GUBERNIJA

ANNO 1665

AKCINĖ BENDROVĖ

GUBERNIJA AB
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

AUGUST, 2016

TABLE OF CONTENT

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
Siaulių bankas AB

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the General Manager of Gubernija AB Vijoleta Dunauskiene and the Finance Director of Gubernija AB Vygintas Buivys, hereby confirms that, to the best of our knowledge the Unaudited Interim Financial Statements for the six months of 2016 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 is correctly revealed in interim report.

General Manager Vijoleta Dunauskiene

Finance Director Vygintas Buivys

Siauliai,
30-08-2016

(thousand Euro, unless otherwise indicated)

STATEMENT OF FINANCIAL POSITION

ASSETS	30-06-2016	31-12-2015
LONG TERM ASSETS	**7 469**	**7 708**
INTANGIBLE ASSETS	13	15
TANGIBLE ASSETS	7 422	7 659
Land		
Buildings	*4 835*	*4 919*
Other tangible assets	*2 587*	*2 740*
INVESTMENTS PROPERTY	4	4
ASSETS OF THE DEFERRED TAX	29	29
CURRENT ASSETS	**2 347**	**1 728**
INVENTORIES AND NOT COMPLETED WORKS	849	886
Inventories	775	795
Prepayments	73	92
Not completed works		
CURRENT RECEIVABLES	1 386	747
CASH AND CASH EQUIVALENTS	112	95
TOTAL ASSETS	**9 816**	**9 436**

EQUITY AND LIABILITIES	30-06-2016	31-12-2015
EQUITY	**1 715**	**1 925**
SHARE CAPITAL	3 065	3 064
REVALUATION RESERVE	2 867	2 918
OTHER RESERVES	0	0
RETAINED EARNINGS (LOSS)	(4 217)	(4 057)
GRANTS AND SUBSIDIES	**0**	**0**
LIABILITIES	**8 101**	**7 511**
NON CURRENT LIABILITIES	4 971	4 769
Financial liabilities	4 487	4 277
Obligations of the deferred tax	483	492
CURRENT LIABILITIES	3 130	2 741
Financial liabilities	795	997
Trade payables	1 501	1 066
Received prepayments	23	22
Taxes, salaries and social security	426	331
Other current obligations	385	326
TOTAL EQUITY AND LIABILITIES	**9 816**	**9 436**

General Manager Vijoleta Dunauskiene

Finance Director Vygintas Buivys

(thousand Euro, unless otherwise indicated)

STATEMENT OF COMPREHENSIVE INCOME

Items	01-01-2016 30-06-2016	01-01-2015 30-06-2015
INCOMES FROM SALES	**4107**	**4366**
OTHER ACTIVITY INCOMES FROM SALES	**5**	**8**
EXPENSES	**(4 215)**	**(4 381)**
Changes of production and work in progress	2	(16)
Materials	(1 427)	(1 632)
Related to employees	(894)	(889)
Amortization and depreciation	(241)	(242)
Excise	(844)	(787)
Other	(811)	(815)
FINANCIAL AND INVESTING ACTIVITIES	**(116)**	**(116)**
Income	0	0
Expenses	(116)	(116)
CURRENT YEAR PROFIT (LOSS) BEFORE TAXES	**(219)**	**(124)**
PROFIT TAX	**(9)**	**(9)**
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(210)**	**(115)**
OTHER COMPREHENSIVE INCOMES		
Items that will not be reclassified to profit or loss		
Profit/loss from changes of Revaluation reserves	51	51
OTHER COMPREHENSIVE INCOMES LESS PROFIT TAX	**51**	**51**
Profit (loss) for the one share (EUR)	**-0.013**	**-0.007**

General Manager Vijoleta Dunauskiene

Finance Director Vygintas Buivys

(thousand Euro, unless otherwise indicated)

STATEMENT OF COMPREHENSIVE INCOME

Items	04-01-2016 30-06-2016	04-01-2015 30-06-2015
INCOMES FROM SALES	**2 616**	**2 546**
OTHER ACTIVITY INCOMES FROM SALES	**3**	**6**
EXPENSES	**(2 474)**	**(2 388)**
Changes of production and work in progress	18	(13)
Materials	(929)	(935)
Related to employees	(474)	(464)
Amortization and depreciation	(119)	(118)
Excise	(535)	(420)
Other	(435)	(438)
FINANCIAL AND INVESTING ACTIVITIES	**(66)**	**(66)**
Income	0	0
Expenses	(66)	(66)
CURRENT YEAR PROFIT (LOSS) BEFORE TAXES	**79**	**98**
PROFIT TAX	**(4)**	**(4)**
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**83**	**103**
OTHER COMPREHENSIVE INCOMES		
Items that will not be reclassified to profit or loss		
Profit/loss from changes of Revaluation reserves	25	25
OTHER COMPREHENSIVE INCOMES LESS PROFIT TAX	**25**	**25**
Profit (loss) for the one share (EUR)	**0.005**	**0.006**

