

AB GUBERNIJA Activities Report of 2005

AB GUBERNIJA company was registered on the 3rd of May, 1993. On the 3rd of April, 1996 it was registered at the Ministry of Economics of Republic of Lithuania. It was registered at the Register of Legal Entity on the 27th of September, 2004.

The Company's code: 144715765. The manager of the register is the public enterprise Centre of Registers.

The Company produces beer, kvass (soft drink), beer-cocktails and sells its production.

AB GUBERNIJA authorized capital amounts to 21 786 000,00 Lt and consists of 21 786 000 ordinary registered shares.

The Company has the Management Board. The Chairman of the Management Board is Romualdas Dunauskas. Members of the Management Board are Edvardas Kairys, Muradas Bakanas, Larisa Afanasjava, Vitalija Ramanauskienė. The Company's Director General is Romualdas Dunauskas. The Company's Finance Manager is Vitalija Ramanauskienė.

There were 303 employees employed in AB GUBERNIJA on the 31st of December, 2005.

During the year 2005 the turnover of AB GUBERNIJA amounted to 63,7 million Lt and gross profit to 13 598 million Lt which decreased by 5% comparing to 2004. The decrease was determined by decline of beer prices in the market. The price of 1 litre of beer in 2005 was lower by 0,11 Lt than in 2004.

EBITDA increased by 1,56 million Lt comparing to 2004 or from 4,29% in 2004 to 6,79% in 2005.

Survey of the Company's activities of financial year 2005:

The Company finished the year 2005 with losses. The loss of the financial year amounted to 3 122 537 Lt. AB GUBERNIJA is still cumulating the holiday payoff and its impact to the losses of 2005 amounted to 1 126 267 Lt.

Beer and beer beverages made 92,3% of all Company's sales in expression of value in 2005 and the rest were kvass, other goods and services. Therefore beer situation in the market and proportions of beer sales determine the results of the Company's activities.

The Company's production is sold via all existing sales channels.

AB GUBERNIJA is increasing its beer sales through the biggest retail networks and seeks to stay among the biggest exporters of Lithuanian beer.

AB GUBERNIJA sales income increased by 4,45 million Lt comparing to 2004.

The Company sold 20,21 % more beer and beer beverages in expression of quantity than in 2004 and 24,32 % more kvass. There were 12,8 % more beer and beer beverages sold in expression of value than in 2004.

For setting the prices of production the Company takes in account the prime cost and the prices of competitors. Recently the severe competition among beer producers is noticeable so the beer prices are mostly set according to the beer price in the market.

The leading role becomes creating the value of the Company and its production.

Year 2005 had especial value for the Brewery. The independent auditors proved that GUBERNIJA is the oldest brewery in Lithuania and this enabled the Company to celebrate its 340th anniversary. The Company's communication was formed in that context. The International Folk Music Festival "On the Ring of the Sun since 1665" and International Ex-libris Competition "GUBERNIJA. On the Ring of the Sun since 1665" were two new formats made to enhance national values and continuity of traditions.

The sponsorship contracts as general sponsor of Žalgiris BC and sponsor of Šiauliai basketball club were prolonged for the next year. The Company has a notion that basketball in Lithuania makes special environment for competition and active participation there enhances the publicity of the trademark. Lithuanian Volleyball Championship of Schoolchildren "DUONOS GIRA" (kvass) became traditional one. This sport project is designed for the teenagers and helps to enhance kvass value.

The experts of Beverage Testing Institute (the USA) announced three beers produced by AB GUBERNIJA: GUBERNIJOS EKSTRA, ŽALGIRO and LEDO as the World's best Ales and awarded with Gold Medals in the end of 2005.

The new beer GUBERNIJOS STELLA was introduced into the market during the reporting period. This is one of the most expensive beer that is produced in Lithuania. The new Company's motto "Only What's Real" was introduced along.

A part of the promotion budget was allocated for visual (equipment) promotion: umbrellas, fridges, advertising on bars, pavilions, billboards, counters, clothes, transport.

An important tendency of product publicity is active cooperation with trading networks in order to promote the product: renting space for promotion at the supermarkets, purchasing temporal exclusive right for the product at the production sales places.

Novelty of the Company's image and maintenance of customers' loyalty guarantees permanent popularity of the production.

In 2006 it is planned to increase sales of beer and beer beverages by 6% and to sell 350 000 decalitres of kvass, i.e. 12% more than previous year.

The main sales increasing tendencies for next years:

1. Export: Extension of capacity of beer production to 410 000 decalitres per month as well as implementation of means assuring production stability, assurance of proper expiry dates of production for export will enable to increase export capacities.
2. Carrying on the projects of production with the trademarks of the biggest retail trading networks (MAXIMA, OPTIMALINIJA, ŽALČIO).
3. Increasing sales of kvass production by introducing new formulas, changing visual image, organising sales and etc.
4. Carrying on the traditional sales such as retail sales, wholesales, at the cafeterias and specialised production shops, optimising logistics and sales expenses, blacking unprofitable and risky customers.

The manufacture of several new products was implemented during 2005. The Company started producing beer-cocktails of three tastes: cherry, apple, and forest berries. The new taste high-class beer GUBERNIJOS STELLA was introduced into the market too. The new service of ladling into 0,33 l cans of UAB SELITA energetic drink was started.

There was marked investment into beer producing equipment and development of technologies. In order to supply the new beer STELLA the labelling equipment was improved. During the reporting period the building for ladling into the PET bottles with modern ventilating system assuring proper microclimate.

The new modern and universal line for ladling into the PET bottles was installed. Its efficiency amounts 10000 bottles per hour. The investment of 3,3 million was made. New line enabled to increase the capacities of ladling the production into the different size and design bottles. The quality of the production was improved (extension of expiry term), production expenses were reduced by lower energy resources, decreased number of employees.

The new storage of 350 sq. metres for PET bottles was equipped. The ready-production storage was equipped in the part of the old building in 2005.

