



AKCINĖ BENDROVĖ

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 24 of the the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the General Manager of the Gubernija AB Vijoleta Dunauskiene and the Chief accountant of the Gubernija AB Asta Mickuviene, hereby confirm that, to the best of our knowledge, the attached unaudited interim condensed financial statements for the 12 months of year 2017 prepared in accordance with Business Accounting Standards as adopted to be used in the Republic of Lithuania, give a true and fair view assets, liabilities, financial position and profit or loss and cash flow of Gubernija AB.

General Manager

Vijoleta Dunauskiene

Chief accountant

Asta Mickuviene

Siauliai,
28-02-2018

GUBERNIJA AB

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2017
(thousand Euro, unless otherwise indicated)


GUBERNIJA, AB
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2017
(UNAUDITED)

28-02-2018

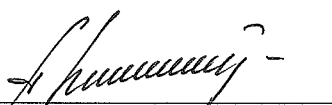
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The interim condensed financial statements was signed on 28 February 2018.



General Manger
Vijoleta Dunauskiene



Chief accountant
Asta Mickuviene

COMPANY DETAILS

Gubernija, AB

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

Board

Romualdas Dunauskas, Chairman of the Board
Lina Dunauskaite
Augustinas Radavicius
Sigitas Vilciauskas
Muradas Bakanas

Management

Vijoleta Dunauskiene, General Manager

Auditor

Grant Thornton Baltic, UAB

Banks

SEB bankas, AB
Swedbank, AB
Siauliu bankas, AB

BALANCE SHEET

ASSETS	31-12-2017	31-12-2016
LONG TERM ASSETS	7 009	7 402
INTANGIBLE ASSETS	14	11
Software	8	1
Other intangible assets	6	10
TANGIBLE ASSETS	6 961	7 359
Buildings	4 804	4 890
Machinery and equipment	2 100	2 346
Transport	34	61
Other devices, appliances and tools	23	62
FINANCIAL PROPERTY	4	4
Long-term investments	4	4
OTHER NON-CURRENT ASSETS	30	28
Deferred tax assets	30	28
CURRENT ASSETS	1 747	1 877
INVENTORIES	969	874
Raw materials and assembly details	684	483
Unfinished production and execution of works	76	87
Production	113	158
Goods purchased for resale	0	1
Assets held for sale	22	0
Payment advances	74	145
WITHIN ONE YEAR RECEIVABLES	733	983
Account receivables	730	983
Other receivables	3	0
CASH AT BANK AND ON HAND	45	20
DEFERRED CHARGES AND ACCRUED INCOME	8	6
TOTAL ASSETS	8 764	9 285
EQUITY AND LIABILITIES	31-12-2017	31-12-2016
EQUITY	887	1 534
SHARE CAPITAL	3 065	3 065
Authorized (subscribed) or core capital	3 065	3 065
REVALUATION RESERVE	2 866	2 934
RETAINED EARNINGS (LOSS)	(5 044)	(4 465)
Profit (loss)	(579)	(408)
Previous year profit (loss)	(4 465)	(4 057)
PROVISIONS	483	495
Tax provisions	483	495
LIABILITIES	7 394	7 256
AFTER ONE YEAR PAYABLE AND OTHER LONG-TERM LIABILITIES	4 128	4 241
Debt obligations	4 124	4 235
Amounts owed to credit institutions	4	6

BALANCE SHEET (continued)

EQUITY AND LIABILITIES (continued)	31-12-2017	31-12-2016
WITHIN ONE YEAR PAYABLE AND OTHER CURRENT LIABILITIES	3 266	3 015
Debt obligations	850	818
Amounts owed to credit institutions	2	2
Advances received	61	14
Debts to suppliers	1 483	1 216
Employment related liabilities	423	414
Other payables and current liabilities	447	551
ACCRUED EXPENSES AND DEFERRED INCOME	0	0
TOTAL EQUITY AND LIABILITIES	8 764	9 285

The accompanying notes are an integral part of these interim condensed financial statements.