General Manager Vijoleta Dunauskiene

Finance Director Vygintas Buivys

(thousand Euro, unless otherwise indicated)

CASH FLOW STATEMENT

	01-01-2016 30-06-2016	01-01-2015 30-06-2015
Operating activities:		
Profit(loss)	**(210)**	**(115)**
Corrections due to:		
Depreciation, amortization and devaluation	241	242
Alienation of long-term tangible and intangible assets		(5)
Expenditure of interests	96	103
Charges	20	11
Decrease (increase) in inventory	19	(44)
Decrease (increase) in advances received	18	(8)
Decrease (increase) in contracts in progress		
Decrease (increase) in trade receivables	(640)	(72)
Decrease (increase) in other amounts receivable	1	(3)
Increase (decrease) in long-term debts to suppliers and prepayments		
Increase (decrease) in short-term debts to suppliers and prepayments	435	353
Increase (decrease) of the deferred profit tax	(9)	(19)
Increase (decrease) in liabilities related to labor relations	96	6
Increase (decrease) in other amounts payable and liabilities	60	(40)
Elimination of other non-cash items		6
Net cash flows from the main activities	**127**	**416**
Cash flows from investing activities:		
Acquisition of non-current assets (excluding investments)	(1)	(30)
Transfer of non-current assets (excluding investments)		6
Net cash flows from investing activities	**(1)**	**(24)**
Cash flows from financing activities:		
Loans received	213	
Leasing financing received		
Loans repaid	(223)	(281)
Interest paid	(89)	(98)
Payments of lease (finance lease) liabilities	(9)	(11)
Net cash flows from financing activities	**(108)**	**(390)**
The effects of changes in foreign exchange rates on cash and cash equivalents balance		
Net increase (decrease) in cash flows	**17**	**2**
Cash and cash equivalents at the beginning of period	**95**	**110**
Cash and cash equivalents at the end of period	**112**	**112**

General Manager Vijoleta Dunauskiene

Finance Director Vygintas Buivys

(thousand Euro, unless otherwise indicated)

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Revaluation Reserve	Retained Earnings (loss)	Total
1. Balance at 31-12-2014	**4 671**	**3 020**	**(5 532)**	**2 160**
2. Profit/loss from changes of Revaluation reserves		(51)	51	
3. The change in capital value of the shares received because of rounding EUR	6			6
4. Reduction of authorized capital	(1 613)		1 613	
5. Profit (loss)			(115)	(115)
6. Balance at 30-06-2015	**3 064**	**2 969**	**(3 982)**	**2 051**
7. Profit/loss from changes of Revaluation reserves		(51)	51	
8. Profit (loss)			(126)	(126)
9. Balance at 31-12-2015	**3 064**	**2 918**	**(4 057)**	**1 925**
10. Profit/loss from changes of Revaluation reserves		(51)	50	
11. Profit (loss)			(210)	(210)
12. Balance at 30-06-2016	**3 064**	**2 867**	**(4 217)**	**1 715**

General Manager Vijoleta Dunauskiene

Finance Director Vygintas Buivys

(thousand Euro, unless otherwise indicated)

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 April 6, 2016:

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 30th June of the last 2015 year there were 174 employees, and on 30th June of the reporting year 2016 there were 159 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 Euro 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 Euro 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 Euro at foreign exchange rates ruling at the dates the fair value was determined.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

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, buildings and tanks) 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.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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
- cultural heritage buildings until 200 years
- tanks 10 - 50 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 DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Investments in equity securities (continued)

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 / expensed 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.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

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 derecognized. 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.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Reversals of impairment (continued)

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. Each employee of the Company, leaving the work beyond retirement age, according to the laws of the Republic of Lithuania has to receive payment of 2 to 6 months salary. The company recognizes the employee benefit obligation in the statement of financial status and reflects the present value of the payments on the balance sheet date.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs (continued)

Finance income and finance costs (continued)

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.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Risk management policy was set up in order to identify and analyze risks facing the Company, and determine risk allowable 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.

