets, comprising computer software and software licenses that are acquired by the Company are stated at cost less accumulated amortization. The assets are amortized using the straight-line method over a 1 -3 years' period. Depreciation methods, residual values and useful lives are reassessed annually.

Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Inventories

Inventories sold in the ordinary course of business are stated at the lower of cost and net realizable value. Other inventories are stated at the lower of cost and fair value less cost to sell. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Notes to the financial statements

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, if it complies with the cash management policy.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Notes to the financial statements

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Liabilities

Liabilities are initially recognized at fair value less direct costs related to occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Short-term liabilities are not discounted.

Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognized in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the profit and loss account in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods also continuing management involvement with the goods.

Expenses

Operating lease payments

Payments made under operating leases are recognized in the profit and loss account on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the financial statements

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

Interest income is recognized in the profit and loss account as it accrues, using the effective interest method. Dividend income is recognized in the profit and loss account on the date when it is declared and the entity's right to receive payments is established.

Corporate income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments

Notes to the financial statements

2 Change in accounting policies

In late 2003 the IASB published a revised version of IAS 32 "Financial Instruments: Disclosure and Presentation", a revised version of IAS 39 "Financial Instruments: Recognition and Measurement" and "Improvements to International Accounting Standards", which made changes to 14 existing standards. In the first quarter of 2004 the IASB published IFRS 2 "Share-based Payments", IFRS 3 "Business Combinations", IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and further amendments to IAS 39. In mid-2005 the IASB issued a further revision to IAS 39 regarding the Fair Value Option. Revised IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", amongst other matters, requires that changes in accounting policies that arise from the application of new or revised standards and interpretations are applied retrospectively, unless otherwise specified in the transitional requirements of the particular standard or interpretation. The Company adopted these effective from 1 January 2005.

The impact of the new standards, applicable to the Company, is as follows:

Financial Instruments

In accordance with IAS 39 requirements, the Company has reviewed its portfolio of financial instruments held at 1 January 2005 and has performed redesignation of these financial instruments into categories as defined by the revised IAS 39. The standard requires retrospective application. In the corresponding financial statements the Company's financial instruments were classified into the following categories:

-All receivables and deposits originated by the Company were classified as receivables originated by the Company and measured at amortized cost. Current portion of receivables originated by the Company was classified as current assets, based on remaining maturity at the balance sheet date. There was no impact on the result or equity from this redesignation.

-All loans received and other interest bearing borrowings of the Company were classified as held to maturity financial instruments and measured at amortized cost as of 1 January 2005. There was no impact on the result or equity from this redesignation.

3 Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that, where relevant, are mandatory for the Company's accounting periods beginning on or after 1 January 2006 or later periods but which the Company has not early adopted, are as follows:

– IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Company believes that this amendment should not have a significant impact on the

Notes to the financial statements

classification of financial instruments, as the Company does not classify any instruments as at fair value through profit and loss.

– IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006). The management considered this amendment to IAS 39 and concluded that it is not relevant to the Company.

– IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Management is currently assessing the impact of IFRS 7 and amendment to IAS 1 on the Company's operations. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

– IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Company's operations.

– IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005). The interpretation deals with obligations arising from the European Union Directive regulating the collection, treatment, recovery and environmentally sound disposal of waste equipment. Management assessed the impact of IFRIC 6 on the Company's operations and concluded that it is not relevant to the Company.

Notes to the financial statements

4 Segment reporting

The Company's business segments (basis for primary reporting format) include production and sales of wine, strong alcohol drinks and other fruit and berry products. Segment information is presented in respect of the Company's geographical segments (secondary reporting format). The majority of the Company's sales are in the domestic market. All the Company's assets are located in the country, where it is domiciled.

Revenues, total assets and capital expenditure of separate segments are as follows:

Primary segments

	Hard drinks		Wines		Fruit-berries products		Not allocated		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Turnover	13,992	15,219	10,175	12,692	12,676	3,991	0	864	36,843	32,766
Gross profit	4,088	5,075	1,286	1,081	6,336	1,886	0	383	11,710	8,425
Operating expenses		0		0		0	(9,417)	(11,742)	(9,417)	(11,742)
Financing activity		0		0		0	(17)	(264)	(17)	(264)
Result before taxation	4,088	5,075	1,286	1,081	6,336	1,886	(9,434)	(11,623)	2,276	(3,581)
Tax for the year		0		0		0	150	275	150	275
Net result	4,088	5,075	1,286	1,081	6,336	1,886	(9,284)	(11,348)	2,426	(3,306)