STATEMENT OF INCOME

	01-01-2017 - 31-12-2017	01-01-2016 - 31-12-2016
SALES REVENUE	7 454	8 184
COST OF SALES	(5 756)	(6 240)
GROSS PROFIT (LOSS)	1 698	1 944
Sales expenses	(1 581)	(1 632)
General and administrative expenses	(540)	(608)
Other operating results	(2)	(14)
Revenue of investment in the parent, subsidiaries and associated company shares		
Other interest and similar income		
Financial assets and short-term investment impairment		
Interest and similar expenses	(236)	(217)
PROFIT (LOSS) BEFORE TAX	(661)	(527)
Income tax	14	17
NET PROFIT (LOSS)	(647)	(510)
Profit (loss) for the one share (EUR)	(0.04)	(0.03)

The accompanying notes are an integral part of these interim condensed financial statements.

STATEMENT OF INCOME

	01-10-2017 - 31-12-2017	01-10-2016 - 31-12-2016
SALES REVENUE	1 464	1 678
COST OF SALES	(1 227)	(1 376)
GROSS PROFIT (LOSS)	237	302
Sales expenses	(395)	(399)
General and administrative expenses	(58)	(170)
Other operating results	(2)	(4)
Revenue of investment in the parent, subsidiaries and associated company shares		
Other interest and similar income		
Financial assets and short-term investment impairment		
Interest and similar expenses	(60)	(54)
PROFIT (LOSS) BEFORE TAX	(278)	(325)
Income tax	5	3
NET PROFIT (LOSS)	(273)	(322)
Profit (loss) for the one share (EUR)	(0.02)	(0.02)

The accompanying notes are an integral part of these interim condensed financial statements.

CASH FLOW STATEMENT

	01-01-2017 - 31-12-2017	01-01-2016 - 31-12-2016
Operating activities:		
Profit(loss)	(647)	(510)
Corrections due to:		
Depreciation, amortization and devaluation	410	466
Alienation of long-term tangible and intangible assets	(12)	(1)
The value of investments Decrease (increase)		
Financing and investing activities Elimination	236	217
Other non-cash transactions Elimination		(21)
Decrease (increase) of the deferred profit tax assets	(2)	1
Decrease (increase) in inventory	(166)	66
Decrease (increase) in advances received	71	(54)
Decrease (increase) in trade receivables	252	(240)
Decrease (increase) in other amounts receivable	(2)	1
Deferred costs and accrued income Decrease (increase)	(2)	(2)
Increase (decrease) of the deferred profit tax liabilities	(12)	3
Increase (decrease) in short-term debts to suppliers and prepayments	314	141
Increase (decrease) in liabilities related to labor relations	9	83
Increase (decrease) in other amounts payable and liabilities	(105)	(225)
Net cash flows from the main activities	344	375
Cash flows from investing activities:		
Acquisition of non-current assets (excluding investments)	(11)	(22)
Transfer of non-current assets (excluding investments)	13	2
Net cash flows from investing activities	2	(20)
Cash flows from financing activities:		
Loans received	307	224
Loans repaid	(387)	(444)
Interest paid	(239)	(200)
Payments of lease (finance lease) liabilities	(2)	(10)
Decrease in other liabilities		
Net cash flows from financing activities	(321)	(430)
The effects of changes in foreign exchange rates on cash and cash equivalents balance		
Net increase (decrease) in cash flows	25	(75)
Cash and cash equivalents at the beginning of period	20	95
Cash and cash equivalents at the end of period	45	20

The accompanying notes are an integral part of these interim condensed financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Revaluatio n Reserve	Retained Earnings (loss)	Total
1. Balance at 31-12-2015	3 065	2 918	(4 057)	1 925
2. Result of changes in accounting policies				
3. Correcting material errors result				
4. Restated balance 31-12-2015	3 065	2 918	(4 057)	1 925
5. Revaluation of the tangible fixed asset		119		119
6. Profit (loss) not recognized in the income (loss) statement		(102)	102	
7. Profit (loss)			(510)	(510)
8. Balance at 31-12-2016	3 065	2 934	(4 465)	1 534
9. Profit (loss) not recognized in the income (loss) statement		(68)	68	
10. Profit (loss)			(647)	(647)
11. Balance at 31-12-2017	3 065	2 867	(5 044)	887

The accompanying notes are an integral part of these interim condensed financial statements.