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
There are no other material monetary items denominated in currencies other than 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 DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital management (continued)

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 reporting period.

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

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment 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. With a purpose of impairment testing, the assets which, in the process of continuous use, generate cash and mainly are independent of generating cash inflows of other assets or asset groups (cash generating units) are classified to the smallest group.

The recoverable amount of property, plant and equipment 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.

(thousand Euro, unless otherwise indicated)

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgments (continued)

Fair value of land and buildings

The fair values of land and buildings are assessed at each reporting date in order to determine whether there are any significant differences between fair values and carrying amounts in the financial statements. Fair values are assessed by reference to valuation reports or market assumptions reports received from external valuators.

Impairment of receivables

The Company reviews its receivables individually to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognized, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an individual debtor, e.g. adverse change in the payment status of the debtor, etc.

Useful lives of intangible assets and property, plant and equipment

Useful lives of the assets are reviewed at least annually. They are adjusted, if necessary, considering technological changes, expected future use of the asset and its present condition.

Judgments

The Company recognizes deferred tax assets based on the judgment of management that realization of the related tax benefits through future taxable profits is probable. Management's judgments are based on internal budgets and forecasts

NOTES TO THE FINANCIAL STATEMENTS

Note No 01 - The status of the intangible assets

Items	Patents, licenses and etc.	Software	Other intangible assets	Total
Residual value at 31-12-2014			**4**	**4**
a) Long term intangible assets in acquisition value				
at 31-12-2014	95	32	26	153
Acquisition of assets				
Disposals				
at 30-06-2015	**95**	**32**	**26**	**153**
b) Depreciation				
at 31-12-2014	95	32	24	151
- current year depreciation			0	0
at 30-06-2015	**95**	**32**	**24**	**151**
c) Residual value at 30-06-2015			**2**	**2**

(thousand Euro, unless otherwise indicated)

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 01 - The status of the intangible assets (continued)

Items	Patents, licenses and etc.	Software	Other intangible assets	Total
a) Long term intangible assets in acquisition value				
at 31-12-2015	95	11	41	147
Acquisition of assets				
Disposals				
at 30-06-2016	**95**	**11**	**41**	**147**
b) Depreciation				
at 31-12-2015	95	11	27	133
- current year depreciation			1	1
at 30-06-2016	**95**	**11**	**28**	**134**
c) Residual value at 30-06-2016			**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 2016 was EUR 115 thousand (in 31 December 2015 it was LTL 115 thousand).

Note No 02 - The status of the tangible assets

Items	Buildings and constructions	Machinery and equip-ments	Tanks	Vehicle	Comes fixed assets	Other tangible assets	Total
Residual value at 31-12-2015	**4 919**	**1 130**	**1 431**	**86**		**93**	**7 659**
a) Acquisition costs							
at 31-12-2015	4 216	7 960	2 070	654		1 862	16 764
- acquisition of assets							
- cessions and disused assets (-)		(91)				(37)	(129)
- Transfers from one heading to another							
at 30-06-2016	**4 216**	**7 869**	**2 070**	**654**		**1 825**	**16 635**
b) Revaluation							
at 31-12-2015	5 828		936				6 764
- value increase (decrease) + / (-)							
at 30-06-2016	**5 828**		**936**				**6 764**
c) Depreciation							
at 31-12-2015	5 125	6 830	1 575	569		1 769	15 868
- current year depreciation	35	89	10	19		24	178
- depreciation of revalued assets	49		11				60
- acquired by third parties and write off assets depreciation (-)		(91)				(37)	(129)
at 30-06-2016	**5 209**	**6 828**	**1 596**	**588**		**1 756**	**15 977**
e) Residual value at 30-06-2016 (a) + (b) - (c)	**4 835**	**1 041**	**1 410**	**66**		**69**	**7 422**

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 02 - The status of the tangible assets (continued)

Revaluation of long-term tangible assets

On 08-10-2004 with presence of independent appraiser, evaluation was carried out for the buildings, structures and other fixed assets. General value of revaluated tangible assets was EUR 10 999 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 EUR 1 687 thousand, revaluation reserve of EUR 1 435 thousand was formed and deferred tax of EUR 253 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 01-07-2008 with presence of independent appraiser, assessment of the buildings and structures was carried out. General value of revaluated tangible assets was EUR 5 843 thousand. Assessment methods used: comparative value and use income value. Building value increased by EUR 2 764 thousand, value of structures reduced by EUR 106 thousand. Due to the increase in value of buildings accounts registered increase in reserve by EUR 2 350 thousand and deferred tax liability EUR 415 thousand. Due to reduced value of structures revaluation reserve was reduced by EUR 24 thousand and deferred tax liabilities by EUR 4 thousand. Also due to reduced value of structures loss has been incurred amounting EUR 78 thousand.

