



**AKCINĖ BENDROVĖ**

**GUBERNIJA, AB  
UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS OF 2013**

August, 2013

## TABLE OF CONTENT

COMPANY DETAILS	3
CONFIRMATION OF RESPONSIBLE PERSONS	4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF COMPREHENSIVE INCOME	6
CASH FLOW STATEMENT	8
STATEMENT OF CHANGES IN EQUITY	9
THE DECLARATORY LETTER	10
INTERIM REPORT FOR THE 6 MONTHS OF YEAR 2013	27

## COMPANY DETAILS

### AB "Gubernija"

Telephone: +370 41 591900  
Telefax: +370 41 591911  
Company code: 144715765  
Registered at: Dvaro Str.179, LT-76176 Siauliai, Lithuania

### Board

Romualdas Dunauskas, Chairman  
Lina Dunauskaitė  
Augustinas Radavicius  
Sigitas Vilciauskas  
Muradas Bakanas

### Management

Vijoleta Dunauskienė, General Manager

### Auditor

Siaulių Pagaute UAB

### Banks

AB „SEB bankas“  
AB „Swedbank“  
AB „Šiaulių bankas“



AKCINĖ BENDROVĖ

### CONFIRMATION OF RESPONSIBLE PERSONS

Following 22 article of the the Law on Securities Market of the Republic of Lithuania and Rules on Preperation and Submission of Periodic and Additional Information of the Lithuanian Securities Commision, we, the General Manager of the Gubernija, AB Vijoleta Dunauskiene and the Finance director of the Gubernija, AB Vygintas Buivys, hereby confirm that, to the best of our knowledge the unaudited interim Financial Statements for the six months of the year 2013 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flow of Gubernija, AB and that the review of the business development and activities of the Gubernija AB is correctly revealed in interim report for the six months of the year 2013.

General Manager

Vijoleta Dunauskiene

Finance director


Vygintas Buivys

Siauliai,  
28-08-2013

**STATEMENT OF FINANCIAL POSITION (LTL thousand)**

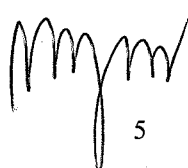
ASSETS	NOTES	2013.06.30	2012.12.31
<b>LONG TERM ASSETS</b>		<b>29.973</b>	<b>30.729</b>
INTANGIBLE ASSETS	1	13	17
TANGIBLE ASSETS	2	29.943	30.695
Land			
Buildings		16.953	16.975
Other tangible assets		12.990	13.719
INVESTMENTS PROPERTY	3	17	17
<b>CURRENT ASSETS</b>		<b>9.808</b>	<b>7.094</b>
INVENTORIES AND NOT COMPLETED WORKS	4	4.048	3.936
Inventories		3.755	3.644
Prepayments		293	292
Not completed works			
CURRENT RECEIVABLES	5	5.338	2.576
INVESTMENTS AND TERM DEPOSITS	6	288	288
CASH AND CASH EQUIVALENTS	7	133	294
<b>TOTAL ASSETS</b>		<b>39.781</b>	<b>37.823</b>
<b>EQUITY AND LIABILITIES</b>			
	NOTES	2013.06.30	2012.12.31
<b>EQUITY</b>	<b>8</b>	<b>8.170</b>	<b>8.424</b>
SHARE CAPITAL		16.130	16.130
REVALUATION RESERVE		10.598	10.628
OTHER RESERVES		0	0
RETAINED EARNINGS (LOSS)		(18.558)	(18.334)
<b>LIABILITIES</b>		<b>31.611</b>	<b>29.399</b>
NON CURRENT LIABILITIES		7.742	4.756
Financial liabilities	9	2.950	2.959
Obligations of the deferred tax	10	1.792	1.797
CURRENT LIABILITIES		26.869	24.643
Financial liabilities	9	15.167	15.448
Trade payables	11	4.737	2.821
Received prepayments	11	20	678
Taxes, salaries and social security	11	1.347	1.263
Other current obligations	11	5.598	4.433
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>39.781</b>	<b>37.823</b>

General Manager



Vijoleta Dunauskiene

Finance Manager

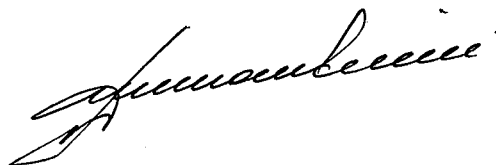


Vyginas Buivys

**STATEMENT OF COMPREHENSIVE INCOME (LTL thousand)**

Items	NOTES	2013.06.30	2012.06.30
<b>INCOMES FROM SALES</b>	<b>12</b>	<b>19 311</b>	<b>21 891</b>
<b>OTHER ACTIVITY INCOMES FROM SALES</b>	<b>13</b>	<b>27</b>	<b>6</b>
<b>EXPENSES</b>		<b>19 829</b>	<b>21 825</b>
Increase of production and work in progress		( 66)	(252)
Materials	4	7 973	8 389
Related to employees	1,2	3 189	3 233
Amortization and depreciation	2	1 422	1 306
Other		7 312	9 148
<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>14</b>	<b>( 308)</b>	<b>( 658)</b>
Income		8	8
Expenses		315	666
<b>CURRENT YEAR PROFIT (LOSS) BEFORE TAXES</b>		<b>( 799)</b>	<b>( 586)</b>
<b>PROFIT TAX</b>	<b>10</b>	<b>( 86)</b>	<b>( 69)</b>
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>( 713)</b>	<b>( 517)</b>
<b>PROFIT (LOSS) FROM THE PROHIBITED ACTIVITIES</b>			
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>( 713)</b>	<b>( 517)</b>
<b>OTHER COMPREHENSIVE INCOMES</b>		<b>488</b>	<b>393</b>
Profit/loss from changes of Revaluation reserves	2	488	393
<b>PROFIT TAX FROM OTHER COMPREHENSIVE INCOMES</b>			
<b>OTHER COMPREHENSIVE INCOMES LESS PROFIT TAX</b>		<b>488</b>	<b>393</b>
<b>NET PROFIT (LOSS)</b>		<b>( 224)</b>	<b>( 124)</b>
<b>Profit (loss) for the one share (LTL)</b>		<b>-0,014</b>	<b>-0,008</b>

General Manager



Vijoleta Dunauskiene

Finance Manager

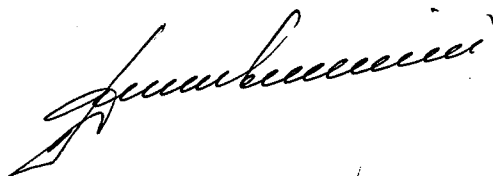


Vyginas Buivys

**STATEMENT OF COMPREHENSIVE INCOME (LTL thousand)**

Items	NOTES	2013.04.01 2013.06.30	2012.04.01 2012.06.30
<b>INCOMES FROM SALES</b>	<b>12</b>	<b>11 190</b>	<b>12 976</b>
<b>OTHER ACTIVITY INCOMES FROM SALES</b>	<b>13</b>	<b>25</b>	<b>4</b>
<b>EXPENSES</b>		<b>10 994</b>	<b>12 326</b>
Increase of production and work in progress		189	8
Materials	4	4 555	4 811
Related to employees	1,2	1 688	1 698
Amortization and depreciation	2	723	657
Other		3 840	5 153
<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>14</b>	<b>( 160)</b>	<b>( 260)</b>
Income		1	6
Expenses		161	265
<b>CURRENT YEAR PROFIT (LOSS) BEFORE TAXES</b>		<b>61</b>	<b>393</b>
<b>PROFIT TAX</b>	<b>10</b>	<b>( 43)</b>	<b>( 35)</b>
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>104</b>	<b>428</b>
<b>PROFIT (LOSS) FROM THE PROHIBITED ACTIVITIES</b>			
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>104</b>	<b>428</b>
<b>OTHER COMPREHENSIVE INCOMES</b>		<b>244</b>	<b>197</b>
Profit/loss from changes of Revaluation reserves	2	244	197
<b>PROFIT TAX FROM OTHER COMPREHENSIVE INCOMES</b>			
<b>OTHER COMPREHENSIVE INCOMES LESS PROFIT TAX</b>		<b>244</b>	<b>197</b>
<b>NET PROFIT (LOSS)</b>		<b>348</b>	<b>625</b>
<b>Profit (loss) for the one share (LTL)</b>		<b>0.022</b>	<b>0.039</b>