THE DECLARATORY LETTER

GENERAL INFORMATION

Gubernija AB (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 center".

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 4 branded stories in Lithuania.

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

Main shareholders at December 31, 2017:

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 31th December of the last 2016 year there were 154 employees, and on 31th December of the reporting year 2017 there were 146 employees.

The financial statements are announced on the webpage of the Company www.gubernija.lt.

SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of Gubernija AB have been prepared in accordance with the Business Accounting Standards. Since the year 2016, according to Ministry of the Accounting Law Article 3 Gubernija AB switched to financial reporting in accordance with the Business Accounting Standards. Until the year 2016 reporting, the company's financial statements have been prepared in accordance with IFRS. Due to the transition to the Business Accounting Standards where not substantial changes in the company's income and expenses recognition and accounting of assets and property. The shareholders have the power to reject the financial statements prepared by the management and the right to request that new financial statements be issued.

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

Basis of preparation

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

Sales and key financial indicators

	01-01-2017 – 31-12-2017	01-01-2016 - 31-12-2016	Change
Sales	7 454	8 184	-9%
Excise	1 988	1 768	12%
Sales before excise	5 466	6 416	-15%
Export	1 154	1 162	-1%
Gross margin	1 698	1 944	-13%
Net profit (loss)	-264	-188	-40%
EBITDA	-647	-510	-27%

The status of the long term assets

From 2017 January 1, the company has revised tangible asset's useful life assessment:

- Buildings - 90 years (unchanged)
- Cultural heritage buildings until 150 years (it was 140 years)
- Constructions 10-40 years (unchanged)
- Tanks 50 years (it was 10-50 years)
- Machinery and equipment 5-20 years (it was 7 - 25 years)
- Vehicles 6 years (it was 5-6 years)
- Other equipment 3-6 years (it was 3-10 years).

The company set a minimum purchase value of fixed assets - 400 EUR

The own capital

The authorized capital of the Company on 31th December, 2017 is EUR 3 064 627. It is divided into 16 129 614 ordinary nominal shares, the value of every share is EUR 0.19. All shares are completely paid-up.

The equity of the Company on 31th December, 2017 was EUR 886 901 – 28.93 % of the authorized capital. Currently, the Company acts in export markets in order to compensate for decreasing sales of beer in Lithuania. In 2017 the company participated in exhibitions in Great Britain, the United Arab Emirates, China, Germany, Slovenia and India, where many new contacts and new deals were created.

Exports grew to 21% of all sales during the twelve months of this year and is expected to continue to grow in the next year. The growth of sales of non-alcoholic beverages create opportunities to compensate for the low profitability of beer sales in the Lithuanian market - over the twelve months of 2017, the value of non-alcoholic beverages was 5% higher compared to the corresponding period of 2016.

The management of the company will take measures to remedy the situation when the company's equity amounts to less than 50% of the company's authorized capital within 6 months after the announcement of these accounts.

Loans and borrowings

	<u>31-12-2017</u>	<u>31-12-2016</u>
Financial leasing for Siauliu bank leasing	6	9
Laumzirgiai UAB loan	939	939
Respublikos investicija UAB loan	-3	3 476
Accumulated taxes arrears	521	492
MV GROUP, UAB	3 358	
Interest payable for the loans	69	55
Other loans	90	90
Total obligations	4 980	5 061
Minus: short-term part	(852)	(820)
Total long-term part	4 128	4 241

On November 20, 2017, a tax credit agreement was signed with the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania, under which tax arrears amounted EUR 307 thousand payment was deployed up to September 25, 2020.

On December 06, 2016 Respublikos Investicija UAB has transferred all its creditor rights to MG BALTIC TRADE UAB (from 01-01-2018 MV GROUP UAB) for the sum of EUR 3 358 438.

The company has pledged for the loan its long-term assets with balance value on 31-12-2017 being EUR 6 509 thousand (in 2016 EUR 6 876 thousand), all stocks, 19 trademarks, cash in banks SEB and SWEDBANK, land lease law.

Subsequent events

No subsequent events have occurred after the end of the financial year which could have material influence on the financial statements as at 31 December 2017.

Business continuity

The interim condensed financial statements for 31 December 2017 is prepared on the base of the business continuity.