On 30-12-2011 with presence of independent appraiser, assessment of the buildings and structures was carried out. General value of revaluated tangible assets was EUR 5 161 thousand. Assessment methods used: comparative value, replacement value and use income value. Due to the revaluation, value of buildings and structures increased by EUR 485 thousand. Accordingly, the revaluation reserve was formed EUR 412 thousand and deferred tax liabilities EUR 73 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 27-12-2012 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 EUR 1 726 thousand. Balance value of the assets, if they were not revaluated, would have been EUR 1 000 thousand. As a result of revaluation, the revaluation reserve was formed as EUR 735 thousand and deferred tax EUR 130 thousand.

On 27-06-2013 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 EUR 735 thousand. Balance value of the assets, if they were not revaluated, would have been EUR 390 thousand. As a result of revaluation, the revaluation reserve was formed as EUR 133 thousand and deferred tax EUR 23 thousand.

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 02 - The status of the tangible assets (continued)

Revaluation of long-term tangible assets (continued)

On 27-12-2013 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 EUR 539 thousand. Balance value of the assets, if they were not revaluated, would have been EUR 231 thousand. As a result of revaluation, the revaluation reserve was formed as EUR 262 thousand and deferred tax EUR 46 thousand.

On 22-12-2014 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 EUR 174 thousand. Balance value of the assets, if they were not revaluated, would have been EUR 163 thousand. As a result of revaluation, the revaluation reserve was formed as EUR 9 thousand and deferred tax EUR 2 thousand.

If the company had accounted its building, structure and container assets groups using the acquisition cost method, their balance value on 30 June 2016 would be EUR 3 556 thousand (on 31 December 2015 – EUR 3 644 thousand).

Long-term tangible asset's useful life assessment

- buildings 25 - 90 years
- cultural heritage buildings until 200 years
- tanks 10 - 50 years
- machinery and equipment 7 - 25 years
- vehicles other property, plant and equipment 3 - 10 years

Assets acquired through leasing

The company through leasing acquired commercial vehicles for a total acquisition cost of EUR 77 thousand. Outstanding value on 30-06-2016 is EUR 12 thousand.

Long-term assets pledges

The Company has pledged long term assets for EUR 7 223 thousand in balance value.

Depreciation

4 297 units of tangible fixed assets depreciated to their residual value of EUR 0.29 with an acquisition cost of EUR 4 959 thousand are used in the company's activities.

(thousand Euro, unless otherwise indicated)

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 03 - Financial assets

	30-06-2016	31-12-2015
Investment into daughter and associated enterprises	4	4

There were no changes of investment into daughter and associated enterprises during the six months of the year 2016.

On 30 June, 2016 investment make:

- to VŠĮ " Žaliasis taškas" - EUR 4 344.

Investments in accounting of the Company shall be accounted for at net cost because securities of companies are not quoted and losses in respect of value would not have a significant impact on financial statement of the Company

Note No 04 – Stocks and Prepayments

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.

	30-06-2016	31-12-2015
Raw materials	538	558
Production in progress	113	108
Produced goods	121	125
Goods for reselling	2	3
Prepayments	74	92
Contracts in progress		
Total	**849**	**886**

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

	30-06-2016	30-06-2015
Inventories expenses	1 427	1 632

Advance payments: payments to suppliers for raw materials. These are the foreign malt and cans packaging suppliers (EUR 32 thousand), the deposit for STI for exportation of excisable goods (EUR 36 thousand), and other prepayments to suppliers (EUR 6 thousand).

The Company has pledged all stocks.

(thousand Euro, unless otherwise indicated)

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 05 - Receivable sums in one year

	30-06-2016	31-12-2015
Customer receivables	1 382	742
Other amounts receivables	4	5
Total	**1 386**	**747**

Note No 06 – Cash

	30-06-2016	31-12-2015
Bank accounts	15	6
Cash on hand	1	
Cash in the stores	12	5
Deposited funds	83	83
Total	**112**	**95**

Deposited funds purpose - to vouch paying the excise duty for the production which is taken from the warehouse.