Romualdas Dunauskas

AB GUBERNIJA
Director General

UAB "PRIMUS AUDITUS"

Company code 124990387, Gerosios Vilties str. 1, Vilnius, tel. (8~5) 213 14 07

To: AB GUBERNIJA

AUDITORS REPORT

5 April 2006

Vilnius

We have audited AB Gubernija Financial Statements for 31 December 2005 also the information provided in the activity report of 2005. Responsibility for the correctness of data given in these financial statements and activity report is vested in the company's management. Furthermore, the company's management is responsible for the compliance of transactions presented in documents with reality as well as a proper reflection thereof in the accounting. We are responsible for our opinion on the Financial Statements inspected during the audit, which was formed based on the documents submitted for the audit.

We have carried out the audit following the Lithuanian Republic Law on Audit of 15 June 1999 as well as International audit standards. These Standards require that we plan and carry out the audit in such a way as to receive sufficient grounds for stating that there are no significant misrepresentations of information in the Financial Statements. During the audit, through the employment of tests, we have investigated the proofs confirming the amounts and reflections in the Financial Statements. During the audit we have also evaluated applied accounting principles and evaluations carried out by the management as well as general submission of the financial statements according to the procedure of drawing up financial statements. It is our conviction that the audit provides real grounds for expressing our opinion on the Financial Statements.

In our opinion the Financial Statements in all significant respects properly reflects the financial condition of AB Gubernija on 31 December 2005, operation results and flow of money for the year 2005 and have been draw up according to the International Financial Accountability Standards.

After auditing groups activity report of 2005 we can present that activity report data is conforming to the Financial Statements data.

Director

Alina Koldun

Auditor

Dangutė Pranckėniėnė

Auditor

Galina Ivanova

AB GUBERNIJA

(enterprise name)

Dvaro 179, Šiauliai 144715765

(enterprise identification number, address, other information)

APPROVED

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Minutes No.....

BALANCE SHEET 2005-12-31

to specify – in litas or thousands of litas

Eil. N	ASSETS	Note No.	Financial year 2005.12.31	Previous financial year 2004-12-31	Previous financial year 2004-12.31
A.	NON-CURRENT ASSETS		44 981 158	51 945 813	51 978 206
I.	INTANGIBLE ASSETS	III.1	23 365	36 379	36 379
I.1.	Development works				
I.2.	Goodwill				
I.3.	Licences and patents				
I.4.	Computer software		5 153	14 738	14 738
I.5.	Other intangible assets		18 212	21 641	21 641
II.	TANGIBLE ASSETS	III.8	44 269 176	50 617 111	50 617 111
II.1.	Land				
II.2.	Buildings and constructions	III.2	13 454 740	14 401 629	14 401 629
II.3.	Plant and equipment	III.3	26 798 655	31 323 935	31 323 935
II.4.	Vehicles	III.4	712 423	896 940	896 940
II.5.	Other property, plant and equipment	III.5	2 253 814	3 197 306	3 197 306
II.6.	Construction in progress	III.6	375 453	309 228	309 228
II.7.	Other tangible assets	III.7	674 091	488 073	488 073
III.	FINANCIAL ASSETS		17 100	934 510	934 510
III.1.	Investments in subsidiaries and associates			917 410	917 410
III.4.	Other financial assets	III.9	17 100	17 100	17 100
IV.	Other tangible assets	III.10	671 517	357 813	390 206
IV.1	Diferend profit taxes assets		671 517	357 813	390 206
B.	CURRENT ASSETS		12 660 924	11 923 666	11 923 666
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS		5 323 666	5 326 933	5 326 933
I.1.	Inventories	III.11	4 656 040	4 719 206	4 719 206
I.1.1	Raw materials and completing products		3 455 085	3 722 608	3 722 608
I.1.2	Work in progress		504 147	447 533	447 533
I.1.3	Finished products		687 505	537 326	537 326
I.1.4	Goods for resale		9 303	11 739	11 739
I.2.	Prepayments		667 626	607 727	607 727
I.3.	Contracts in progress				
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		6 967 971	6 064 551	6 064 551
II.1.	Trade amounts receivable	III.12	6 956 087	6 056 258	6 056 258
II.2.	Receivables from subsidiaries and associates				
II.3.	Other amounts receivable	III.13	11 884	8 293	8 293
III.	OTHER CURRENTS ASSETS				
III.1.	Current investments				
III.2.	Time deposits				
III.3.	Other currents assets				
IV.	CASH AND CASH EQUIVALENTS		369 287	532 182	532 182
C.	TOTAL ASSETS:		57 642 082	63 869 479	63 901 872

Eil. N	EQUITY AND LIABILITIES	Note No.	Financial year 2005-06-30	Previous financial year 2004-12-	Previous financial year 2004-06-30
C.	EQUITY		18 639 719	24 129 345	22 632 969
I.	CAPITAL		21 786 000	21 786 000	21 786 000
I.1.	Authorised (subscribed)	III.14	21 786 000	21 786 000	21 786 000
I.2.	Subscribed uncalled share capital (-)				
I.3.	Share premium				
I.4.	Own Shares (-)				
II.	REVALUATION RESERVE (RESULTS)		3 925 706	5 642 846	4 796 419
III.	RESERVES			773 593	773 593
III.1.	Legal reserve			773 593	773 593
III.2.	Reserve for acquiring own shares				
III.3.	Other reserves				
IV.	RETAINED EARNINGS (LOSSES)	III.15	(7 071 987)	(4 073 094)	(4 723 043)
IV.1.	Profit (loss) of the reporting year		(3 122 537)	(4 631 628)	(5 281 577)
IV.2.	Profit (loss) of the previous year		(3 949 450)	558 534	558 534
D.	GRANTS AND SUBSIDIES				
E.	AMOUNTS PAYABLE AND LIABILITIES		39 002 363	39 740 134	41 268 903
I.	NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES				
		III.16	19 495 918	25 209 396	26 738 165
I.1.	Financial debts		18 217 668	25 209 396	25 209 396
I.1.1.	Leases and similar obligations		87 284	896 540	896 540
I.1.2.	To credit institutions		18 130 384	21 666 051	21 666 051
I.1.3.	Other financial debts			2 646 805	2 646 805
I.2.	Trade amounts payable				
I.3.	Amounts received in advance				
I.4.	Provisions				
I.4.1.	For covering liabilities and demands				
I.4.2.	For pensions and similar obligations				
I.4.3.	Other provisions				
I.5.	Deferred taxes		1 278 250		1 528 769
I.6.	Other amounts payable and non-current liabilities				
II.	CURRENT AMOUNTS PAYABLE AND LIABILITIES		19 506 445	14 530 738	14 530 738
II.1.	Current portion of non-current debts		6 039 874	6 001 945	6 001 945
II.2.	Financial debts		3 773 876		
II.2.1.	To credit institutions				
II.2.2.	Other debts		3 773 876		
II.3.	Trade amounts payable		5 984 450	5 050 824	5 050 824
II.4.	Amounts received in advance			345 280	345 280
II.5.	Profit tax liabilities				
II.6.	Liabilities related with labour relations		1 634 169	1 274 964	1 274 964
II.7.					
II.8.					
II.7.	Provisions				
II.8.	Other amounts payable and current liabilities		2 074 076	1 857 725	1 857 725
	TOTAL EQUITY AND LIABILITIES		57 642 082	63 869 479	63 901 872