Secondary segments

	Sales		Total assets		Capital expenditure	
Litas'000	2005	2004	2005	2004	2005	2004
Lithuania	23,363	26,736	54,575	48,564	566	687
Germany	10,798	3,315	0	0	0,	0
Latvia	1,177	1,910	0	0	0	0
USA	0	197	0	0	0	0
Poland	0	0	0	0	0	0
Other countries	1,505	608	0	0	0	0
	36,843	43,386	54,575	48,564	566	687

Notes to the financial statements

	2005	2004
5 Sales expenses		
Advertising	(2,326,542)	(3,600,200)
Transportation	(827,775)	(698,969)
Distribution	(167,899)	(122,210)
Other	(1,936,555)	(190,188)
	(5,258,771)	(4,611,567)
6 General and administrative expenses		
Staff costs	(1,518,977)	(3,834,731)
Taxes and fees	(397,600)	(711,623)
Depreciation and amortization	(214,615)	(699,788)
Change in impairment of non-current assets	195,386	(412,736)
Vehicle maintenance expenses	0	(163,958)
Security	(201,515)	(134,872)
Communications	(109,373)	(125,103)
Change in provision for doubtful debtors	0	108,230
Other	(2,222,271)	(1,156,013)
	(4,158,077)	(7,130,594)
7 Financial expenses, net		
Interest expenses	(262,369)	(368,500)
Currency exchange loss	(1,454)	(1,123)
Other financial expenses	(74,168)	(12,445)
Currency Exchange gain	163	1,563
Other financial income	320,610	116,363
	(17,218)	(264,142)

Notes to the financial statements

	2005	2004
8 Tax for the year		
Result before tax	2,275,615	(3,581,169)
Tax result adjustments	1,530,479	1,992,695
Tax loss carry forward	(3,765,454)	0
Taxable result for the year	0	(1,588,474)
Income tax payable		0
Change in deferred taxation	150,000	275,000
Tax for the year	150,000	275,000

In accordance with IAS 12, the Company recognizes a deferred tax liability or asset for temporary differences where amounts of income taxes are probable for payment or recovery in future periods. At each balance sheet date the Company re-assesses all unrecognized deferred tax assets and recognizes the previously unrecognized portion to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax as at 31 December comprised of:

Deferred tax asset:		
Non-current assets	519,726	693,560
Inventories	78,514	110,514
Amounts receivable	260,019	261,266
Vacation	33,071	42,400
Other	7,570	4,546
Tax loss carry forward	556,377	1,634,423
Adjustment of realizable value of deferred tax	(1,414,636)	(2,746,709)
Total deferred tax assets	(40,640)	0
Deferred tax liability:		
Non-current assets	1,690,640	1,800,000
Total deferred ta liability:	(1,690,640)	(1,800,000)
Total deferred tax liability, net	(1,650,000),	(1,800,000)

Notes to the financial statements

	2005	2004
Deferred tax change during the year was recognized in:		
Income	150,000	275,000
Revaluation reserve of equity		
Net change during the year	150,000	275,000

9 Earnings per share

Net loss for the year	2,425,615	(3,306,169)
Number of shares in the beginning of the year	49,080,535	49,080,535
Number of shares at the end of the year	49,080,535	49,080,535
Weighted average number of shares in issue	49,080,535	49,080,535
Basic earning per share	0.05	(0.07)

The Company has no dilutive potential shares or convertibles.

10 Intangible non-current assets

Cost at 1 January 2005	347,089
Additions during the year	94,025
Disposals during the year	0
Cost at 31 December 2005	441,114
Amortization at 1 January 2005	171,361
Amortization for the year	113,529
Amortization on disposals	
Amortization at 31 December 2005	284,890
Net book value at 31 December 2005	156,224
Net book value at 1 January 2005	175,728
Amortized over (in years)	1 - 4

Notes to the financial statements

Amortization has been allocated as follows:

	2005	2004
Sales, general and administrative expenses	110,751	146,738
Production cost	2,778	76,639
Total	113,529	223,377