Note No 07 – The private capital

The authorized capital of the Company on 30th June, 2016 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 30th June, 2016 was EUR 1 715 128 – 55 % 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 2016 six-month of the reporting cycle due to the depreciation of the reassessed part of the assets is EUR 50 972.

The Company does not have a compulsory reserve formed following the law since 30th June, 2016.

During reporting financial period Company incurred losses EUR 210 293.

(thousand Euro, unless otherwise indicated)

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 08 – Loans and borrowings

	Note	30-06-2016	31-12-2015
Financial leasing for SWED bank leasing	a)	0	3
Financial leasing for Šiaulių bank leasing	b)	12	17
Laumžirgiai, UAB loan	c)	939	939
Respublikos investicija, UAB loan	d)	3 534	3 601
Accumulated taxes arrears	e)	646	579
Interest payable for the loans	f)	50	35
Other loans	g)	100	100
Total obligations		**5 281**	**5274**
Minus: short-term part		(794)	(997)
Total long-term part		**4 487**	**4 277**

a) Finance lease (leasing) from Swedbank Leasing;
b) Finance lease (leasing) from Siauliu bank leasing UAB. Final instalment payment date: 28-08-2020;
c) On 25-10-2011 Laumžirgiai UAB took over the claim from O. Shabaeva towards the entire debt accruing according to order of 10-02-2010 of Siauliai District Court and order of the Court of Appeal of Lithuania of 24-01-2011. The loan has to be repaid till 10-06-2023 according to the signed repayment schedule;
d) On 25-04-2007 by agreement Ukio Bankas transferred the claim right to loan of Respublikos investicija, UAB. On 2013 November 12 signed debt payment arrangement agreement setting forth the obligation to size LTL 14 503 025.21(EUR 4 200 366), and approved of the debt repayment schedule by December 30-09-2022.
e) The tax arrears under the 09-09-2015, 01-12-2015, 25-04-2016 contracts. Returns provided by 20-02-2018.
f) Interest payable according to loan agreement of Laumžirgiai UAB and Respublikos investicija UAB.
g) Short term loans for the raw material purchasing.

All loans and other financial debts are denominated in Euro on 30 June 2016. Tax interest on loans is set by the Ministry of Finance of the Republic of Lithuania on a quarterly basis. Financial leasing interest rates are variable and are established in accordance with a 6-month EURIBOR or VILIBOR plus a fixed margin. Loan interest of Laumžirgiai UAB and Respublikos investicija UAB has been set at 4 per cent.

The company has pledged for the loan its long-term assets with balance value on 30-06-2016 being EUR 7 223 thousand (in 31-12-2015 EUR 7 015 thousand), all stocks, 19 trademarks, cash in banks SEB and SWEDBANKAS, land lease law.

(thousand Euro, unless otherwise indicated)

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No. 9 - Deferred tax liabilities

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

	30-06-2016	31-12-2015
Deferred tax assets	29	29
Deferred tax liabilities	483	492

Note No 10 – Current liabilities

	30-06-2016	31-12-2015
Trade loans	1 501	1 066
Prepayments received	23	22
Liabilities related with labor relations	426	331
Other current liabilities	385	326
Total	**2 335**	**1 745**

Note No 11 - Business segment

Information about sales of key segments.

	30-06-2016	30-06-2015
Lithuanian market	3 478	3 434
Export	629	932
Total	**4 107**	**4 366**

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

Sale distribution of the Company by geographical regions is described in the Table below.

	30-06-2016	30-06-2015
Lthuania	84.71 %	78.64%
Europe Union	9.89 %	11.01%
East Europe	0.38 %	0.50%
Africa states	2.27 %	8.42%
USA, Canada	2.76 %	1.43%

(thousand Euro, unless otherwise indicated)

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 11 - Business segment (continued)

Clients in case of whom sales constituted up over 10 % of the total scope of sales are provided in the Table below.