General Manager



Vijoleta Dunauskiene

Finance Manager

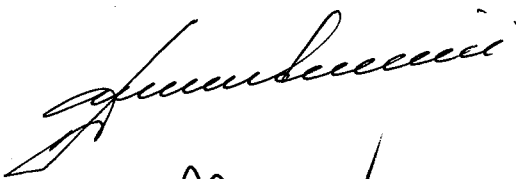


Vyginas Buivys

**CASH FLOW STATEMENT (LTL thousand)**

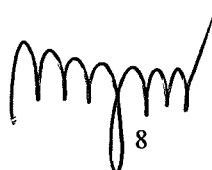
	NOTES	2013.06.30	2012.06.30
<b>Operating activities:</b>			
<b>Profit(loss)</b>		<b>(713)</b>	<b>(517)</b>
<b>Corrections due to:</b>			
Depreciation, amortization and devaluation	1.2	1 422	1 306
Alienation of long-term tangible and intangible assets		(4)	(1)
Elimination of financing and investing activity results:			
Expenditure of interests	14	286	427
Other			
Decrease (increase) in inventory	4	(111)	(218)
Decrease (increase) in advances received	4	(1)	(127)
Decrease (increase) in contracts in progress	4		7
Decrease (increase) in trade receivables	5	(2 762)	(1 080)
Decrease (increase) in other amounts receivable	5	(1)	64
Increase (decrease) in long-term debts to suppliers and prepayments			
Increase (decrease) in short-term debts to suppliers and prepayments	11	1 258	85
Increase (decrease) of the deferred profit tax	10	(5)	(69)
Increase (decrease) in liabilities related to labour relations	11	84	35
Increase (decrease) in other amounts payable and liabilities	11	1 165	2 019
Elimination of non-cash items		(81)	
<b>Net cash flows from the main activities</b>		<b>157</b>	<b>1 038</b>
<b>Cash flows from investing activities:</b>			
Acquisition of non-current assets (excluding investments)	1.2	(132)	(445)
Transfer of non-current assets (excluding investments)		9	1
<b>Net cash flows from investing activities</b>		<b>(123)</b>	<b>(444)</b>
<b>Cash flows from financing activities:</b>			
Increase in financial debts:		(576)	(1 395)
Leasing financing received	9		105
Loans repaid		(325)	(900)
Interest paid		(210)	(544)
Payments of lease (finance lease) liabilities		(41)	(56)
Increase of other obligations of the Company			29
<b>Net cash flows from financing activities</b>		<b>(576)</b>	<b>(1 395)</b>
<b>The effects of changes in foreign exchange rates on cash and cash equivalents balance</b>			
<b>Net increase (decrease) in cash flows</b>		<b>(162)</b>	<b>92</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>295</b>	<b>76</b>
<b>Cash and cash equivalents at the end of period</b>		<b>133</b>	<b>168</b>

General Manager



Vijoleta Dunauskiene

Finance Manager



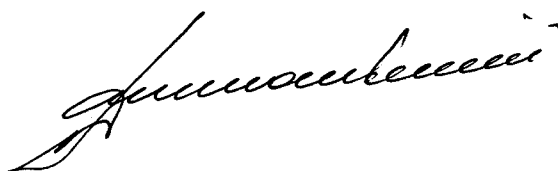
Vyginas Buivys



**STATEMENT OF CHANGES IN EQUITY (LTL thousand)**

	Notes	Share Capital	Revaluation Reserve	Retained Earnings (loss)	Total
<b>1. Balance at 2011-12-31</b>		<b>16 130</b>	<b>8 877</b>	<b>(15 734)</b>	<b>9 273</b>
2. Result of correcting essential errors	17			(2 143)	(2 143)
<b>3. Recalculated balance at 2011-12-31</b>		<b>16 130</b>	<b>8 877</b>	<b>(17 876)</b>	<b>7 130</b>
4. Decrease in revaluation reserve due to depreciation or write-off of revalued assets			(393)	393	0
5. Net profit				(517)	(517)
<b>6. Balance at 2012-06-30</b>		<b>16 130</b>	<b>8 484</b>	<b>( 18 000)</b>	<b>6 614</b>
7. Decrease in revaluation reserve due to depreciation or write-off of revalued assets			( 394)	394	
8. Revaluation of the tangible fixed asset	2		2 537		2 537
9. Net profit				(728)	(727)
<b>10. Balance at 2012-12-31</b>		<b>16 130</b>	<b>10 628</b>	<b>( 18 334)</b>	<b>8 424</b>
11. Decrease in revaluation reserve due to depreciation or write-off of revalued assets	2		( 488)	488	
12. Revaluation of the tangible fixed asset			457		457
13. Net profit				( 713)	(713)
<b>14. Balance at 2013-06-30</b>		<b>16 130</b>	<b>10 598</b>	<b>( 18 558)</b>	<b>8 170</b>

General Manager



Vijoleta Dunauskiene

Finance Manager



Vyngintas Buivys

## THE DECLARATORY LETTER

### GENERAL INFORMATION

AB "Gubernija" (hereinafter - the Company) was registered on May 5, 1993 in the registry of the legal entities. The code of the Company is 144715765. The manager of the registry is the national enterprise "Registry centre".

The main activity of the Company is production and sales of beer, beer drinks and kvass in the local market, abroad, and specialty shops. The Company has 9 branded stories in Lithuania, Office and wholesale warehouse (Kalvarijų 204 B, Vilnius).

Traditional technologies are used in production of the beer and kvass in the company „Gubernija”, a natural method of fermentation is applied, non malt substances are not used.

Main shareholders at 30 th June, 2013:

Shareholder	The part of available authorized capital, %	Available part of votes, %
Vitas Tomkus	28.58	28.58
Romualdas Dunauskas,	26.11	26.11
Javelin Finance,	10.87	10.87
Larisa Afanaseva	10.44	0
Respublikos spaustuve UAB	9.95	9.95
Takhir Shabaev	5.28	0
Sigitas Vilciauskas	0	15.72

On 30<sup>th</sup> June of the last 2012 year there were 186 employees, and on 30<sup>th</sup> June of the reporting year 2013 there were 192 employees.

The interim financial statements are announced on the webpage of the Company [www.gubernija.lt](http://www.gubernija.lt).

### SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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

The Board of the Company approved these financial statements for issue to the shareholders on 27 August 2013.

Management does not prepare consolidated statements, as there are no subsidiaries.

**Basis of preparation**

The financial statements are presented in Litas being the functional currency of the Company, and are prepared on the historical cost basis, except for land and buildings which are stated at revalued amount.

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires management to make 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 these 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.

Judgments and estimates made by management in the application of IFRSs adopted in the EU that have significant effect on the financial statements are discussed on page 23.

**Derivative financial instruments**

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative, and the combined instrument is not measured at fair value though profit and loss.

Derivatives are recognized initially at fair value: attributable transaction costs are recognized in the statement of comprehensive income when incurred. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit and loss.

**Foreign currency transactions**

Transactions in foreign currencies are translated to Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss. 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.

**Intangible assets**

Intangible assets acquired by the Company with a definite useful life are stated at cost less accumulated amortization and impairment losses.

*Subsequent expenditure*

Subsequent expenditure on 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.

*Amortization*

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The estimated useful lives are 1 to 3 years.

**Property, plant and equipment***Owned assets*

Property, plant and equipment (except for land and buildings) are stated at cost less accumulated depreciation and impairment losses. Land and buildings are stated at a revalued amount less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Borrowing costs that are directly attributable to the acquisition, construction or production of an item of property, plant and equipment where substantial period of time is necessary to get ready the asset for its intended use, are capitalized as part of cost of the asset.

The revaluation reserve is reduced annually in proportion to the depreciation of the revaluation increase, by a transfer from revaluation reserve to retained earnings as the asset is depreciated with the balance being transferred upon ultimate disposal.

Cost of self-constructed property, plant and equipment includes costs related to materials and direct labor costs as well as related indirect costs.

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 and are depreciated over their expected useful lifetime.