11 Tangible non-current assets

	Buildings	Constructions	Transport vehicles	Tools and equipment	Other production assets	Unfinished construction	Total
Purchase price at 1 Jan 05	28,383,269	1,856,148	1,816,538	46,371,077	8,268,416	1,656,093	88,351,54
Additions	176,043			261,022	8,350	33,760	479,17
Disposals	(842,930)	(59,775)	(364,520)	(734,947)	(248,481)	0	(2,250,653
Reclassifications	0					0	[illegible]
Purchase price at 31 Dec 05	27,716,382	1,796,373	1,452,018	45,897,152	8,028,285	1,689,853	86,580,06
Depreciation At 1 Jan	8,390,953	1,045,971	1,265,189	34,497,478	4,081,819		49,281,41
For the year	494,699	65,095	139,263	1,557,144	1,398,359		3,654,56
On disposals		(53,761)	(268,338)	(1,247,743)	(159,494)		(1,729,336
Adjustments booked		12,123		528,786	8,091		549,00
Value adjustment at 1 Jan	363,116	82,947	46,859	790,637	1,657,344	1,651,834	4,592,73
Change in value adjustment	**(324,700)**	**(3,222)**	**(35,192)**	**(1,390)**	**(763,393)**	**0**	**(1,127,897**
Depreciation and value adjustment at 31 Dec	**8,924,068**	**1,149,153**	**1,147,781**	**36,124,912**	**6,222,726**	**1,651,834**	**55,220,47**
Book value at 31 Dec 05	**18,792,314**	**647,220**	**304,237**	**9,772,240**	**1,805,559**	**38,019**	**31,359,59**
Book value a 1 Jan	19,629,200	727,230	504,490	11,082,962	2,529,253	4,259	34,477,39

Notes to the financial statements

Depreciation has been allocated as follows:

	2005	2004
Sales cost	3,075,679	3,267,160
Sales, general and administrative expenses	578,881	553,050
Construction in progress	0	1,632
Total	3,654,560	3,821,842

Depreciated tangible non-current assets in use

	Acquisition cost
Buildings and constructions	136,914
Transport vehicles	183,458
Equipment and tools	13,905,731
Other tangible non-current assets	2,629,192
	16,855,295

Security

At 31 December 20054 tangible non-current assets with a carrying amount of 23,899 tLitas (2004: 25,212 tLitas) are pledged to secure bank loans.

Revaluations

Four revaluations of tangible non-current assets were performed during the period 1 July 1991 to 31 December 1995. The revaluations of tangible non-current assets were performed by increasing the cost and accumulated depreciation of tangible non-current assets using the rates set by the Government for different categories of assets.

The range of revaluations and revaluation rates were as follows (in times):

Effective from 1 July 1991	2.2
Effective from 1 January 1992	2.0 - 5.0
Effective from 1 June 1994	1.4 - 14.0
Effective from 31 December 1995	1.6 - 1.7

The effect of all four revaluations was an increase of the book value of tangible non-current assets by 45,695 tLitas.

Notes to the financial statements

	2005	2004
12 Inventories		
Raw materials and consumables	3,093,796	2,491,431
Work in progress	4,807,771	4,810,380
Finished goods	1,892,587	2,393,679
Goods for resale and other goods	48,847	142,302
	9,843,001	9,837,792
Adjustment of value to expected realizable value	(523,428)	(346,758)
	9,319,573	9,491,034

	2005	2004
13 Trade receivables		
Receivable from customers for production sold	5,893,155	2,573,858
Receivable for heating (commented below)	962,507	1,062,507
	6,855,662	3,636,365
Decrease in value	(1,733,460)	(1,741,770)
	5,122,202	1,894,595

Receivable for heating supplied is the receivable from UAB Anykščių Šiluma for heating that the Company supplied until 30 June 1999. At 12 March 2001 the Panevėžys county court rejected the claim from UAB Anykščių Šiluma and adjudged to pay the debt to AB Anykščių Vynas. During 2005 UAB Anykščių Šiluma paid 100 tLitas (2004: 69 tLitas). Due to slow payment there is a risk that UAB Anykščių Šiluma will not have sufficient working capital to pay to AB Anykščių Vynas. In addition, non-current assets of UAB Anykščių Šiluma are arrested due to unpaid liabilities to banks. It is uncertain if UAB Anykščių Šiluma will be able to pay all the debt to AB Anykščių Vynas. Therefore, a provision for uncollectibility of 744 tLitas was recorded as at 31 December 2005.

	2005	2004
14 Other assets		
Deferred expenses	318 813	159 803
Prepayments for raw materials	0	0
Other assets	48 724	70 161
	367 537	229 964

Notes to the financial statements

15 Cash and cash equivalents

	2005	2004
Cash at bank	8,239,784	2,282,707
Cash in hand	9,243	12,021
	8,249,027	2,294,728

At 31 December 2005 cash at AB Hansabankas of 7,661 tLitas and future inflows into bank accounts are pledged to secure bank loans.