	30-06-2016	30-06-2015
MAXIMA LT UAB	18.12 %	11.47 %
RIVONA UAB	10.98 %	10.75 %
RIMI LIETUVA UAB	10.06 %	7.42 %

Note No 12 - Other expenses

	30-06-2016	30-06-2015
Cost of sales	398	225
Energetics	259	295
Maintenance and operating costs incurred for fixed assets	14	23
Cost of premises lease	11	18
Cost of economic activities	23	25
Other costs	82	72
	787	**658**

Note No 13 - Results from financial and investment activities

	30-06-2016	30-06-2015
a) Incomes from financial and investment activities	**0**	**0**
- other incomes	0	0
- the positive influence of the currency Exchange rate	0	0
b) Expenses of the financial and investment activities	**116**	**116**
- expenses on interest	95	105
- the negative influence of the currency exchange rate	0	0
- expenses on fines	21	11

Note No 14 - Subsequent events

It was no subsequent events after the reporting date.

BUSINESS CONTINUITY

Three month financial accountability for 30 June, 2016 is prepared on the base of the business continuity.

INTERIM REPORT FOR THE 6 MONTH OF THE YEAR 2016

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 month of the year 2016 ended 30 June 2016.

1.2. Key Data on the Issuer

Name	Gubernija AB
Legal status	Stock Company
Registration date	The Company was registered on May 5,1993
Company code	144715765
VAT payer‘s code	LT 447157610
Authorized capital	3 064 626.66 EUR, comprising 16 129 614 ordinary shares at par value of 0.19 LTL each.
Address	Dvaro str. 179, LT-76176 Šiauliai, Lithuania
Telephone	(+370 41) 591900
Fax	(+370 41) 591911
E-mail address	info@gubernija.lt
Internet website	www.gubernija.lt

1.3. Type of the Issuer's main activities

The Company's main activity is production of beer, beer drinks and kvass.

1.4. Agreements with intermediaries of public trading in securities

The company has signed an agreement with the financial brokerage company Siaulių bankas, AB

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

1.5.1. Ordinary shares of Gubernija AB were admitted to the additional trading list of NASDAQ Vilnius Stock Exchange.
Type of shares – ordinary registered shares;
Number of shares – 14 160 946;
Total nominal value – 2 690 579.74 EUR;
VP ISIN code – LT0000114357;

1.5.2. At the 30 June 2016 Gubernija AB 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

The stock company Gubernija is the oldest and the fourth largest beer producer in Lithuania and the second kvass producer (Nielsen data), sells its production in Lithuania and exports to the United States, Russia, Africa, the European Union countries. The products are made of high quality by using traditional production techniques: a natural maturing method of beer production is carried out by the classical technique, stabilizers and other synthetics are not used. In the structure of the company manufactured products in six months of 2016 beer accounts for about 70 %, Kvass and kvass drinks about 30 %.

Six months of 2016 product sales revenue compared to the same period last year decreased by EUR 259 thousand or 5.93 percent. During this period was incurred loss EUR 210 thousand. The main reason of loss – is decreased ammount of export.

In order to maintain the position of maintaining the current profitability Gubernija must look for ways to reduce the cost of product so that profitable to sell in the Lithuanian market at competitive prices.

Gubernija management currently sees two investments, which could help save the position in the Lithuanian beer market:

- Invest in new designs of bottles of beer and kvass acquisition and new labeling equipment;
- Energy-intensive, low-performing equipment replacement (bottle washing and disinfecting machine replacement).
-

Both directions of investment in 2016 would require additional funds, but would allow a reduction of the production cost of about 5%, and the opportunity to increase sales by 15-20% in 2017 while maintaining the same product profitability.

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 3D-45 (Žin., 2005, No 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, No 7 – 252), and the standard of the enterprise Beer drinks ĮST 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.

2. THE INFORMATION PROVIDED FOR IN ARTICLE 25 OF THE LAW ON FINANCIAL STATEMENTS OF ENTITIES OF THE REPUBLIC OF LITHUANIA (continued)

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 (continued)

Technical- technological factors (continued)

Food safety control is performed according to the installed plan for the food security system which consists of tha 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, anr the requirements of the hygiene norms.

Description of main types of risk and indeterminacy faced by the company

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 Gubernija AB 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

Key figures, LTL thousand	30 06 2016	30 06 2015
Turnover	4 107	4 366
Profit before taxes, interests and depreciation (EBITDA)	138	235
Profit (loss)	(219)	(124)
Investment in property, plant and equipment	0	29
Number of employees	159	174

Main quality management and environmental principles:

The production of Gubernija AB 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 efluent pollution. To perform its activities the Company has the programmes for collecting the tare, collects and uses it, and takes

2. THE INFORMATION PROVIDED FOR IN ARTICLE 25 OF THE LAW ON FINANCIAL STATEMENTS OF ENTITIES OF THE REPUBLIC OF LITHUANIA (continued)

2.2. Analysis of financial and non-financial activity results, information related to environment and personnel issues (continued)

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 2016. 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 June 2016 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 nod acquired and has not transferred.