General direktor _____
(post of the head of signature)

Romualdas Dunauskas
(name, surname)

(signature)

(Complete Form of Income Statement)

AB Gubernija
(enterprise name)

_____ Dvaro 179, Šiauliai. 144715765
(enterprise identification number, address, other information)

APPROVED
Minutes No.....
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INCOME STATEMENT 2005-01-01..2005-12-31
(reporting period)

20_05_m. December 31

In Litas
to specify – in litas or thousands of litas

No.	Items	Note No.	Financial year 2005.12.31	Previous financial year	Previous financial year 2004.12.31
I.	SALES INCOME		54 818 751	50 368 519	50 368 519
II.	COST OF SALES		41 220 338	36 112 652	36 112 652
III.	GROSS PROFIT (LOSS)		13 598 413	14 255 867	14 255 867
IV.	OPERATING COSTS		16 890 993	17 405 418	17 405 418
IV.1	Sales		12 151 351	12 902 330	12 902 330
IV.2	General and administrative		4 739 642	4 503 088	4 503 088
V.	OPERATING PROFIT (LOSS)		(3 292 580)	(3 149 551)	(3 149 551)
VI.	OTHER ACTIVITIES		10 390	178 901	178 901
VI.1.	Income		288 165	253 539	253 539
VI.2.	Expenses		277 775	74 638	74 638
VII.	FINANCING AND INVESTING ACTIVITIES		(1 242 889)	(1 814 158)	(1 814 158)
VII.1.	Income		152 138	230 465	230 465
VII.2.	Expenses		1 395 027	2 044 623	2 044 623
VIII.	PROFIT (LOSS) FROM NORMAL ACTIVITIES		(4 525 079)	(4 784 808)	(4 784 808)
IX.	GAIN				
X.	LOSSES				
XI.	PROFIT (LOSS) BEFORE TAXES		(4 525 079)	(4 784 808)	(4 784 808)
XII.	PROFIT TAXATION		379 836	31 624	31 624
XIII.	NET PROFIT (LOSS)		(4 145 243)	(4 816 432)	(4 816 432)

Profit(lost) for one

-0,19

-0,22

-0,22

General direktor
(post of the head of enterprise administration)

(signature)

Romualdas Dunauskas
(name, surname)

15	Balance as of 31 December 2004	21786000			4796419		773593		0	0	-4723043	22632969
16	Gain / losses on non-current tangible assets revaluation											
17	Gain / losses on financial assets revaluation											
18	Acquisition / sale of own shares											
19	Profit / loss not recognized in the Profit (loss) Statement (32)				-870713						9419	-861294
19	Profit / loss not recognized in the Profit (loss) Statement (34)										1013287	1013287
20	Net profit / loss of the reporting period										-4145243	-4145243
21	Dividends											
22	Other payments											
23	Formed reserves											
24	Used reserves						-773593				773593	
25	Increase / reduction of share capital											
26	Balance as of 31 December 2005	21786000			3925706		0		0	0	-7071987	18639719

General direktor _____
(title of the dead of enterprice administrator (signature)

_____ Romualdas Dunauskas _____
(full name)

AB GUBERNIJA

(įmonės pavadinimas)

144715765 DVARO 179 Šiauliai

(įmonės kodas, adresas, kiti duomenys)

PATVIRTINTA

20.... m.....d.

protokolo Nr.....

CASH FLOW STATEMENT

2005-01-01..2005-12-31 PINIGŲ SRAUTŲ ATASKAITA

(ataskaitinis laikotarpis)

20...05..m...gruodžio 31d.

Litais/Of Litas

Nurodyti – litais ar tūkstančiais litų

Eil. Nr.	Straipsniai	Pastabos Nr.	Financial year	Previous financial year
I.	Pagrindinės veiklos pinigų srautai			
I.1.	Ataskaitinio laikotarpio pinigų įplaukos (su PVM) Inflows of the reporting period (VAT included)		59880345	57017324
I.1.1.	Pinigų įplaukos iš klientų / Inflows from customers		59777724	56516226
I.1.2.	Kitos įplaukos/Other inflows		102621	501098
I.2.	Ataskaitinio laikotarpio pinigų išmokos/Outflows of the reporting period		-56344045	-50560351
I.2.1.	Pinigai, sumokėti žaliavų, prekių ir paslaugų tiekėjams (su PVM)/Cash paid to suppliers of raw materials, goods and services, and employees (VAT included)		-30273507	-29161157
I.2.2.	Pinigų išmokos, susijusios su darbo santykiais/ Outflows connected with labour relations		-6284362	-6053450
I.2.3.	Sumokėti į biudžetą mokesčiai/ Taxes paid into budget		-19732248	-13548811
I.2.4.	Kitos išmokos/other payments		-53928	-1796933
	Grynieji pagrindinės veiklos pinigų srautai		3536300	6456973
II.	Investicinės veiklos pinigų srautai			
II.1.	Ilgalaikio turto (išskyrus investicijas) įsigijimas /Acquisition of non-current assets(excluding investments)		-1792525	-7965777
II.2.	Ilgalaikio turto (išskyrus investicijas) perleidimas/ Transfer of non-current assets(excluding investments)		1241870	313739
II.3.	Ilgalaikių investicijų įsigijimas /Acquisition of long-term investments)			
II.4.	Ilgalaikių investicijų perleidimas/Transfer of long-term investments)		801275	704650
II.5.	Paskolų suteikimas/loans granted			
II.6.	Paskolų susigrąžinimas/Loans recovered			
II.7.	Gauti dividendai, palūkanos/Dividends and interest received			
II.8.	Kiti investicinės veiklos pinigų srautų padidėjimai /Other increase in flows from investing activities			
II.9.	Kiti investicinės veiklos pinigų srautų sumažėjimai/Other decrease in cash flows from investing activities			
	Grynieji investicinės veiklos pinigų srautai/ Net cash flows from investing activities		250620	-6947388