16 Capital and reserves

Share capital consists of 49,080,535 ordinary shares with a nominal value of 1 Litas each.

The holders of the ordinary shares are entitled to one vote per share in the meeting of the Company and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the capital.

17 Loans and financial leasing

	2005	2004
Long-term loan	1,657,344	4,143,360
Leasing liabilities	0	45,559
Total long-term liabilities	1,657,344	4,188,919
Short-term financial facility	0	0
Current portion of long-term loan	5,938,816	1,864,512
Current portion of financial leasing	43,662	213,187
Total current liabilities	5,982,478	2,077,699

Long-term loan from AB Hansabankas is scheduled to be fully repaid until 10 August 2007 and carries annual interest rate equal to 6 months EUR LIBOR plus 0.9%. The Company pledged non-current assets, cash at AB Hansabankas and future inflows into bank accounts as a security for the loan. The Company concluded financial leasing agreement with UAB Hanza Lizingas regarding acquisition of equipment. The agreement matures in April 2006.

Notes to the financial statements

Financial liabilities

Financial liabilities can be specified as follows:

Litas	Present value	Future interest	Future value
Within one year	43,662	345	44,007
Total	43,662	345	44,007

Book value of leased assets amounts to 145,883 Litas as at 31 December 2005.

18 Other liabilities and accrued costs

Excise duty payable	3,855,447	1,239,409
Value added tax payable	1,171,995	824,851
Salaries and social insurance payable	251,279	282,978
Other liabilities and accrued charges	1,017,367	973,092
	6,296,088	3,320,330

19 Adjustments of assets value

Litas'000	Non-current assets	Inventories	Production in progress	Amounts receivable	Total
At 1 January	**4,592,737**	**346,758,**	**390,000**	**1,741,770,**	**7,071,265**
Additions					
Disposals	(414,986)	(61,888)			(476,874)
Booked	(549,000)				(549,000)
Reversal	(163,911)	(151,442)		(8,310)	(323,663)
Total change	(1,127,897)	(213,330)		(8,310)	(1,349,537)
At 31 December	3,464,840	133,428	390,000	1,733,460	5,721,728

Notes to the financial statements

20 Contingencies

The Company rents 2 land plots from the state. The annual rent fee is approximately 30 tLitas. The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land. No provision is included in the financial statements as at 31 December 2005 as the management was not able to estimate timing and amount of such works.

Apart from the above, the Company had no other significant contingent liabilities as at 31 December 2005.

21 Staff costs

	2005	2004
Sales cost	3,299,000	4,776,136
Sales, general and administrative expenses	3,422,000	3,834,731
	6,721,000	8,610,867

Staff costs include wages and salaries and emoluments for the management of 387 tLitas (2004: 379 tLitas).

22 Related party transactions

Other related party transactions made during 2005 (thousand Litas):

Sold to:		
AB Alita	Production sold	445,383
	Services	61,082
	Inventories	42,373
Total		548,838
Acquired from:		
AB Alita	Production	586,308
	Services	61,321
Total		647,629

Notes to the financial statements

Amounts payable as at 31 December 2005

AB Alita	Services	20,276
	Goods	494,019
Total		514,295

AB Anykščių Vynas

Report on the Company's activities for the year 2005 including review report

Contents

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Review report regarding report on the Company's activities

We have reviewed the accompanying report on the activities of AB Anykščių Vynas (the Company) for the year ended 31 December 2005. This report and the assumptions for operational plans and forecasts are the responsibility of the Company's management. Our responsibility is to issue a report whether the information contained in the report on the Company's activities is consistent with the statutory financial statements.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements as promulgated by the International Federation of Accountants. This standard requires that we plan and perform the review to obtain reasonable assurance as to whether the report on the Company's activities is consistent with the statutory financial statements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. Specifically, we have not reviewed management's estimations and comments concerning future plans and forecasts, and, consequently, we do not comment on the estimations, future plans and forecasts contained in the report. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the report on the Company's activities is inconsistent with the Company's financial statements for the year ended 31 December 2005 prepared in accordance with International Financial Reporting Standards on which we expressed an unqualified opinion in our auditor's report dated 11 April 2006.