2.6. Information about branches and representative offices

The Company has 4 its branded stores in major cities of Lithuania: Siauliai and Klaipeda.

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 2016:

- Expected sales close to EUR 8.5 million;
- Expected EBITDA profitability around 7.5 %;
- Expected net profit margin around -1.6 %.

2. THE INFORMATION PROVIDED FOR IN ARTICLE 25 OF THE LAW ON FINANCIAL STATEMENTS OF ENTITIES OF THE REPUBLIC OF LITHUANIA (continued)

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

There were no investments into the long term assets during the reporting period.

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 EUR 3 064 626.66. The authorized capital is divided into 16 129 614 ordinary shares (nominal value 0.19 EUR). All ordinary registered shares of AB Gubernija are fully paid. Stock transfer restrictions do not apply.

3.2. Restrictions applicable upon the transfer of securities

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.

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 April 6 of 2016 total number of company's shareholders was 312. Shareholders that got ownership to hold more than 5% of authorized capital and votes of stock company„Gubernija" are as follows:

3. OTHER INFORMATION ABOUT THE ISSUER (continued)

3.3. Shareholders (continued)

Shareholder	Number of shares, units	Share of the capital %	Share of votes with related persons %
Vitas Tomkus	4.609.703	28.58	38.53
Respublikos" spaustuvė UAB, Smetonos str. 2, Vilnius, c.c. 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
Javelin finance, Siute 4, 41 Lower Baggot street, Dublin, Airija, c. c. 221234	1.752.712	10.87	39.97
Sigitas Vilciauskas	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 with 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

Shareholders Larissa Afanasjeva and Takhir Shabaev has transferred by mandate its voting rights to Sigitas Vilčiauskas.

3.7. Employees

	30 06 2016	30 06 2015
Average number of Employees	**159**	**175**
With University education	35	36
With College education	48	55
With secondary education	72	79
With not completed secondary education	4	5

	30 06 2016	30 06 2015
Average Salary, LTL		
Management	2 585	2 646
Specialists	735	770
Workers	613	571

3. OTHER INFORMATION ABOUT THE ISSUER (continued)

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 Manager. 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	25.04.2013	24.04.2017
Lina Dunauskaite	Member of the Board	0	0	25.04.2013	24.04.2017
Augustinas Radavicius	Member of the Board	0	0	25.04.2013	24.04.2017
Sigitas Vilciauskas	Member of the Board	0	0	25.04.2013	24.04.2017
Muradas Bakanas	Member of the Board	0	0	25.04.2013	24.04.2017

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 Dunauskiene	General Manager	482 708	2.99	21 229
Vygintas Buivys	Cheaf accountant-finance director	0	0	14 066

3. OTHER INFORMATION ABOUT THE ISSUER (continued)

3.10. Members of the collegial bodies, the management of the Company (continued)

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 Sindriunas	External auditor (UAB „Erpas")	0	0	25.04.2014	24.04.2018
Rolandas Lideikis	The Economist	0	0	25.04.2014	24.04.2018
Audronė Neimantaite	Debt collection lawyer	0	0	25.04.2014	24.04.2018

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 if 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. DATA ON THE PUBLICLY DISCLOSED INFORMATION

All the publicly disclosed information is available at www.gubernija.lt

Summary of Company's published information during the 6 month of the 2016:

Date of event	Description
25.01.2016	Regarding the announcement of interim information
26.02.2016	Gubernija, AB interim information for twelve months of 2015
22.03.2016	Notice of the Ordinary General Shareholders Meeting of Gubernija AB
05.04.2016	Audited activity results of Gubernija AB of the year 2015
13.04.2016	Decisions of the Ordinary General Meeting of Shareholders of Gubernija AB
13.04.2016	Gubernija AB annual information for the year 2015
30.05.2016	Gubernija, AB unaudited activity result for the first quarter of 2016

5. 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.

Company's annual report approved and signed on 30 August 2016.

General Manager Vijoleta Dunauskiene

Finance Director Vygintas Buivys