III.	Finansinės veiklos pinigų srautai/Cash flows from financing activities			
III.1.	Pinigų srautai, susiję su įmonės savininkais/ Cash flows related to enterprise owners		0	0
III.1.1.	Akcijų išleidimas/Emission of shares			
III.1.2.	Savininkų įnašai nuostoliams padengti/ Owners contributions agaist losses			
III.1.3.	Savų akcijų supirkimas /Purchase of own shares			
III.1.4.	Dividendų išmokėjimas / Dividends paid			
III.2.	Pinigų srautai, susiję su kitais finansavimo šaltiniais/Cash flow arising from other financing sources		-3939229	1153557
III.2.1.	Finansinių skolų padidėjimas /Increase in financial debts		0	6459074
III.2.1.1.	Paskolų gavimas /Loans received			6459074
III.2.1.2.	Obligacijų išleidimas/Issue of bonds			
III.2.2.	Finansinių skolų sumažėjimas/ Decrease in financial debts		-5492839	-5343369
III.2.2.1.	Paskolų gražinimas/loans returned		-3346108	-3383088
III.2.2.2.	Obligacijų supirkimas/ Puurchase of bonds			
III.2.2.3.	Sumokėtos palūkanos /Interest paid		-1185605	-1308085
III.2.2.4.	Lizingo (finansinės nuomos) mokėjimai /Payments of lease(finanse lease)liabilities		-961126	-652196
III.2.3.	Kitų įmonės įsipareigojimų padidėjimas /Increase in other enterprise liabilities		1553610	37852
III.2.4.	Kitų įmonės įsipareigojimų sumažėjimas/ Decrease in other enterprise libilities			
III.3.	Kiti finansinės veiklos pinigų srautų padidėjimai / Other increase in cash flows from financing activities		150650	209510
III.4.	Kiti finansinės veiklos pinigų srautų sumažėjimai/Other decrease in cash flows from financing items		-139129	-734536
	Grynieji finansinės veiklos pinigų srautai/Net cash fows from financing activities		-3927708	628531
IV.	Ypatingųjų straipsnių pinigų srautai /cach flows from extraordinary items		0	0
IV.1.	Ypatingųjų straipsnių pinigų srautų padidėjimas/Insrease in cash flows from extraordinary items			
IV.2.	Ypatingųjų straipsnių pinigų srautų sumažėjimas/ Decrease in cash flows from extraordinary items			
V.	Valiutų kursų pasikeitimo įtaka grynujų pinigų ir pinigų ekvivalentų likučiui/Change in exchange rate		-22107	-2001
VI.	Grynasis pinigų srautų padidėjimas (sumažėjimas)/Net increase(decrease) in cash flows		-162895	136115
VII.	Pinigai ir pinigų ekvivalentai laikotarpio pradžioje/Cash at the begining oh period		532182	396067
VIII.	Pinigai ir pinigų ekvivalentai laikotarpio pabaigoje/Cash at the end of period		369287	532182

Gen. direktorius Romualdas Dunauskas
(įmonės administracijos vadovo
pareigų pavadinimas)

(parašas)

Romualdas Dunauskas
(vardas ir pavardė)

AB GUBERNIJA 144715765
DVARO 179, ŠIAULIAI

APPROVED ON:

21 APRIL 2006

EXPLANATORY NOTES
TO Financial Statements for the year 2005

I. GENERAL

I.1. AB GUBERNIJA was registered on 3 May 1973. Legal form – a public limited company. Register manager–the State Enterprise Centre of Registers.

Company's fiscal year start on 1 January 2005 and end on 31 December 2005.

AB Gubernija holds a representative office in Vilnius, this is a wholesale warehouse.

The representative office is located in 21 Kubiliaus Str. 21 Vilnius.

I.2 The main activity fields of the Company: production of beer and kvass and sales of these products in the domestic and foreign markets.

Raw materials for these products are exported from Denmark, Estonia and Germany.

Atypical activities of the Company include: sales of materials and inventories unnecessary and unused in Company's production process, sales of production waste and re-selling of some services.

AB Gubernija holds a network of company shops covering many towns of Lithuania. In 2005, the sales of this network amounted to LTL 2.6 million. Last year, retail outlets operated with profits.

The Company continuously searches for new trade partners abroad, in 2005 it launched exports to Denmark, Poland, Finland and Africa.

In 2005 compared to 2004, beer sales tripped. In 2004 the Company sold 124 thousand dal whereas in 2005–around 378 thousand dal. The major part of products was sold in Latvia. Sales in Latvia accounted for 63 %. In 2005 the Company also traded with partners from the USA, Russia, Israel and Germany.

In 2005 compared to 2004, the sales of kvass also significantly increased. In 2005 nearly 30 thousand dal of kvass were sold.

The financial activity results of the Company are greatly influenced by product prices, season, proper supply with good quality raw materials and other materials required in production process.

AB Gubernija finished the year 2005 with loss. The reporting period loss amounts to LTL 3 122 537 despite the fact that sales income increased by LTL 4.45 million in 2005 compared with 2004.