Vilnius, 11 April 2006
KPMG Baltics, UAB

Leif Rene Hansen
Danish State Authorized
Public Accountant

Domantas Dabulis
Certified Auditor

Įmonės kodas 111494971
PVM kodas LT114949716
Juridinių asmenų registras

Report on the Company's activities for the year 2005

Board of the Company

Board of four members was elected during the Extraordinary shareholders meting of AB Anykščių Vynas on 20 July 2004:

V. Junevičius	Chairman,	AB Alita General Director
V. Pečiūra	member,	AB Alita Finance and administration Director
A. Stankevičius	member,	AB Alita Production Director
D. Vėželis	member,	AB Alita Marketing and Sales Director

There were 8 meeting of the Board during which urgent issues for the Company were considered, such as sales of assets not used by the Company, elections of director, change of management structure, taking of credit, analysis of activity results and others.

Capital structure, general information

In the beginning of 2005 the authorized capital of AB Anykščių Vynas consisted of 49,080,535 Litas with a nominal of 1 Litas per share.

As at 31 December 2005 joint stock company Alita held 95.67 percent of the Company's shares with a total nominal value of 46,954,708 Litas.

The remaining 4.33 percent of the shares with a nominal value of 2,125,827 Litas were held by minor shareholders.

As at 31 December 2005 there were 327 shareholders of AB Anykščių Vynas.

In 2005 the authorized capital did not change.

The Company's ordinary shares are traded on the Official List of Vilnius Stock Exchange. In the first quarter of 2005 the major turnover in the central market of the Company's shares amounted to 17,584 Litas, in the second quarter – to 10,322 Litas, in the third quarter – to 8,100 Litas, in the fourth quarter – 113,775 Litas.

Fluctuations of share price of AB Anykščių Vynas in 2005 are presented in the table below:

Period	Highest price, Litas	Lowest price, Lt
I st quarter, 2005	0.89	0.71
II nd quarter, 2005	0.86	0.68
III rd quarter, 2005	0.81	0.70
IV th quarter, 2005	0.91	0.70

In 2005, the Company had no subsidiaries.

During the financial year the Company did not acquire and had no own shares.

AB Anykščių Vynas did not acquire and had no shares of other companies.

The Company has neither branches nor representative offices.

The financial statements for 2005 were audited by international audit company KPMG Baltics, UAB, which was elected by the General Shareholders Meeting of 22 April 2005.

In 2005, the main goals for the Board of Directors and Administration of AB Anykščių Vynas were to maintain planned sales volumes; to reduce production cost price and operating expenses; improve work organization and management structure; make high quality production; improve activity quality as to ISO 9001:2000 and ISO 14000:1996 standards; ensure stable work of the Company and others.

In 2005, 50 meetings of the Administration took place. During the accounting period the Administration considered important issues of the Company's activities: business - financial activities, fulfillment of the sales and production programme, production technology and quality related issues, implementation of new technologies, introduction of new products, management and environment protection issues, purchase of raw materials, materials and services, consumers' complaints, training of personnel, analysis of activity results, improvement of quality system and related processes as well as other issues.

Events of the financial year

The management of the Company changed, as of 4 April 2005 the director of the Company is Mr. M. Gudauskas.

On 20 August, already traditional, the fifth, Wine Festival took place.

In January 2005, International certification institution Bureau Veritas Quality International (BVQI) performed periodical supervision audit and confirmed that quality and environment protection management system integrated by AB Anykščių Vynas meets the requirements of the standards ISO 9001:2000 and ISO 14001:1996.

Permanent concern about the management quality and environment protection results in reduced costs, improved image and higher competitiveness of the Company. Having implemented environment protection system, management of factors influencing environment has improved. Works resulting in reduction and control of environment pollution were performed

During the accounting year the Company made three claims for an amount of 1,906 Litas. A credit claim was made in the bancrupcy law case in relation to UAB Sarima for an amount of 3,157 Litas. A claim was lodged to Vilnius county court regarding unhonest competition and recognition of registration of trade mark Forum as invalid. The outcome of the case was agreement of lawsuit and the ownership rights of the trade mark Forum were transferred to AB Anykščių Vynaas. AB Stumbras lodged a claim against the Company to Vilnius county court regarding use of mark Lituanica. The outcome of the case is not clear yet.

An amount of 105.4 thousand Litas was recovered from previous year debtors.