Useful lives, residual amounts and depreciation methods are reviewed at each reporting date.

*Leased assets*

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets used by way of finance lease are recognized as assets of the company and are stated at the lower of their fair value in the beginning of the lease and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

### *Subsequent expenditure*

Costs incurred when replacing a component part of an item of property, plant and equipment are capitalized only upon write-off of the carrying amount of the component and if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the component part can be measured reliably. All other costs are recognized in profit or loss as an expense as incurred.

### *Depreciation*

Depreciation (except for land which is not depreciated) is charged to profit or loss 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 25 - 90 years
- tanks 10-25 years
- machinery and equipment 7 - 25 years
- vehicles other property, plant and equipment 3 - 10 years

### **Financial instruments**

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, or available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognized on the trade date. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs.

### *Investments in equity securities*

Investments in equity securities are classified as available-for-sale and at initial recognition are stated at fair value plus the related direct costs. Subsequently the investments are revalued to fair value carrying the gain or loss on their revaluation through other comprehensive income to equity. Impairment losses, if any, are included in profit or loss if the fair value decline is considered to be prolonged or significant. When the investments are sold, the accrued gain or loss previously recognized under equity, is recognized in the statement of comprehensive income. If the fair value cannot be determined reliably, the investments in equity securities are stated at cost less impairment losses.

The fair value of financial instruments available for sale is their quoted price at the reporting date.

Financial instruments classified as available for sale are recognized / derecognised by the Company on the date it commits to purchase / sell the instruments.

### *Other financial instruments*

Trade receivables of the Company are not traded in an active market. They are included in current assets except for maturities greater than 12 months and are classified as loans and receivables. Trade receivables and other receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or origination of the financial asset. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method, less

impairment, if any. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to carrying amount of the financial asset and liability. Short-term receivables are not discounted.

Borrowings are initially recognized at fair value. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Trade payables are initially recognized at fair value and are subsequently measured at amortized cost. Short-term liabilities are not discounted.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. 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. 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 includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call in banks, other short-term highly liquid investments.

### **Impairment**

#### *Impairment of non-financial assets*

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

Intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting 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 statement of comprehensive income.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. When a decline in the fair value of an available-for-sale financial asset has been recognized through other comprehensive income to equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in equity is recognized in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

*Calculation of recoverable amount*

The recoverable amount of the Company's loans and 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).

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell 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 receivables 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.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statement of comprehensive income.

Impairment of goodwill is not reversed. Impairment loss in respect of other assets is reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

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 recognized.

**Acquisition of treasury shares**

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

**Dividends**

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

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

**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits, which can be reliably estimated, will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an

outflow of resources embodying economic benefits will be required to settle the obligation the provision is reversed. The provision is used only for expenditures for which the provision was originally recognized. When the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. If the discounting method is applied, the increase of provisions with time is recognized as financial expenses.

### **Employee benefits**

Short-term employee benefits are recognized as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, payable holidays and other benefits. There are no long-term employee benefits. All pension obligations are borne by the State.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is firmly committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

### **Revenue**

#### *Goods sold and services rendered*

Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. The revenue recognized is net of discounts provided. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Rental income is recognized in profit or loss on a straight-line basis over the term of the lease.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods exists or where substantial risks and rewards cannot be considered as transferred to the buyer.

#### *Government grants*

A government grant is recognized in the statement of financial position when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Government grants intended to compensate the Company for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants that compensate the Company for the cost of an asset are recognized in the statement of comprehensive income as other operating income on a systematic basis over the useful life of the asset.

### **Costs**

#### *Operating lease payments*

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



*Financial 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.

*Other operating income and charges*

Other operating income and charges comprise gains and losses from sale of property, plant and equipment, and other items, which are not directly related to the primary activities of the Company.

*Finance income and finance costs*

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange losses. The interest expense component of finance lease payments is recognized in profit or loss using the effective interest rate method.

Finance income comprises interest receivable on funds invested, dividend income and foreign exchange gains. Interest income is recognized in profit or loss as it accrues, using the effective interest method. Dividend income is recognized in profit or loss on the date the entity's right to receive payments is established.

**Segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**Income tax**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized 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 substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided 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: 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 reporting 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.

**Basic and diluted earnings per share**

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares. As there are no instruments that dilute equity, the basic and diluted earnings per share do not differ.

**Financial risk management**

In its activities the Company is exposed to various financial risks: market risk (including currency risk, interest rate risk, fair value and price risks), credit risk and liquidity risk. General risk management policy establishment and supervision is the responsibility of the Board of directors. Risk management policy was set up in order to identify and analyze risks facing the Company, and determine risk acceptance limits. Risk management policy and processes are reviewed regularly considering changes in the markets and activities of the Company. The Company, applying learning and management standards and procedures, aims to establish constructive control environment where all employees clearly realize their functions and responsibilities. The Company's management pays the greatest attention to unpredictability of financial markets and aims to decrease its eventual impact on the Company's financial performance. From time to time the Company can use a derivative financial instrument in order to hedge certain risks.

**a) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**b) Currency risk**

Currency risk relates to sales and receivables, purchases and payables, borrowings and borrowing costs denominated in currencies other than Litas and Euro (Litas is pegged to Euro at a fixed exchange rate of 3,4528 LTL / EUR). There are no other material monetary items denominated in currencies other than Litas and Euro.

**c) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company has established procedures ensuring that sales are made to customers having a proper credit history without exceeding the limit of credit risk set by management. The company has a significant concentration of credit risk on the basis of individual of customers.

**d) Liquidity risk**

A conservative management of liquidity risk enables the company to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

**e) Interest rate risk**

The Company's borrowings are subject to variable interest rates, related to LIBOR, VILIBOR or EURIBOR.

## Capital management

The Board's policy is to keep the shareholders' equity over borrowings at the level to maintain the confidence of investors, creditors and the market and to fund business development opportunities in the future. The Board keeps track on the ratios of capital return and makes suggestions regarding proposed dividends.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 30 June 2013.

According to the Companies Law of the Republic of Lithuania, the Company's equity shall be not less than 50% of its share capital.

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

The accounting policies applied by the Company to all financial information reported in these financial statements are consistent with the accounting policies of the previous year. New IFRS's which became effective in 2012 did not have material impact on the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### Note No 01 - The status of the intangible assets (LTL thousand)

Items	Patents, licenses and etc.	Software	Other intangible assets	Total
<b>Residual value at 2012-12-31</b>			17	17
<b>a) Long term intangible assets in acquisition value</b>				
at 2012-12-31	327	111	83	521
Acquisition of assets				
Disposals				
at 2013-06-30	327	111	83	521
<b>b) Depreciation</b>				
at 2012-12-31	327	111	66	504
- current year depreciation			4	4
at 2013-06-30	327	111	70	508
<b>c) Residual value at 2013-06-30</b>			13	13

Amortization of intangible assets is included in depreciation and amortization expenses.

The cost of acquisition of intangible long-term assets which are fully depreciated but are still in use, on 30 June 2013 was LTL 457 thousand (in 2012 it was LTL 457 thousand).