At the end of 2004, AB Gubernija 2004 employed 338 people, while at the end of 205 this number stood at 303.

II. ACCOUNTING POLICY

II.1. The financial statements for the year 2005 were prepared according to the principles of continued activities of the company and income expense accumulation, following requirements laid down in the Lithuanian Republic Law on Accounting, the Lithuanian Republic Law on Corporate Financial Statements and the International Accounting Standards.

AB Gubernija fiscal year coincides with a calendar year.

In 2005, AB Gubernija carried out activities specified in the Company's Bylaws.

II.2. The Company has changed its accounting policy because of International Business Standards requirements. Upon having applied International Accounting Standard 12 (Profit Tax) respective balance-sheet items were recalculated, and profit tax assets and deferred profit tax liabilities were formed. The changes are disclosed in a retrospective manner by correcting the balance of undistributed profit (loss). Due to this reason, the balance loss increased LTL by 649 949. The deferred tax assets in increased by LTL 769, revaluation reserve decreased by LTL 846 427. The formed deferred tax liabilities amount to LTL 1 528 769 Lt. Re-grouping of the balance-sheet items was carried out.

Extract from AB Gubernija 2004 balance-sheet prior to and after change of accounting policy:

No.	Balance-sheet item	Note No.	2004 after change of accounting policy	2004 prior to change of accounting policy
III.4.	Other financial assets		0	357813
IV.1.	Deferred tax assets		390206	357813
I.2.	Prepayments		607727	93827
III.3	Other non-current assets		0	513900
II.	Revaluation reserve (result)		4796419	5642846
IV.1.	Profit (loss) of the reporting year		-5281577	-4631628
I.5.	Deferred tax liabilities		1528769	0

II.3. The Company applies separate assets evaluation methods for separate assets groups:
a) Intangible asset in the accounting is recorded at the cost of acquisition, and in the financial statements it is disclosed at the balance value, which is calculated as the cost of acquisition less accumulated amortization and value impairment.

b) Non-current tangible assets, including buildings, constructions and production equipment, are accounted for by the method of revaluated value, and disclosed at the balance-sheet value in the financial statements, which is calculated as the revaluated value less accumulated depreciation and value impairment. These groups of assets are revaluated on a regular basis in order to avoid material differences between the balance-sheet value of the assets and its fair value on the date of financial statements formation. On 31 December 2005, the influence of application of revaluated value on the indices of non-current assets, equity capital is LTL 3.925 706.

Due to the mentioned selected method of non-current assets evaluation according to IAS 12, deferred profit tax liability was calculated. Its influence on the reporting year profit (loss) is LTL 1 013 287, on non-current assets liabilities – LTL151 993 not recognized in the Income Statement.

c) Vehicles and other tangible assets are recorded in the accounting at the cost of acquisition, and are show at the balance-sheet value in Financial Statements, which is calculated as the cost of acquisition less accumulated depreciation and value impairment.

d) Inventories in the accounting are evaluated at the cost of acquisition and recorded by added other expenses relating to the acquisition of inventories.

e) Amounts receivable are shown in the balance-sheet at the fair value less bad debts.

II.4 . AB Gubernija intangible assets include the assets without a tangible form, which is disposed by the Company in a hope to receive economic benefit. Useful life of intangible assets is given in Table (Appendix No. 1 “Useful Life of Intangible Assets”). At the time of acquisition intangible asset is recorded at the cost of acquisition plus other expenses relating to the acquisition and preparation for use of the asset. In the balance-sheet it is shown at the balance-sheet value as the cost of acquisition less accumulated amortization and value impairment. Maintenance expenses of intangible asset are attributed to the expenses of that period during which they were sustained. Loss of writing down intangible assets is attributed to Company’s operating expenses. The intangible asset has not been pledged as the security of liabilities. The Company has not received any prepayments on intangible assets. Information about intangible assets is given in Appendix No. 2.

II.5. The asset, which is disposed of and controlled by the Company and which is used for a longer period than one year is deemed as non-current tangible asset. Minimum acquisition (production) cost has been set for each group of tangible asset taking into consideration a variety and value of the non-current assets owned. In exceptional cases it is recommended to follow the principle of significance if the set minimum value for an asset group is different.

Information about non-current tangible assets is given in Appendix No. 3 table “Depreciation Rates of Non-current Tangible Assets”, and the depreciation rates of tangible assets are presented in Appendix No. 4 Table “Depreciation Rates of Non-current Tangible Assets”.

A directly proportional (linear) depreciation method is applied for all groups of non-current tangible assets. The liquidation value that cannot account for more than 10% of the acquisition cost and be lower than LTL 1 is set for non-current tangible assets.

In the balance-sheet buildings and constructions as well as industrial equipment are shown at revaluated value less accumulated depreciation.

Vehicles and other non-current tangible assets are disclosed at the balance-sheet value less accumulated depreciation in the balance-sheet.

Repair and maintenance expenses for non-current tangible assets are attributed to operating expenses and in cases when reconstruction works extend useful life of the assets and improve useful qualities thereof the cost of acquisition is increased by the cost of works and the useful life of assets is adjusted.

The 2004 and 2005 balances of “Plant and Equipment” and “Vehicles” non-current assets group are recalculated upon having cancelled “Lease” balance-sheet item.

The restrictions of ownership rights are imposed on all industrial equipment, buildings and constructions of the Company. The assets are pledged with SEB VILNIAUS bank and HANSABANK in equal parts. The pledges of non-current assets are shown in Table III.8 “Pledges of Non-current Tangible Assets”.

II.6. AB Gubernija inventories are accounted for by groups. The total balance-sheet value of inventories and the balance-sheet value by inventory groups are presented in Table III.1.1 “Inventories”.

FIFO method is applied for inventory accounting.

Direct production expenses consist of: raw materials, gas, steam, electric power, water, salaries, social insurance contributions, containers and packaging materials.

II.7. Amounts receivable, trade debts, amounted to LTL 6 956 087 at the end of the year.