Production

The main activity of AB Anykščių Vynas is production of alcohol drinks and juice concentrate. The assortment of the Company's production in 2005 comprised more than 60 names of different alcohol drinks, including fruit-berry wine, grape wine, vodka, spicy vodka, liquor, brandy, whisky, tequila, carbonated wine drinks, cider. Non-alcohol production comprises apple and berry juice concentrate, apple aromate, apple dried pomace.

In 2005, assortment of alcohol production was renewed by 26 new names, and production of 30 not perspective products was stopped.

During the accounting year 6,480.3 thousand HLT of alcohol drinks were produced or by 170.3 thousand HLT more compared to the year 2004. Production of fruit-berry wine decreased by 33.3 % and that of brandy by 29.6 %. Production of cider increased nearly by 6 times, of carbonated wine drink by 2.7 times, vodka by 65.7%, spicy vodka by 15.3.

Production of AB Anykščių Vynas during 2004 – 2005:

	Production group	Measure unit	2004	2005	2005compared to 2004, %
1	Carbonated wine drink	Thousand HLT	96,6	358,5	371,1
2	Cider	Thousand HLT	79,5	546,4	687,3
3	Wines	Thousand HLT	2599,1	1734,0	66,7
4	Vodka	Thousand HLT	1206,3	1998,8	165,7
5	Other strong drinks	Thousand HLT	1056,1	1062,6	100,6
	Total alcohol production	Thousand HLT	6310,1	6480,3	102,7
6	Apple juice concentrate	tones	345	3583	1038,6
7	Apple aromate	tones	21	212	1009,5
8	Dried pomace	tones	76	1070	1407,9

In 2005, 27,102 tones of apples, 14 tones of aronia and 80 tones of cranberries were purchased and processed. Apple processing season lasted for 85 days, average 318.8 tones of apples were processed per day.

The Company's capital investments during the accounting year amounted to 438 thousand Litas. An amount of 396 thousand Litas was used for renovation of buildings and constructions, 810 thousand Litas - for repairs of equipment and amount of 670 thousand Litas was used for maintenance of buildings, plants, transport vehicles and equipment. During 2005 the following big scope works were performed: floor covering of 1,280 m2 was repaired; bottle accounting system in bottling work shop was modernized; equipment in bottle washing premises was repaired; in bottling work shop, inefficient bottle washing machines were disassembled; a new bottling-corking-labeling equipment was put into operation; a signaling equipment for indication of alcohol steam concentration in the air was installed in alcohol warehouse; in compressor room, compressor was repaired and a signaling equipment for indication of amonnia concentration in the air was installed; in accumulator premises, a signaling equipment for indication of hydrogene concentration in the air was installed; asphalting, other repairs as well as other works were performed in order to modernize equipment, improve work conditions and save energy resources.

Marketing and sales

Carbonated wine drinks

During the accounting year a new collection of carbonated aromatized wine drinks BON TON was presented and a low price drink Siurprizas was introduced in the market. All this allowed to increase sales of carbonated wine drinks by 3.4 times compared to the previous year. During the accounting year the Company sold 3,264 HLT of carbonated wine drinks, in 2004 - 972 HLT of the product were sold. In 2006, it is planned to continue promotion of BON TON group drinks by supporting TV Project in summer.

Cider

Sales of cider were especially successful for the Company – sales increased by 8 times and reached 5,642 HLT (in 2004: 695 HLT of cider were sold). Lithuanian cider market is one of the fastest growing alcohol drinks segments and the Company successfully takes advantage of this. In 2006, the Company is planning increase of cider sales volumes.

Fruit wines

Fruit wine market should be noted from the point of view of competition and product prices as well as very active new participants in the market. During the accounting yea the Company's sales of fruit wines decreased by 36% down to 16,652 HLT.

Vodka

Specification of production price, harmonization of assortment and promotion of sales influenced positively sales of vodka. During the accounting year various kinds of vodka increased by 80% and reached 20,352 HLT. However, the mentioned figures are not limit for the Company and sales as well as market share of the product will be increased.

Brandy

Sales of brandy decreased by 28% and comprised 2,890 HLT during the accounting year. The decrease was influenced by legal disputes in relation to trade mark Forum which comprises the major part of the Company's brandy sales. However, having legally arranged ownership right to the trade mark, the Company is planning to come back to the former sales volumes of the product. In 2006, major attention will be paid to strengthening of the trade mark Forum as well as a higher level brandy Forum Premium will be introduced.