**Note No 02 - The status of the tangible assets (LTL thousand)**

Items	Buildings and constructions	Machinery and equipments	Tanks	Vehicle	Comes fixed assets	Other tangible assets	Construction in progress	Total
<b>Residual value at 2012-12-31</b>	<b>16 975</b>	<b>6 135</b>	<b>5 961</b>	<b>463</b>		<b>451</b>	<b>710</b>	<b>30 695</b>
<b>a) Acquisition costs</b>								
at 2012-12-31	14 191	28 269	7 153	3 046		7 439	710	60 807
- acquisition of assets		21			95	15		132
- cessations and disused assets (-)		( 66)		(49)		( 55)		( 171)
- Transfers from one heading to another	16	42			( 95)	37		
<b>at 2013-06-30</b>	<b>14 207</b>	<b>28 266</b>	<b>7 153</b>	<b>2 997</b>		<b>7 435</b>	<b>710</b>	<b>60 768</b>
<b>b) Revaluation</b>								
at 2012-12-31	13 299		2 985					16 284
- value increase (decrease) + / (-)	540							540
<b>at 2013-06-30</b>	<b>13 839</b>		<b>2 985</b>					<b>16 824</b>
<b>c) Depreciation</b>								
at 2012-12-31	10 515	22 134	4 177	2 582		6 987		46 397
- current year depreciation	114	471	108	66		85		410
- depreciation of revalued assets	463		111					287
- acquired by third parties and write off assets depreciation (-)		( 66)		(49)		( 51)		( 101)
<b>at 2013-06-30</b>	<b>11 092</b>	<b>22 539</b>	<b>4 397</b>	<b>2 600</b>		<b>7 021</b>		<b>46 992</b>
<b>e) Residual value at 2013-06-30</b>	<b>16 953</b>	<b>5 727</b>	<b>5 741</b>	<b>397</b>		<b>414</b>	<b>710</b>	<b>29 943</b>
<b>(a) + (b) - (c)</b>								

*Revaluation of long-term tangible assets*

On 2004-10-08 with presence of independent appraiser, evaluation was carried out for the buildings, structures and other fixed assets. General value of revaluated tangible assets was LTL 37 976 thousand. Evaluation methods were chosen according to the assessment case and nature of the assets: comparative value, use income value and replacement value. Accounting recorded increase in the long-term tangible assets value by LTL 5 828 thousand, revaluation reserve of LTL 4 954 thousand was formed and deferred tax of LTL 874 thousand. In 2008 in order to account equipment the revaluation method was changed into the cost method, at the same time rejecting the equipment acquisition cost, revaluation reserve and deferred tax.

On 2008-07-01 with presence of independent appraiser, assessment of the buildings and structures was carried out. General value of revaluated tangible assets was LTL 20 174 thousand. Assessment methods used: comparative value and use income value. Building value increased by LTL 9 544 thousand, value of structures reduced by LTL 365 thousand. Due to the increase in value of buildings accounts registered increase in reserve by LTL 8 113 thousand and deferred tax liability LTL 1 432 thousand. Due to reduced value of structures revaluation reserve was reduced by LTL 83 thousand and deferred tax liabilities by LTL 15 thousand. Also due to reduced value of structures loss has been incurred amounting LTL 268 thousand.

On 2011-12-30 with presence of independent appraiser, assessment of the buildings and structures was carried out. General value of revaluated tangible assets was LTL 17 820 thousand. Assessment methods used: comparative value, replacement value and use income value. Due to the revaluation, value of buildings and structures increased by LTL 1 673 thousand. Accordingly, the revaluation reserve was formed LTL 1 422 thousand and deferred tax liabilities LTL 251 thousand.

In 2012, the company's management, taking into account that the company used containers made of stainless steel, the prices of which in the market change frequently and are slowly wearing, decided to pick out a separate category of long-term tangible assets: Containers and to account them at revaluated value.

On 2012-12-27 with presence of independent appraiser, revaluation of long-term tangible assets used in the company being containers was performed. To estimate the value the cost method was used. Revaluated assets value is LTL 5 961 thousand. Balance value of the assets, if they were not revaluated, would have been LTL 3 455 thousand. As a result of revaluation, the revaluation reserve was formed as LTL 2 537 thousand and deferred tax LTL 448 thousand.

On 2013-06-27 with presence of independent appraiser, revaluation of long-term tangible assets used in the company being some Buildings was performed. To estimate the value the cost method was used. Revaluated assets value is LTL 1 887 thousand. Balance value of the assets, if they were not revaluated, would have been LTL 1 347 thousand. As a result of revaluation, the revaluation reserve was formed as LTL 459 thousand and deferred tax LTL 81 thousand.

If the company had accounted its building, structure and container assets groups using the acquisition cost method, their balance value on 30 June 2013 would be LTL 16 210 thousand (on 2012-12-31 – LTL 16 822 thousand).

#### *Long-term tangible asset's useful life assessment*

- Buildings 25-90 years
- Containers 10-25 years
- Machinery and equipment 7-25 years
- Vehicles and other equipment 3 - 10 years

#### *Assets acquired through leasing*

The company through leasing acquired commercial vehicles for a total acquisition cost of LTL 296 thousand. Outstanding value on 2013-06-30 is LTL 87 thousand.

#### *Long-term assets pledges*

The Company has pledged long term assets for LTL 25 789 thousand in balance value.

#### *Depreciation*

5 405 units of tangible fixed assets depreciated to their residual value of LTL 1 with an acquisition cost of LTL 18 834 thousand are used in the company's activities.

**Note No 03 - Financial assets (LTL thousand)**

	<u>2013-06-31</u>	<u>2012-12-31</u>
Investment into daughter and associated enterprises	17	17

There were no changes of investment into daughter and associated enterprises during 6 months of the year 2013. On 30 June, 2013 investment make:

- to VŠĮ "Žaliasis taškas" - LTL 15000.
- to VŠĮ Šiaulių universiteto mokslo ir technologijos parkas - LTL 2000.
- to UAB "Krepšinis ir mes." - LTL 100.

**Note No 04 – Stocks and Prepayments (LTL thousand)**

Stocks are gained by the acquisition cost price. The Company buys resources only for its own use. The stock is written of applying the FIFO method of price valuation.

	<u>2013-06-30</u>	<u>2012-12-31</u>
Raw materials	2 651	2 610
Production in progress	661	620
Produced goods	429	404
Goods for reselling	8	10
Prepayments	293	292
Contracts in progress		
<b>Total</b>	<b><u>4 048</u></b>	<b><u>3 936</u></b>

The main raw materials are malt, containers, packaging materials and other materials used in production.

	<u>2013-06-30</u>	<u>2012-06-30</u>
Inventories expenses	7 973	8 389

The Company has pledged all stocks.

Advance payments: payments to suppliers for raw materials. These are the foreign malt and cans packaging suppliers (LTL 70 thousand), the deposit for STI for exportation of excisable goods (LTL 125 thousand), and other prepayments to suppliers (LTL 57 thousand).

**Note No 05 - Receivable sums in one year (LTL thousand)**

	<u>2013-06-30</u>	<u>2012-12-31</u>
Customer receivables	5 338	2 576
Other amounts receivables		(1)
<b>Total</b>	<b><u>5 338</u></b>	<b><u>2 575</u></b>

**Note No 06 – Other current assets (LTL thousand)**

	<u>2013-06-30</u>	<u>2012-12-31</u>
Other current assets	288	288

Other current assets is the deposit account which is meant to validate paying the excise duty for the production which is taken from the warehouse.

**Note No 07 – Cash (LTL thousand)**

	<u>2013-06-30</u>	<u>2012-12-31</u>
Bank accounts	88	259
Cash on hand	39	28
Cash on the way	6	8
<b>Total</b>	<b>133</b>	<b>295</b>

**Note No 08 – The private capital**

The authorized capital of the Company on 30<sup>th</sup> June, 2013 is LTL 16 129 614. It is divided into 16 129 614 ordinary nominal shares, the value of every share is LTL 1. All shares are completely paid-up.

The equity of the Company on 30<sup>th</sup> June, 2013 was LTL 8 169 623 – 50.64% of the authorized capital.

The reserve of revaluation consists of the difference in reassessed value of the buildings, constructions and tanks. Depreciating the part of the reassessed assets, the reassessment reserve is being reduced and the unacknowledged profit of the reporting year is registered, and the used deferred profit tax appears in the in the report of the gross receipts. The unacknowledged profit 6 month, 2013 of the reporting cycle due to the depreciation of the reassessed part of the assets is LTL 488 174.

The Company does not have a compulsory reserve formed following the law since 30<sup>th</sup> June, 2013.

The Company had LTL 18 558 043 has the retained loss at the end of the 30<sup>th</sup> June, 2013.

During 6 months of the reporting financial year 2013 the Company incurred losses LTL 224 341.