Doubtful debts are recognized by every particular debtor.

In 2005 recognized doubtful debts amounted to LTL 33 792 in trade debts. The Company exercises regular control of trade debts. A part of trade debts has been insured. Debts are recognized as bad ones when the Company cannot recover them over the year. This year LTL 16 786 in bad debts were included in operating expenses (Tables III.12,III.13.).

II.8. The Company produces products subject to excise duty, and when selling them to the EU states and exporting to the third countries the Company has to secure the payment of the excise duty, therefore, it must transfer 10% of the excise duty relating to exported products to the account of State Tax Authority.

The Company has received guarantees from Vilniaus Bank, which were submitted to Šiauliai State Tax Authority. The amount of LTL 32 000 in security for the excise duty for the stocks of goods stored at AB Gubernija warehouse subject to excise duty and USD 8000 in guarantee for the products exported by the Company to the EU and Russia have been frozen with Vilniaus Bank.

II.9. The Company's authorized capital amounts to LTL 21 786 000.

The par value of one share is LTL 1.

At the end of December 2004, the extraordinary shareholders' meeting decided to reduce the par value of shares to LTL 1. In this way the authorized capital is divided into 21 786 000 ordinary registered shares.

Information about the structure of the authorized capital is given Appendix No. 5 "Structure of Authorized Capital".

II.10. At the end of the fiscal year the Company has non-current liabilities to SEB Vilniaus bank and Hanzabank in equal shares, which will be repaid in foreign currency. In addition, the Company has liabilities to UAB Sampo Banko Lizingas and SEB Vilniaus Banko Lizingas (lease companies). The loan to UAB Sampo Bank has been repaid. The condition of Company's liabilities is presented in Table III.16.

II.11. Income from AB Gubernija typical activities include income received from the sales of beer and kvass. Information about business segments is given in Table III.17.

II.12. Income received for funds held on bank accounts, income received from the conversion of foreign currency, late charges received, positive influence of currency and similar are attributed to financial income.

Late charges paid, interest paid to bank, negative influence of currency and other financial expenses are attributed to financial expenses.

Results of financial and investing activities are given in Table III.18.

Financial relationships with company's managers and other connected persons are presented in Table III.19. UAB Šiaulių Baltija shares were sold to Company's managers and connected persons.

II.13. AB Gubernija cash includes cash in hand held by AB Gubernija, on bank accounts and in hand held by shops.

III. NOTES OF THE EXPLANATORY NOTES

III.1. Condition of Company's intangible assets and its change over the reporting period:

On 31 December 2004, the balance-sheet value of intangible assets LTL 36 379.

Assets acquired over 2005 LTL 7 410.

Assets written down over 2005 LTL 0.

Amortization calculated over 2005 LTL 20 424.

Net value at the end of 2005 LTL 23 365.

Non-current intangible assets (Appendix No.4)

III.2. Over the financial year, the value of buildings and constructions decreased by LTL 946 889, because the assets acquired were smaller than the depreciation calculated. The assets acquired over the fiscal year total (including transfer from construction in progress) LTL 107 936.

The amount of calculated depreciation is LTL 1 054 825.

III.3. Over the fiscal year Plant and Equipment item decreased by LTL 4 525 280, since the amount of acquired assets was smaller than the depreciation calculated.

The assets acquired over the fiscal year total LTL1 056 235.

The amount of calculated depreciation is LTL4 530 596.

The Company wrote down unused assets whose cost of acquisition is LTL 651 007, residual value–LTL 11 172.

The Company sold assets whose cost of acquisition is LTL 1 594 987, residual value–LTL 1 039747.

III.4. “Vehicles” item decreased by LTL 184 517.

Over the fiscal year, the Company acquired assets for the total amount of LTL 331 962. Calculated depreciation–LTL371 150.

The Company transferred assets whose cost of acquisition is LTL 340 561, residual value–LTL 145327.

The acquisition cost of written down assets–LTL 44 862, residual value–LTL 2.

III.5. Over the financial year, Other Property, Plant and Equipment decreased by LTL 943 492 because the amount of acquired assets is smaller than the calculated depreciation.

Over the fiscal year acquired assets total LTL 236 121(including transfers between items)

Over the fiscal year calculated depreciation totals LTL 1 039 465.

The Company wrote down unused assets whose cost of acquisition is LTL 111346, residual value–LTL 2977.

The Company sold assets whose cost of acquisition is LTL 200877, residual value–LTL 137170.

III.6. Construction in Progress item increased by LTL 66 225 because of warehouse reconstruction.

III.7. Other Tangible Assets item increased by LTL 186 018. Other tangible assets include non-current assets, which is not use and depreciation is not calculated because of this.

Assets evaluation

The Company applies the method of revaluated value for the evaluation of separate groups of non-current assets (buildings and constructions, plant and equipment) (on 31 December 2005, the influence of this matter on the indices of non-current assets and equity capital was LTL **3.925.705**);

III.8. At the end of 2004, the Company concluded a consolidated contract with AB SEB Vilnius Bank and Hansabank. To secure credit obligation the Company pledged real estate, industrial equipment and trademarks.

Description of pledged assets	Balance-sheet value, LTL	Date of pledge expiry
Beer bottling line	1782468	20-05-2005
Industrial obligations	27 650 880	31-12-2010
Buildings	9 379 704	31-12-2010
Trademarks	31 450 000	31-12-2010

III.9. At the beginning of the year, the Company's financial assets decreased because the company sold UAB Šiaulių Baltija shares.

Financial assets

Indices	Subsidiaries	Other financial assets	Total, LTL
Opening balance of the financial year	917 410	17 100	934 510
a) acquisitions			
b) sales/decrease	-917 410		-917 410
c) Closing balance of the financial year		17 100	17 100

III.10. 2005 balance-sheet introduced an assets group IV. "Other Non-current Assets", which accounts for deferred profit tax assets. On 31 December 2004, capitalized interest was recognized as expenses and is not considered tangible asset any more, therefore, in its accounting the Company records profit tax asset. Its influence on the indices of accumulated loss and assets is LTL 340 947.