Spicy vodka

Introduction of Labanoras type spicy vodka was very successful step of the Company in the segment of such type of drinks. Spicy vodka under name Labanoro Medžiotojų won a gold medal in the 2005 competition of the best Lithuania product. The increase in sales of the product was influenced by active communication, promotion and advertising actions. In 2005, sales of the Company made spicy vodkas increased by 22% compared to the year 2004 and reached 4,958 HLT.

Labanoras kind products contribute to the Company's image of producer of natural, authentic products, thus in future major attention will be paid to promotion of this trade mark.

Liquor

In 2005, design of berry liquors (under names Juodoji Vyšnia, Braškių, Aviečių) was updated, unpopular products were refused, a collection of liquors containing natural juice under name TOPI was introduced. TOPI liquor Mango&Maracuja won gold medal in the 2005 competition of the best Lithuania product.

Sales of AB Anykščių Vynas liquors did not change during the financial year and comprised 1,897 HLT. In 2006 it is planned to make stronger trade mark of TOPI liquors by advertising campaigns organized in trade centers with the purpose to introduce new tastes to clients.

Personnel

In 2005, average number of employees in AB Anykščių Vynas was 328 persons. As at 1 January 2006 – 276, including 160 women (58%) and 116 men (42%), 214 (77.5%) workers and 62 management staff, specialists and white collar employees (22.5%).

- 56 employees (20.3%) have university education;
- 91 employees (33%) - college education;
- 122 employees (44.2%) - secondary education;
- 7 employees (2.5%) - unfinished secondary school.

In 2005, 39 employees were employed, including 32 persons employed according to term contract, 120 employees were dismissed due to the following reasons:

- 1 employee as to Art 124 the Labor Code of the Republic of Lithuania (death);
- 72 employees as to Art. 125 of the Labor Code of the Republic of Lithuania (by agreement of parties),
- 32 employees as to Art 126 of the Labor Code of the Republic of Lithuania (maturity of the term),
- 8 employees as to Art. 127 of the Labor Code of the Republic of Lithuania (by request of the employee),
- 7 employees as to Art. 129 of the Labor Code of the Republic of Lithuania (by initiative of the employer);

91 persons are employed in the units of the main production, 83 persons - in units servicing production, 9 persons - in commercial units, 50 persons - in marketing, sales and logistics units and 33 persons in administration.

In 2005, average monthly salary was 1,243 Litas (in 2004 – 1,223 Litas).

In 2005, the Company's specialists were trained in 34 courses and seminars. 9.3 thousand Litas was spent for the training.

In 2005, 8 persons violated work regulations and internal work rules. All disturbers of the work regulations were punished by administration procedure.

During last year no accidents happened in the working places and on the way to work and back home

215 persons working with potentially dangerous equipment and other dangerous works were re-certified. 15 employees were trained and certified in other training institutions (work managers, operators of potentially dangerous machinery).

The Company is trying to ensure normal and healthy working and rest conditions in all divisions. There is a first aid post which organizes employees' health check, renders first aid and first aid training. During the last year 125 employees inspected their health. Constant inspections are made in relation to work security and implementation of health prevention means, compliance with requirements of regulatory documents.

Information technologies

Several softwares are used by the Company for accounting purposes. For accounting of working time and salaries software made by UAB Stekas is used, which integrates human resources department, economics department and bookkeeping section. Working time ledgers are computerized. For accounting software Saikas is used.

AB Anykščių Vynas information system is managed on basis of Linux operational system. Only legally acquired software is used. In the beginning of 2005, 83 computers and 4 servers were used and at the end of the financial year – 72 computers and 3 servers were in use. At the end of the year 10 new computers with the most advanced operational systems were acquired. The Company has 67 electronic mail boxes.

Finance

Balance sheet of AB Anykščių Vynas (in thousand Litas)

	31 Dec 04	31 Dec 05
ASSETS		
Non-current assets		
Intangible assets	176	156
Tangible assets	34,477	31,359
Financial assets	1	1
Total non-current assets	34,654	31,516
Current assets		
Inventories	9,491	9,319
Prepayments and deferred costs	209	319
Trade receivables	1,895	5,122
Other receivables	20	45
Other current assets		4
Cash and cash equivalents	2,295	8,249
Total current assets	13,910	23,058
TOTAL ASSETS	48,564	54,574
LIABILITIES AND SHAREHOLDERS EQUITY		
Authorized capital	49,080	49081
Reserves	0	
Retained earnings	(14,135)	(11,710)
Total shareholders equity	34,945	37,371
NON-CURRENT LIABILITIES		
Long-term bank loans	4,189	1,657
Deferred income tax liability	1,800	1,650
CURRENT LIABILITIES		
Current portion of long-terms liabilities	2,078	5,983
Trade debtors	2,232	1,617
Accumulated liabilities	3,320	6,296
Total current liabilities	7,630	13,896
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	48,564	54,574