**Note No 09 – Loans and borrowings (LTL thousand)**

	<u>Note</u>	<u>2013-06-30</u>	<u>2012-12-31</u>
Financial leasing for SWED bank leasing	a)	92	134
Laumžirgiai, UAB loan	b)	2 894	2 894
Respublikos investicija, UAB loan	c)	14 625	14 950
Interest payable for the loans	d)	504	429
<b>Total obligations</b>		<b>18 115</b>	<b>18 407</b>
Minus: short-term part		(15 166)	(15 447)
<b>Total long-term part</b>		<b>2 949</b>	<b>2 959</b>

- a) Finance lease (leasing) from Swedbank Leasing, UAB. Final instalment payment date: 2015-05-30;
- b) On 2011-10-25 Laumžirgiai, UAB took over the claim from O.Šabajeva towards the entire debt accruing according to order of 2010-02-10 of Siauliai District Court and order of the Court of Appeal of Lithuania of 2011-01-24. The loan has to be repaid till 2017-10-31 according to the signed repayment schedule;
- c) On 2007-04-25 by agreement Ukio Bankas transferred the claim right to loan of Respublikos investicija, UAB.
- d) Interest payable according to loan agreement of Laumžirgiai, UAB and Respublikos investicija, UAB.

All loans and other borrowings for 30 June 2013 are denominated in EUR or LTL. Loan interest rates are variable (except Laumžirgiai, UAB loan with fixed interest rate of 5 per cent) and are calculated as LIBOR, EURIBOR or VILIBOR and a fixed margin. The interest rate is recalculated every 3 or 6 months.

The company has pledged for the loan its long-term assets with balance value on 2013-06-30 being LTL 25 780 thousand (in 2012 LTL 26 233 thousand), all stocks, 19 trademarks, cash in banks SEB and SWEDBANKAS, land lease law.

#### Note No. 10 - Deferred tax liabilities (LTL thousand)

Deferred tax assets and liabilities, calculated at a 15 percent rate are attributed to long-term liabilities:

	<u>2013-06-30</u>	<u>2012-12-31</u>
Property, plant and equipment	1 793	1 798
Tax (asset) / liability	<u>4 742</u>	<u>4 757</u>

Changes in temporary differences during the year can be represented as follows:

	<u>2013-01-01</u>	<u>Recognized in profit or loss</u>	<u>Recognized in equity</u>	<u>2013-06-30</u>
Deferred tax assets liabilities	1 798	(86)	81	1 793

#### Note No 11 – Current liabilities (LTL thousand)

	<u>2013-06-30</u>	<u>2012-12-31</u>
Trade loans	4 737	2 821
Prepayments received	20	678
Liabilities related with labour relations	1 347	1 263
Other current liabilities	5 598	4 433
<b>Total</b>	<u><b>9 829</b></u>	<u><b>9 195</b></u>



## Statement of comprehensive income

### Note No 12 - Business segment (LTL thousand)

The company has only one operating segment, being the production of beer and kvass.

	<u>2013-06-30</u>	<u>2012-06-30</u>
Lithuanian market	14 594	18 159
Export	4 717	3 732
<b>Total</b>	<b>19 311</b>	<b>21 891</b>

All company owned long-term tangible assets are located in the territory of the Republic of Lithuania.

### Note No 13 - Other activities (LTL thousand)

	<u>2013-06-30</u>	<u>2012-06-30</u>
Other Incomes	27	6

### Note No 14 - Results from financial and investment activities (LTL thousand)

	<u>2013-06-30</u>	<u>2012-06-30</u>
<b>a) Incomes from financial and investment activities</b>	<b>8</b>	<b>8</b>
- other incomes	1	3
- the positive influence of the currency Exchange rate	7	5
<b>b) Expenses of the financial and investment activities</b>	<b>315</b>	<b>666</b>
- expenses on interest	288	427
- the negative influence of the currency exchange rate	8	4
- expenses on fines	19	235

### Note No 15 - Contracts with associated parties

The shares of the Company belong to different shareholders, so one party has no possibilities to control another party or make significant influence on the other party making financial and activity decisions.

### Note No 16 - Other significant information

We received the 27th of February, 2012 decision of State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania for payment of arrears (accumulated taxes, arrears and with accrued interest) the sum of LTL 1 689 620.30. These arrears in contributions arranged to pay out until the 25<sup>th</sup> of July, 2013.

We received the 20th of July, 2012 decision of State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania decision for payment of arrears (accumulated taxes, arrears and with accrued interest) the sum of LTL 1 962 187.15. These arrears in contributions arranged to pay out until the 15<sup>th</sup> of June, 2015.

#### Note 17 - Accounting policy amendments and error correction

The following tables, following the 8<sup>th</sup> TAS, given corrections are made in the retrospective way due to accounting policy amendment and in the course of execution of the obligations of Lithuanian Bank Supervision Service Director resolution No 241-12 as well as changes in the balance articles (thousand LTL):

Description	2007	2008	2009	2010	2011	Total
Reducing the value of Doubtful debt	213			130		343
Reducing the value of stocks			115	71	131	317
Court awarded interest				16	83	99
Suspended depreciation recovery	18	155	363	349	2	887
UAB "Laumžirgiai" interests 2007.08.02-2010.12.31				495		495
<b>Total</b>	<b>18</b>	<b>155</b>	<b>478</b>	<b>1274</b>	<b>216</b>	<b>2143</b>

	2007		2008		2009		2010		2011	
	Before	After	Before	After	Before	After	Before	After	Before	After
Inventories					2.610	2.495	3.274	3.088	4.353	4.036
Long term assents	33.274	33.256	36.715	36.542	32.319	31.783	30.603	29.718	30.369	29.482
Current financial liabilities							20.586	20.091	16.219	15.724
Current receivables	5 792	5 579	3 788	3 575	3 091	2 878	5.283	4.940	5.011	4.668
Trade payable							3.632	3.648	4.569	4.668
Retained earnings (loss)	(16.484)	(16.715)	(21.697)	(22.083)	(24.825)	(25.689)	(15.458)	(17.383)	(15.734)	(17.876)

#### BUSINESS CONTINUITY

During 6 months of the financial year 2013, the Company incurred losses LTL 224 341. On 30 June, 2013 the private capital of the Company was LTL 8 169 623, and the short-term obligations for 30 June, 2013 overcame the short-term assets by LTL 17 061 810.

On 24 April 2012 main shareholders of Gubernija, AB signed the minutes of intention regarding the agreement to finalize the disputes peacefully, in which *inter alia* they agreed that the parties acknowledge due execution of the claims originated from crediting agreement of 28 December 2004 in the order provided for in the payment schedule set forth in the letter of 4 December 2009 of Gubernija, AB. However according this minutes of intention has not yet reached a final agreement. Company management believes the Company can continue to operate if the Company shareholder's interests and actions will coincide, and will be far-sighted measured.

Due to this reason, the financial accountability for 30 June, 2013 is prepared on the base of the business continuity.

## AB GUBERNIJA

### INTERIM REPORT FOR THE 6 MONTHS OF YEAR 2013

#### 1. GENERAL INFORMATION ABOUT THE ISSUER

##### 1.1 Accounting Period for which the present Report has been Prepared.

The present Report has been prepared for the 6 months of the financial year 2013.

##### 1.2. Key Data on the Issuer

Name	AB "Gubernija"
Legal status	Stock Company
Registration date	The Company was registered on May 5,1993
Company code	144715765
VAT payer's code	LT 246655314
Authorized capital	16 129 614 LTL, comprising 16 129 614 ordinary shares at par value of 1 LTL each.
Address	Dvaro g. 179, LT-76176 Šiauliai, Lithuania
Telephone	(+370 41) 591900
Fax	(+370 41) 591911
E-mail address	info@gubernija.lt
Internet website	<a href="http://www.gubernija.lt">www.gubernija.lt</a>

##### 1.3. Type of the Issuer's main activities

The Company's main activity is production of dairy products.

##### 1.4. Agreements with intermediaries of public trading in securities

The company has signed an agreement with the financial brokerage company AB Finasta (VPK license No.: A 087, address: Maironio 11, Vilnius, telephone (8-5) 278 68 33 fax (8-5) 278 68 38) concerning management of securities accounting.

##### 1.5. Securities admitted to the trading lists of the stock exchanges

1.5.1. Ordinary shares of AB Gubernija were admitted to the additional trading list of NASDAQ OMX Vilnius Stock Exchange.