The Company uses the profit tax privilege for investments in company (the method of expenses) (based on provisions laid down in Article 21 (2) of the Law on Profit Tax applicable until 1 January 2002), therefore, pursuant to BAS 24, it calculated deferred profit tax liabilities. Their influence on the indices of accumulated loss and non-current liabilities is LTL -583 817. Furthermore, the Company expects to use the transfer of taxable profit, therefore it calculated the deferred profit tax asset from the loss incurred in 2004. Its influence on 2005 year index of accumulated loss is LTL 323 011.

When calculating accounting profit, the Company recognized bad debts as expenses, but when calculating taxable profit they are recognized as allowable deductions in later period, i.e. upon having collected data about impossibility to recover debts. The deferred tax asset is recorded from the amount, which can be recognized as allowable deduction. Its influence on 2005 indices of accumulated loss and non-current assets is **LTL 7.560**);

III.11. At the beginning of the financial year, the balance-sheet value of inventories amounted to LTL 4 719 206. Value of inventories by groups at the end of the financial year:

INVENTORIES

Indices	Raw materials, components	Work in progress	Finished products	Goods intended for resale	Total, LTL
Costs of purchase of inventories At the end of the previous financial year	3722608	447533	537326	11739	4719206
At the end of the financial year	3455085	504147	687505	9303	4656040
Write-down to net realizable value					
Net realizable value at the end of the financial year	3455085	504147	687505	9303	4656040
Value of pledged inventories	3455085		687505	9303	4142591

III.12. At the end of the fiscal year trade debts increased LTL 899 829. The balance sheet shows trade debts at the net value less bad debts.

Bad debts:

The biggest bad debts	Balance-sheet value, LTL
UAB RJS(4587785)	10 088,73
Rimvydas Jucius' Enterprise (6721041)	7 522,88
V. Kleinaitis' Enterprise (7986721)	1 468,21
Rimantas Markus TŪB (5794019)	2 433,60
Virgilijus Beinoras' Enterprise (6031625)	1 740,47
Total:	33 792,16

III.13. Other amounts receivable: LTL 11 884. This amount includes LTL 1430 in amounts receivable from employees, LTL 5 391 in amounts at accountable persons and amounts receivable for lost assets.

III.14. The Company's authorized capital of LTL 21 786 000 is divided into 21 786 000 ordinary registered shares. The nominal of one share is LTL 1.

III.15. Profit distribution:

Items	Amount, LTL
Undistributed result -profit(lost)-at the end of the previous fiscal year	-3 949 450
Net result of the financial year – profit (loss)	-3 122 537
Distributable result - profit (loss)	-7 071 987
Shareholders contributions for covering losses	
Transfers from reserves	
Distributable profit	
Profit distribution:	
-to statutory reserves	
-to other reserves	
- dividends	
-other	
Undistributed result – profit (loss) - at the end of the financial year	-7 071 987

III.16. At the end of the financial year, the Company's liabilities totalled LTL 19 495 918. The Company has non-current liabilities in equal parts to SEB Vilnius Bank and Hansa Bank. Current year portion repaid to bank institutions amounts to LTL 5 569 366, repaid to lease companies-LTL470 507 Lt. Debts to third parties -LTL3 773 876. Debts At the end of the financial year debts to suppliers make up LTL 5 984 450, profit tax liabilities - LTL1 278 250, liabilities relating to employment relations - LTL1 634 169, other amounts payable –LTL 2 074 076.

The Company forms accumulations for holiday pays, and the influence of these accumulations on the amount of loss accumulated for 31 December 2005 is -LTL 1 126 267.

Condition of Company's liabilities:

Indices	Debts or parts thereof	Payable	
		After one year but not later than over 5 years	After 5 years
Grouping of amounts payable by their types	Within one fiscal year		
Financial debts:			
Lease (financial lease) or similar liabilities	470 508	87 284	
To credit institutions	5 569 366	18 130 384	
Other financial debts			
Other debts	3773876		
Total:	9813750	18217668	0

III.17.Information about business segments:

Indices	Segments (types of goods, products, activities)							
	BEER		KVAAS		Services		Total of the Company	
	2005	2004	2005	2004	2005	2004	2005	2004
Income	48814308	44618649	4017666	3557770	1986776	2192099	54818750	50368518
Cost	36643810	31930734	2952698	2331632	1623829	1850285	41220337	36112651
Gross profit	12170498	12687915	1064968	1226138	362947	341814	13598413	14255867

III.18. Results of the Company's financial and investing activities:

Indices	Fiscal year	Previous fiscal year
a) INCOME FROM FINANCIAL INVESTING ACTIVITIES	152138	230465
Itemization of material amounts:		
Late charges received	92	2523
Bank interest received	1480	2167
Positive influence of currency exchange rates	148502	204532
Exchange rate difference from currency purchase	1488	21243
Profit from sales of shares	576	
b) EXPENSES FOR FINANCIAL INVESTING ACTIVITIES	1395027	2044623
Itemization of material amounts:		
Late charges paid	49993	1269942
Negative influence of currency exchange rates		264820
Interest paid	1232302	1308086
Negative exchange rate difference from currency purchase	23596	6975
Difference of currency reappraisal	89136	337800
c) FINANCIAL AND INVESTING ACTIVITY RESULT (A-B)	-1242889	-1814158

III.19. Financial relationships with company's managers and other connected persons:

Indices	Fiscal year	Previous fiscal year	Closing balance of the fiscal year

A. Amount related to employment relations calculated over the year to: 1.managers	534 917	421 486	
C. loans received from: 1. managers 2. connected persons			3 773 876
H. assets sold to: 1. managers 2. other connected persons	458 705 458 705		

AB Gubernija
Director General

Romualdas Dunauskas

NEMATERIALUSIS TURTAS / INTANGIBLE ASSETS

AB Gubernija

(įmonės pavadinimas, kodas)

144715765 Dvaro 179 Šiauliai

(adresas)

Priedas Nr.2

App. 2

(Lt)