Comparative balance sheet of AB Anykščių Vynas (in percent

	31 Dec 04	31 Dec 05
ASSETS		
Non-current assets		
Intangible assets	0.36	0.29
Tangible assets	70.99	57.46
Financial assets		
Total non-current assets	71.36	57.75
Current assets		
Inventories	19.54	17.08
Prepayments and deferred costs	0.43	0.58
Trade receivables	3.90	9.39
Other receivables	0.04	0.08
Other current assets		0.01
Cash and cash equivalents	4.73	15.11
Total current assets	28.64	42.25
TOTAL ASSETS	100	100
LIABILITIES AND SHAREHOLDERS EQUITY		
Authorized capital	101.06	89.93
Reserves		
Retained earnings	(29.11)	(21.45)
Total shareholders equity	71.95	68.48
NON-CURRENT LIABILITIES		
Long-term bank loans	8.63	3.04
Deferred income tax liability	3.71	3.02
CURRENT LIABILITIES		
Current portion of long-terms liabilities	4.28	10.96
Trade debtors	4.60	2.96
Accumulated liabilities	6.84	11.54
Total current liabilities	15.71	25.46
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100	100

At the end of 2005 the Company's assets amounted to 54.57 million Litas or 6 million Litas more than at the end of 2004. During the accounting year non-current assets decreased by 3.1 million Litas and current assets increased by 9.1 million Litas. The authorized capital did not change, however the equity increased by 2.4 million Litas. Current liabilities increased by 6.3 million Litas and comprised 13.98 million Litas or 25.46%.

Net turnover capital and current liquidity ratio show the Company's ability to cover liabilities. Net turnover capital shows the amount by which current assets exceed current liabilities. Liquidity ratio should be 2 or higher.

	2004	2005
Net turnover capital, million Litas	6.3	9.2
Current liquidity ratio	1.8	1.7

Dynamics of the Company's liabilities to banks, debt to equity and gross debt ratios is shown in the table below:

	2004	2005
Liability to banks at the end of the year, million Litas	6.3	7.6
Debt to equity ratio	0.39	0.46
Gross debt ratio	0.28	0.32

Debt to equity ratio shows ratio of borrowed funds used by the Company for financing of its activities in comparison to the shareholders' contributions. During the financial year debt to equity ration increased by 0.07. Liability to bank increased by 1.3 million Litas during the financial year. Gross debt ratio shows amount of borrowed funds. During the accounting year gross debt ratio increased by 0.04, liabilities increased by 3.6 million Litas, assets increased by 6 million Litas.

The Company's operating expenses:

	2004	2005
Sales expenses, thousand Litas	4,612	5,259
General and administrative expenses, thousand Litas	7,130	4,158
Total operating expenses, thousand Litas	11,742	9,417

In order to maintain market share and introduce new products, more funds are required for advertising, thus sales costs increased by 647 thousand Litas during the financial year. General and administration expenses decreased by 2,972 thousand Litas due to reorganization of the Company and other decisions made. In total operating costs decreased by 2,345 thousand Litas.

Income statement of AB Anykščių Vynas (in thousand Litas)

	2004	2005
Sales revenue	32,766	36,843
Cost of sales	24,341	25,133
Gross profit	**8,425**	**11,710**
Operating expenses	11,742	9,417
Operating profit (loss)	**(3,317)**	**2,293**
Financial and other income (costs), net	(18)	17
Profit before taxation	(3,581)	2,275
Income tax	275	150
Net profit (loss))	**(3,306)**	**2,426**

Plans and forecasts

In 2005, the Company planned to reach 32.5 million Litas turnover and end the financial year with profit. The plan was fulfilled and exceeded. A new strategy of AB Anykščių Vynas – to produce quality natural products for consumers for who care about the product - approved at the end of 2004 met the Company's expectations. In 2006, the Company plans to improve production and technological processes, especially paying great attention to strengthening and popularization of trade marks, designing of image of producer of natural and authentic products as well s to marketing. In the plans approved for 2006 a turnover of 36 million Litas and 1 million Litas profit are estimated.

Chairman of the Board Vytautas Junevičius