Type of shares – ordinary registered shares;

Number of shares – 14 160 946;

Total nominal value – 14 160 946 LTL;

VP ISIN code – LT0000114357;

1.5.2. At the 30 th June 2013 AB Gubernija had no one own shares.

## **2. THE INFORMATION PROVIDED FOR IN ARTICLE 25 OF THE LAW ON FINANCIAL STATEMENTS OF ENTITIES OF THE REPUBLIC OF LITHUANIA**

### **2.1. The objective review of the Company's state, activity performance and development; the description of the main risk types and uncertainties encountered by the enterprise**

#### ***Economical situation***

AB "Gubernija" sells its production in Lithuania and exports to the USA, Russia, Africa and countries of European Union. Traditional technologies are used in production of the high quality production: a natural method of fermentation is applied, the technology of high gravity is not applied, stabilizers and other synthetics are not used. Beer makes 86.3 percent in the structure of the produced products of the Company.

Incomes from sales of the production decreased to LTL 2.579 million or by 11.78 percent in comparison the same period of the last year. The material prices increase of beer and kvass made a negative influence on the indicator of the gross profitability of the Company. During the reporting period, net loss of LTL 224 341 was incurred due to Alcohol Control Act amendments in 2013 banning alcoholic beverages sold over 1 liter container, raw material price increases in market, accounting policy changes to the application..

#### ***Technical- technological factors***

The Company produces beer of 60 commercial titles, 1 beer drink having the commercial title, 9 types of kvass with the commercial titles, and 7 types of soft drinks having the commercial titles. The production is produced according to the legal acts- requirements of technical regulations: the Technical Regulation for Beer characterization, production and sales approved by the Minister of Agriculture Ministry of The Republic of Lithuania on January 28, 2005, the law No Nr.3D-45 (Žin., 2005, Nr. 16 – 507) and the Technical Regulation for Soft drinks and kvass characterization, production and sales approved by the Minister of Agriculture Ministry of The Republic of Lithuania on January 12, 2009, the law No 3D-13 (Žin., 2009, Nr. 7 – 252), and the standard of the enterprise Beer drinks IST 144715765 – 07:2004. The Company following the regulations of the law participates in preparation of the technical regulations, prepares and rectifies itself the standards for the enterprise with the accredited institution.

Food safety control is performed according to the installed plan for the food security system which consists of the system plan HACCP (Hazard Analysis and Critical Control Points)- ( food safety is under control during the technology process) and the mandatory programme ( Conditions for food production are under control). Such control of food security is set in the legal acts and mandatory. The Company did not deployment any standards for environment protection, quality, and management control.

The Company is not able to reduce expenses due to the technical-technological development because the quality of the produced goods depends on that. It is necessary to follow quality standards for the production of food and drinks, and the requirements of the hygiene norms.

#### ***Description of main types of risk and indeterminac faced by the company and management thereof***

Company specializes in production and selling of beer, drinks of beer, production and selling of kvass. Main factors which give the risk of company business are possible price movements in the markets of products; also possible political, juridical, social and technological changes immediately

or indirectly concerned with AB „Gubernija” continue proceeding, which might make a negative influence on company’s money flows and results of activity.

## **2.2. Analysis of financial and non-financial activity results, information related to environment and personnel issues**

<b>Key figures, LTL thousand</b>	<b>2013 06 30</b>	<b>2012 06 30</b>
Turnover	19 311	21 891
Gross profit	3 682	4 477
Profit before taxes, interests and depreciation (EBITDA)	904	1 420
Profit (loss) before taxes	(799)	(586)
Investment in property, plant and equipment	132	445
Number of employees	192	186

### **Main quality management and environmental principles:**

The production of AB “Gubernija” is performed following the licence No 82 TIPIK issued by Šiauliai Regional Environmental Department by The ministry of Environment to the Republic of Lithuania. Main sources of industrial pollutants are the boiler-house of the steam production (contaminants- carbonic and nitrogen oxides) and the dust forming during the discharging of malt. The amounts of the pollutants are pro rata: carbonic and nitrogen oxides - 15,74 t/a year, dust (solid particles) - 0,50 t/ a year. While producing the production there is a by-product which is utilized or sold as the norage for the cattle. Due to the need to wash the containers and to disinfect them at the end of the production, there are overnorms of the effluent pollution. To perform its activities the Company has the programmes for collecting the tare, collects and uses it, and takes for salvage the one not suitable to use. Due to the mobile and stationery pollution sources a tax was paid. The activities of the Company due to damage for the nature mentioned above from the owned sources of pollution were not stopped in the six months of year 2013. The prevention of the laboratory findings related to the pollution of the product and the environment in the territory is performed every day which allows protecting nature, the local population, and customers.

The possibility to restrain or stop the activities of the Company is minimal, unless the accident in the freezing compressor happens during which ammonia spills. The means for liquidation of the accident is ready.

The company's top management annually reviews and approves food safety, quality and environmental protection policies.

## **2.3. References and additional explanatory notes regarding the data presented in the annual financial statements**

Information presented in the interim financial statements and notes to the financial statements are sufficient, detailed and requires no additional explanation.

## **2.4. The number of the shares acquired by the entity and the entity’s own shares as well as nominal value thereof and a part of the authorized capital made up by these shares**

At the 30 th June 2013 the Company has purchased no one own share.

## **2.5. The number of the own shares acquired and transferred during the reporting period, where they are acquired or transferred against payment**

During the reporting period, the Company's own shares has not acquired and has not transferred.

## **2.6. Information about branches and representative offices**

The Company has 9 its branded stores in major cities of Lithuania: Šiauliai, Vilnius, Klaipeda and Kretinga. The Company has also got the representative office and the warehouse of the wholesale at Kalvarijų g. 204 B, Vilnius.

## **2.7. Significant events occurred after the end of the financial year**

No significant events have occurred after the end of the financial year.

## **2.8. Plans of the Company's activity and forecasts**

AB Gubernija has set the following goals for 2013:

- Expected sales close to LTL 40 million;
- Expected EBITDA profitability around 7%;
- Expected net profit margin around 2.5%.

## **2.9. Information about research and development activity**

The Company continuously makes investments and searches for new ways how to ensure a constant and better efficiency growth of its activity.

## **2.10. The goals of financial risk management, hedging instruments used for expected transactions on which hedging accounting is applied, and the scope of price risk, credit risk, liquidity risk and cash flows risk**

The Company did not use any financial instruments which are important for valuation of the Company's assets, liabilities, financial position and performance results.

## **2.11. Description of investment**

During the reporting period the company made investments in:

- Reconstruction of industrial buildings (LTL 16 thousand);
- Machinery and equipment renewal (LTL 42 thousand);
- Commercial software update (LTL 37 thousand).

## **3. OTHER INFORMATION ABOUT THE ISSUER**

### **3.1. Structure of the Issuer's authorized capital**

The authorized capital registered with the Companies Register Center amounts to LTL 16 129 614. The authorized capital is divided into 16 129 614 ordinary shares (nominal value 1 LTL). All ordinary registered shares of AB Gubernija are fully paid in.

### 3.2. Restrictions applicable upon the transfer of securities

There are no restrictions applicable on the transfer of securities. All published stocks give the same rights for all shareholders, which are provided by the joint-stock companies Law of the Republic of Lithuania and statute of company.

All the company's shares with voting rights are of equal nominal value and each share in general meeting of shareholders has one vote.

### 3.3. Shareholders

On the 30<sup>st</sup> of June 2013 total number of company's shareholders was 314.

Shareholders that got ownership to hold more than 5% of authorized capital and votes of stock company, „Gubernija” are as follows:

Shareholder	Number of shares, units	Share of the capital %	Share of votes with related persons %
VITAS TOMKUS	4.609.703	28.58	38.53
UAB „REPUBLIKOS“ SPAUSTUVĖ, A. SMETONOS G. 2, VILNIUS, Į.K. 124250999	1.604.981	9.95	38.53
LARISA AFANASEVA	1.683.572	10.44	0.00
TAKHIR SHABAEV	851.604	5.28	0.00
ROMUALDAS DUNAUSKAS,	4.210.959	26.11	39.97
VIOLETA DUNAUSKIENĖ	482 708	2.99	39.97
JAVELIN FINANCE, SIUTE 4, 41 LOWER BAGGOT STREET, DUBLIN, AIRIJA, Į.K. 221234	1.752.712	10.87	39.97
SIGITAS VILČIAUSKAS	0	0.00	15.72

### 3.4. Shareholders having special control rights, and description of such rights;

There are no shareholders having special control rights in the Company.