Nematerialusis turtas/ State of intangible assets

Rodikliai/ Items	Plėtos darbai/ Development costs	Prestižas/ Good will	Patentai, licencijos ir pan./ Intangible rights	Programinė įranga/ Computers software	Kitas nematerialusis turtas/ other assets	Iš viso/ Total
Likutinė vertė praėjusių finansinių metų pabaigoje/ Acquisition value at the end of previous financial year				14738	21641	36379
a) Ilgalaikis nematerialusis turtas įsigijimo savikaina/ Acquisition value				169464	112553	282017
Praėjusių finansinių metų pabaigoje/ at the end of previous financial year					7410	7410
Finansinių metų pokyčiai/ Current year changes::						0
- turto įsigijimas/ Acquisitions of assets						0
- kitiems asmenims perleistas ir nurašytas turtas (-)/ Cessions and						0
- perrašymai iš vieno straipsnio į kitą + / (-) Transfers from one heading						
Finansinių metų pabaigoje/ At the end of the current year	0	0		169464	119963	289427
b) Amortizacija/ Depreciations				154726	90912	245638
Praėjusių finansinių metų pabaigoje/ At the end of previous financial year				9585	10839	20424
Finansinių metų pokyčiai/ Current year changes :						
- finansinių metų amortizacija/ depreciation of financial year						
- atstatantys įrašai (-)/ written back (-)						
- kitiems asmenims perleisto ir nurašyto turto amortizacija (-)/ acquired by third parties						
- perrašymai iš vieno straipsnio į kitą + / (-)/Transfers from one heading to another						
Finansinių metų pabaigoje/ at the end financial year	0	0		164311	101751	266062
c) vertės sumažėjimas/ decrease of value						
Praėjusių finansinių metų pabaigoje/ At the end of previous financial year						
Finansinių metų pokyčiai/ Current year changes :						
- finansinių metų vertės sumažėjimas/ decrease of value in accounting period						
- atstatantys įrašai (-)/ written back (-)						
- kitiems asmenims perleisto ir nurašyto turto (-)/ acquired by third parties						
- perrašymai iš vieno straipsnio į kitą + / (-)/Transfers from one heading						
Finansinių metų pabaigoje/ at the end financial year	0	0				
d) Likutinė vertė finansinių metų pabaigoje/ Net value at the end of current year (a) - (b) - (c)	0	0		5153	18212	23365

ILGALAIKIS MATERIALUSIS TURTAS/ TANGIBLE ASSETS

AB Gubernija

(įmonės pavadinimas, kodas)

144715765 Dvaro 179 Šiauliai

(adresas)

Priedas Nr.3

App.3

Ilgalaikis materialusis turtas/ State of tangible assets

(Lt)

Rodikliai/ Items	Žemė/ Land	Pastatai ir statiniai/ Buildings and constructi ons	Mašinos ir įrengimai/ Machinery and equipments	Transporto priemonės/ Vechile	Kita įranga, prietai- sai, įrankiai ir iren- giniai/ Other machines and equipments	Ne- baigta statyba/ Constructio n in progress	Kitas mate- rialusis turtas/ Other tangible assets	Iš viso/ Total
Likutinė vertė praėjusių finansinių metų pabaigoje / Acquisition value at the end of previous financial year		14401629	31323935	896940	3197306	309229	488072	50617111
a) Įsigijimo savikaina/ Acquisition value Praėjusių finansinių metų pabaigoje/ at the end of previous financial year Finansinių metų pokyčiai / Current year changes:		13399381	41356665	3664867	7132738	309229	488072	66350952
- turto įsigijimas/ Acquisitions of assets		41992	486031	89743	44132	32360	1090857	1785115
- perleistas ir nurašytas turtas (-)/ Cessions and disused assets (-)			2245994	3180061	312224		22500	2898779
- perrašymai iš vieno straipsnio į kitą + / (-)/ Transfers from one heading to another		552941	941021	242220	191989	33864	-882338	1079697
Finansinių metų pabaigoje/ At the end of the current year	0	13994314	40537723	3678769	7056635	375453	674091	66316985
b) Perkainojimas/ REVALUATION Praėjusių finansinių metų pabaigoje/ at the end of previous financial year Finansinių metų pokyčiai/ Current year changes :		2977585	2665261					5642846
- vertės padidėjimas (sumažėjimas) + / (-) / Increase (decrease) in value			151993					151993
- kitiems asmenims perleisto ir nurašyto turto (-)/ Acquired by third parties			-9419					-9419

- perrašymai iš vieno straipsnio į kitą + / (-)/Transfers from one heading to another		446638	-399789					-846427
Finansinių metų pabaigoje/ at the end of financial year	0	2530947	2408046	0	0	0	0	4938993
c) Nusidėvėjimas/ Depreciations								
Praėjusių finansinių metų pabaigoje/ At the end of previous financial year		2015696	2811593	2767928	3935432			21530649
Finansinių metų pokyčiai/ Current year changes :								
- finansinių metų nusidėvėjimas/ depreciation of financial year		1054825	4530596	371150	1039465			6996036
- atstatantys įrašai (-)/ written back (-)								
- kitiems asmenims perleisto ir nurašyto turto nusidėvėjimas (-)/ - perrašymai iš vieno straipsnio į kitą + / (-)/Transfers from one			1195075	172732	172076			1539883
Finansinių metų pabaigoje/ at the end of financial year	0	3070521	16147114	2966346	4802821			26986802
d) Vertės sumažėjimas/ decrease of value								
Praėjusių finansinių metų pabaigoje/ at the end of previous								
Finansinių metų pokyčiai/ Current year changes:								
- finansinių metų vertės sumažėjimas/ decrease of value in								
- atstatantys įrašai (-)/ Written back (-)								
- kitiems asmenims perleisto ir nurašyto								
- perrašymai iš vieno straipsnio į kitą + / (-)/Transfers from one								
Finansinių metų pabaigoje/ at the end financial year	0							
e) Likutinė vertė finansinių metų pabaigoje/ Net value at the end of current year	0	13454740	26798655	712423	2253814	375453	674091	44269176
(a) + (b) - (c) - (d)								