### 3.5. All restrictions imposed upon the voting rights

There are no shareholders in the company, who have restrictions imposed upon the voting rights.

### 3.6. All the agreements concluded among the shareholders of which the issuer was aware and due to which the securities transfer and (or) voting rights may be restricted

Following the Credit Agreement No. 0640-40-4060817-20 of 28 December 2004, 76.68 percent or 12 368 131 shares were put in pledge in favor of the creditor in a Mortgage institution.

### 3.7. Employees

	2013 06 30	2012 06 30
Average number of Employees	187	186
With University education	34	31
With College education	55	55
With secondary education	91	92
With not completed secondary education	7	8

	2013 06 30	2012 06 30
<b>Average Salary, LTL</b>		
Management	8 419	9 245
Specialists	2 467	2 411
Workers	1 911	1 950

### 3.8. Change of the issuer's Articles of Association

Articles of Association of AB Gubernija can be changed in accordance with the laws of the Republic of Lithuania.

### 3.9. Management bodies of the Issuer

The managing bodies of the company are as follows: General shareholders' meeting, the Management Board and the General director. The Supervisory Council is not formed in the Company.

The Company Board is the collegial management body, representing shareholders of the Company during the period between meetings and making decisions on the most important issues of the economic activity of the Company. The Work Order of the Board is defined by the Work Regulation, confirmed by the Board. The Board is composed from 5 (five) members. The Board members are elected by for the period not longer than four years. The Board activity is supervised by the Chairman, which is elected from the Board members by the Board.

The competence of and procedure of announcement of the shareholders' meeting as well the competence, election, recall and other issues related to the Board and the General director are regulated by the Companies Law of the Republic of Lithuania.

### 3.10. Members of the collegial bodies, the management of the Company

#### The Management Board

Name, Surname	Position Issuer	Number of owned shares	The part of the owned authorized capital, %	Start of the tenure	End of the tenure
Romualdas Dunauskas	Chairman of the Board	4 210 959	26,11	2013-04-25	2017-04-24
Lina Dunauskaitė	Member of the Board	0	0	2013-04-25	2017-04-24
Augustinas Radavičius	Member of the Board	0	0	2013-04-25	2017-04-24
Sigitas Vilčiauskas	Member of the Board	0	0	2013-04-25	2017-04-24
Muradas Bakanas	Member of the Board	0	0	2013-04-25	2017-04-24

Board members are not paid bonuses or other remuneration.



## Administration

Name, Surname	Position	Number of owned shares	The part of the owned authorized capital, %	Salary (LTL)
Vijoleta Dunauskienė	Generalinė direktorė	482 708	2,99	73 974
Vyngintas Buivyis	Cheaf accountant-finance director	0	0	47 538

## The Audit Committee

Name, Surname	Position	Number of owned shares	The part of the owned authorized capital, %	Start of the tenure	End of the tenure
Mantas Sindriūnas	External auditor (UAB „Erpas“)	0	0	2013-04-25	2014-04-25
Rolandas Lideikis	The Economist	0	0	2010-04-26	2014-04-25
Audronė Neimantaitė	Debt collection lawyer	0	0	2010-04-26	2014-04-25

Audit committee members for their work in the audit committee are paid no remuneration.

**3.11. All material agreements to which the issuer is a party and which would come into effect, be amended or terminated in case of change in the issuer's control, also their impact except the cases where the disclosure of the nature of the agreements would cause significant damage to the issuer**

There are no such agreements.

**3.12. All agreements of the issuer and the members of its management bodies, or the employee agreements providing for a compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the issuer**

The Issuer has not entered into agreements with the members of its collegial management bodies and employees prescribing payment of allowances in case of resignation or dismissal without grounded reason or termination of work due to change in control over the Issuer.

**3.13. Harmful transactions made during the reporting period, on behalf of issuer**

During the reporting period, there were no harmful transactions made on behalf of the company (which do not meet the company's objectives, the existing ordinary market conditions, interest breach of the shareholders or other persons, groups etc.), which had or will likely have a negative impact on the company's operation and (or) its performance results.

### **3.14. Information on the major related parties' transactions**

There were no transactions made under a conflict of interests between the company managers, controlling shareholders or other related parties' obligations towards the company and their private interests and (or) other duties.

### **4. INFORMATION ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Information on the compliance with the corporate governance code are presented in the addendum to the Annual Report.

### **5. DATA ON THE PUBLICLY DISCLOSED INFORMATION**

All the publicly disclosed information is available at [www.gubernija.lt](http://www.gubernija.lt)

### **NOTIFICATION ON TRANSACTIONS CONCLUDED BY MANAGERS OF THE COMPANY**

Siauliai, Lithuania,, 2013-06-14 14:06 CEST (GLOBE NEWSWIRE) -- Gubernija AB, code 144715765, address Dvaro str. 179, Siauliai.

Notification on the transactions in issuer's securities of manager's or manager's closely related party (see attachment).

### **GUBERNIJA, AB INTERIM INFORMATION FOR THE THREE MONTHS OF 2013**

Siauliai, Lithuania, 2013-05-30 11:08 CEST (GLOBE NEWSWIRE) --

We provide the intermediate unaudited financial statements for the three months of the year 2013 and confirmation of the responsible persons.

In the three months of 2013 the AB „Gubernija“ sustained unaudited losses of LTL 253.9 thousand (EUR 73.5 thousand). In the same period of the previous year the company sustained losses of LTL 958 thousand (EUR 277.5 thousand). Losses incurred due to restriction on filling containers and strength of the beer introduced by the Law of Alcohol Control.

The unaudited interim financial statements of Gubernija, AB for the three months of 2013, as well as managers' confirmation letter are ready for acquaintance in the attachment. The interim information is also available at: [www.gubernija.lt/investuotojams](http://www.gubernija.lt/investuotojams).

### **ANNUAL INFORMATION OF GUBERNIJA AB FOR THE YEAR 2012**

Siauliai, Lithuania,, 2013-04-25 14:44 CEST (GLOBE NEWSWIRE) -- We introduce annual information approved by the Ordinary general meeting of the shareholders of Gubernija AB on the 25th of April, 2013 (see attachments).

### **DECISIONS OF THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS OF GUBERNIJA AB**

Siauliai, Lithuania,, 2013-04-25 14:37 CEST (GLOBE NEWSWIRE) -- The following decisions were adopted in the Ordinary general meeting of the shareholders of Gubernija AB (the code of the Company is 144715765), held on the 25th of April, 2013:

**1. Annual report of the Company for the Year 2012.**

The annual report of the Company for the year 2012 was debriefed.  
The decision is not made on this question.

**2. Independent auditor's report.**

The report of the independent auditor was debriefed.  
The decision is not made on this question.

**3. Approval of the Annual Financial Accounts of the Company for the year 2012.**

To approve the Annual Financial Accounts of the Company for the year 2012.

**4. Appropriation of the result of the year 2012.**

To leave the Company's result of 2012 unappropriated.

**5. Approval of the audit committee member.**

To approve Mantas Sindziunas as independent member of the audit committee.

**6. Election of the Company's Board.**

To select Romualdas Dunauskas, Sigitas Vilciauskas, Augustinas Radavicius, Muradas Bakanas, Lina Dunauskaite as members of the Board of the Company.

**7. Election of the auditors firm to audit the financial accountability for the year 2013 and setting the terms of payment.**

To prolong the Agreement with Siauliu pagaute UAB, company code 144730863, to audit the financial accountability for the year 2013 of the Company and assign LTL 20 000 (EUR 5 792.4) excluding VAT to pay the services rendered by the auditing company.

**DECISION PROJECTS OF THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS OF GUBERNIJA AB**

Siauliai, Lithuania,, 2013-04-04 15:54 CEST (GLOBE NEWSWIRE) -- The Board of Gubernija AB, the code of the Company is 144715765, the seat is Dvaro str. 179, Siauliai has aproved the decision projects for calling the ordinary general meeting of the shareholders which will take place at 10 a.m. on the 25th of April, 2013 at the office of Gubernija AB (Dvaro str. 179, Siauliai, 1st floor):

**1. Annual report of the Company for the Year 2012.**

The suggested decision project:

**To debrief the annual report of the Company for the year 2012.**

The decision is not made on this question.

**2. Independent auditor's report.**

The suggested decision project:

**To debrief the report of the independent auditor.**

The decision is not made on this question.

**3. Approval of the Annual Financial Accounts of the Company for the year 2012.**

The suggested decision project:

**To approve the Annual Financial Accounts of the Company for the year 2012.**

4. Appropriation of the result of the year 2012.

The suggested decision project:

**To leave the Company's result of 2012 unappropriated.**

5. Approval of the audit committee member.

The suggested decision project:

**To approve Mantas Sindziunas as independent member of the audit committee.**

6. Election of the Company's Board.

The suggested decision project:

**To select Romualdas Dunauskas, Sigitas Vilciauskas, Augustinas Radavicius, Muradas Bakanas, Lina Dunauskaite as members of the Board of the Company.**

7. Election of the auditors firm to audit the financial accountability for the year 2013 and setting the terms of payment.

The suggested decision project:

**To prolong the Agreement with Siauliu pagaute UAB, company code 144730863, to audit the financial accountability for the year 2013 of the Company and assign LTL 20 000 (EUR 5 792.4) excluding VAT to pay the services rendered by the auditing company.**

#### **NOTICE OF THE ORDINARY GENERAL SHAREHOLDERS MEETING OF GUBERNIJA AB**

Siauliai, Lithuania,, 2013-03-25 15:07 CET (GLOBE NEWSWIRE) -- The Ordinary General Shareholders Meeting of Gubernija AB, code 144715765, address Dvaro str. 179, Siauliai, is convened by initiative and the decision of the Board.

The Date of the Meeting - the 25th of April, 2013, Thursday. Time – 10.00 a.m., place - Dvaro str. 179 (1th floor), Siauliai, Lithuania. Registration starts from 9.30 a.m. to 9.50 a.m.

The accounting day of the Ordinary General Meeting of the Shareholders shall be 18th of April, 2013 (only the persons who at the end of the record day of the General Meeting of the Shareholders shall be on the shareholder list of the company or the persons who are a proxy for them or the persons with whom an agreement on the transfer of voting rights is concluded, have the right to participate and vote at the General Meeting of the Shareholders).

The agenda for the Meeting:

1. Annual report of the Company for the Year 2012.
2. Independent auditor's report.
3. Approval of the Annual Financial Accounts of the Company for the year 2012.
4. Appropriation of the result of the year 2012.
5. Approval of the audit committee member.
6. Election of the Company's Board.
7. Election of the auditors firm to audit the financial accountability for the year 2013 and setting the terms of payment.

Draft resolutions on the items of the agenda, any documents to be presented to the General Meeting of Shareholders be published on the website of the company at [www.gubernija.lt](http://www.gubernija.lt) the menu item Investor Relations not later than 21 days before the meeting date. The shareholders shall also be granted access to this information at the office of the company (Dvaro str. 179, Siauliai).

Please be informed that shareholders, who are entitled to participate at Ordinary General Meeting of Shareholders, own the right to authorize by electronic means physical or legal person to attend and vote on behalf of them at Ordinary General Meeting of Shareholders. Power of attorney that is issued by the shareholder must be submitted by sending e-mail [info@gubernija.lt](mailto:info@gubernija.lt) not later than the 19th of April, 2013 (16hrs. 00 min.).

When registering to participate at the meeting, the shareholders or their proxies shall present a document which is a proof of his personal identity. The proxies to the shareholders are to present their proxies certified following a prescribed procedure. The proxy issued by a natural person has to be certified by a Notary Public. The proxy may be given the authority by more than one shareholder and vote in a different manner based on the instructions given by each shareholder. The company has no special form for the proxy. The authorized person at the Ordinary General Meeting of Shareholders shall have the same rights as represented shareholder. Shareholders right to attend General Meeting of Shareholders also include the right to ask.

Please be informed that shareholders, who are entitled to participate at an Ordinary General Meeting of Shareholders, own the right to authorize by electronic means physical or legal person to attend and vote on behalf of them at Ordinary General Meeting of Shareholders. Power of attorney that is issued by the shareholder must be submitted by sending e-mail [info@gubernija.lt](mailto:info@gubernija.lt) not later than the 19th of April, 2013 (16hrs. 00 min.).

Please be informed that on decisions which are included into Ordinary General Meeting of Shareholders agenda can be voted in writing by completing the general ballot paper. If the person who had completed the general ballot paper is not a shareholder, the completed general ballot paper must be accompanied by a document confirming the right to vote. The duly completed general ballot paper (voting bulletin) should be sent by e-mail [info@gubernija.lt](mailto:info@gubernija.lt) or delivered directly to the Company's Office at Dvaro str. 179, Siauliai (2rd floor) not later than the 19th of April, 2013 (16 hrs. 00 min).

The Company reserves the right not to include in the shareholder vote, if the general ballot paper does not meet the third and fourth parts of the 30 Article of Law on Companies requirements or the general ballot paper is written in a way that it is impossible to establish shareholder's will on a separate issue.

The agenda of the Ordinary General Meeting of Shareholders may be supplemented by initiative of shareholders who own shares no less than 1/20 of all the votes. Proposals to the agenda of the Ordinary General Meeting of Shareholders may be submitted by e-mail [info@gubernija.lt](mailto:info@gubernija.lt) or delivered to the Company's office at Dvaro str. 179, Siauliai (2rd floor) no later than the 11th of April, 2013 (16hrs. 00 min.).

Please be informed that along with a proposal to supplement the agenda of the Ordinary General Meeting of Shareholders must be submitted the drafts of proposed decisions, or if the decisions shall not be adopted, explanations on each of the proposed issue.

Please be informed that shareholders who own shares no less than 1/20 of all votes own the right at any time before the Ordinary General Meeting of Shareholders or during the meeting in writing or by e-mail [info@gubernija.lt](mailto:info@gubernija.lt) propose new draft decisions related to the questions included into agenda propose an audit company.

Shareholders own the right to ask the questions concerning the agenda on 25th of April, 2013 of the Ordinary General Meeting of Shareholders. Questions may be submitted by e-mail

[info@gubernija.lt](mailto:info@gubernija.lt) or delivered directly to the Company's office at Dvaro str. 179, Siauliai (2nd floor) not later than the 19th of April, 2013 (16hrs. 00 min.).

Please be informed that the Company may refuse to answer to shareholder's questions if they are concerned to the commercial (industrial) secrets or other confidential information. If it is possible to set the shareholder's identity, the Company shall inform the shareholder on the refusal to provide asked information.

## **GUBERNIJA, AB INTERIM INFORMATION FOR TWELVE MONTHS OF 2012**

Siauliai, Lithuania., 2013-02-28 14:56 CET (GLOBE NEWSWIRE) --

Gubernija AB publishes the unaudited interim financial statements approved by the Board.

In the year 2012 the income of twelve months made LTL 43.305 million (EUR 12.542 million), increased 3.2 percent in comparison with the income of 2011 - LTL 41.96 million (EUR 12.15 million). The EBITDA index of the year 2012 made LTL 2.76 million (EUR 0.80 million) and increased 23.21 percent in comparison with EBITDA index of the year 2011 – LTL 2.24 million (EUR 0.65 million). In the year 2012 the loss of twelve months without tax deduction made LTL 1.24 million (EUR 0.36 million), in the year 2011 the loss of twelve months made LTL 0.64 million (EUR 0.185 million).

The main reason of loss occurrence – the decrease of turnover in December 2012 because of the changes in the Law of Alcohol Control that forbid to sell the alcoholic beverages in containers larger than 1 l volume since the year 2013; the increase in raw materials price in the market, changes in application of accounting policies, increase in amortization expenses of revaluated buildings and constructions.

The unaudited interim financial statements of Gubernija, AB for twelve months of 2012, as well as managers' confirmation letter are ready for acquaintance in the attachments. The interim information is also available at: [www.gubernija.lt/investuotojams](http://www.gubernija.lt/investuotojams).

## **6. OTHER INFORMATION**

There is no other information that should be disclosed in the annual financial statement under the legal acts governing the activities of companies or other legal acts or the Articles of Association of the Company.