



AKCINĖ BENDROVĖ

**GUBERNIJA, AB Interim report and interim financial statements
For the six months period ended 30 June 2018
(unaudited)**

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GUBERNIJA AB

Company code 144715765, Dvaro g. 179, Šiauliai

INFORMATION ABOUT COMPANY

For the six months period ended 30 June 2018

(All amounts are in thousand EUR)

INFORMATION ABOUT COMPANY

NAME OF THE COMPANY	GUBERNIJA AB
LEGAL FORM	Public limited liability company
DATE OF REGISTRATION	5th May 1993
COMPANY CODE	144715765
SHARE CAPITAL	3 064 626,66 EUR
REGISTERED OFFICE	Dvaro st. 179, LT-76176 Šiauliai, Lithuanian Republic
NAME OF REGISTER OF LEGAL ENTITIES	VĮ registry centras
TELEPHONE NUMBER	+370 41 591900
FAX NUMBER	+370 41 591911
E-MAIL	info@gubernija.lt
INTERNET ADRESS	www.gubernija.lt
MAIN ACTIVITIES	Production and sale of beer, beer drinks and kvass
AUDITOR	Grant Thornton Baltic UAB

31st of August, 2018, Šiauliai

GUBERNIJA AB
Company code 144715765, Dvaro g. 179, Šiauliai
INTERIM REPORT

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(All amounts are in thousand EUR)

INTERIM REPORT

1. GENERAL INFORMATION

Reporting period

Six months period ended 30 June 2018.

Issuer and its contact details

Name	Gubernija AB
Legal form	Public company (joint-stock company)
Date of registration	5 May 5, 1993
Company code	144715765
Address	Dvaro str. 179, LT-76176 Šiauliai, Lithuania
Telephone number	(+370 41) 591900
Fax number	(+370 41) 591911
E-mail address	info@gubernija.lt
Internet address	www.gubernija.lt

Main activity

Production and sale of beer, beer drinks and kvass.

Information regarding material shares of other companies owned directly or indirectly

Company does not own, directly or indirectly, any material shares of other companies.

Information on agreements with intermediaries of public trading in securities

The Company has signed an aforementioned agreement with Šiaulių bankas AB

Data about securities traded on regulated market

Type of shares	Number of shares	Nominal value, EUR	Total nominal value, EUR	Issue code
Ordinary registered shares	14 160 946	0,19	2 690 579,74	LT0000114357

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

2.1. Objective overview of the company's financial position, performance and development, description of exposure to key risks and uncertainties

Economic conditions

The joint-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.

Over the last two years the excise tax rose by 189 % (from 2.46 to 7,11 per 1% of the actual alcoholic strength by volume per hectolitre). The recent hikes in excise duty prompted the rise of beer prices, which led to decrease in demand, increased price competition and lower profitability volumes.

In the first half of 2018 product sales revenue compared to the same period last year decreased by EUR 513 thousand or 17 percent. During the reporting period company incurred a net loss of EUR 398 thousand (2018 I half – EUR 211 thousand.).

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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 JST 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 uncertainties 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 AB „Gubernija” continue proceeding, which might make a negative influence on company's money flows and results of activity.

Main features of Company's internal control and risk management systems related to preparation of financial statements

The Company's financial statements are prepared in accordance with the Business Accounting Standards. Chief financial officer (CFO) supervises preparation of the financial statements, systems of internal control and financial risk management and how the Company follows legal acts that regulate preparation of financial statements. CFO of the Company is responsible for the preparation supervision and the final revision of financial statements. He constantly reviews Business Accounting Standards in order to implement in time BAS changes, analyses Company's significant transactions, ensures timely and fair preparation of information for the financial statements. In order to ensure that financial statements are prepared correctly and on time, Company has established appropriate rules and procedures which regulate the principles, methods, and rules of accounting, preparation and submission of financial statements. Information on the types and management of financial risks that Company faces is presented in Financial risk management part in the notes to the financial statements.

2.2. Analysis of financial and non-financial performance, information on environmental and personnel-related issues

Key figures	2018 6 months	2017 6 months	Change, %
Turnover	3.151	4.059	-22%
Excise duty	630	1.025	-39%
Sales without excise duty	2.521	3.034	-17%
Export	743	684	9%
Gross profit	937	1.064	-12%
Net profit (loss)	(398)	(211)	-89%
Profit before taxes, interests and depreciation (EBITDA), excluding one-off items	(88)	114	-

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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 forage for the cattle. Due to the need to wash the containers and to disinfect them at the end of the production, there are over norms 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 twelve months of year 2017. 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. Additional information regarding data provided in interim financial statements

All necessary information and clarifications were provided in interim financial statements.

2.4. The number and nominal value of the Company's own shares acquired and held. The percentage of the Company's authorised share capital they represent

Company did not possess any own shares at the end of the reporting period.

2.5. The number and nominal value of the Company's own shares acquired and disposed during the reporting period. The percentage of the Company's authorised share capital they represent

Company neither acquired nor disposed of its own shares during the reporting period.

2.6 Information regarding the payment for acquisition and disposal of own shares

Company neither acquired nor disposed of its own shares during the reporting period.

2.7 Company's reasons for acquisition of own shares during the reporting period

Company did not acquire any own shares during the reporting period.

2.8. Information on the Company's branches and representative offices

At the end of the reporting period Company did not possess any established branches or representative offices.

2.9. Information regarding significant events after completion of financial reports

On August 21st, 2018 the Company submitted the request regarding the delisting of AB “GUBERNIJA” shares from NASDAQ Vilnius AB Additional Trading List.

2.10. Company's business plans and perspectives

In reporting period, the main focus of the Company was related to increase in sales, operating efficiency, decrease of costs, increased attention to profitability margins, optimisation of inventory levels and stable cash flows. All the implemented measures and the change of shareholders provide the Company with a good possibility to reach better results in the coming years.

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3. OTHER INFORMATION

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.

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

Shareholders of the Company as at 30th June:

Shareholder	30-06-2018		30-06-2017	
	Number of shares	Share, %	Number of shares	Share, %
AB "MV GROUP Production"	15.574.154	96,56%	-	0,00%
Vitas Tomkus	-	0,00%	4.609.703	28,58%
Romualdas Dunauskas	-	0,00%	4.210.959	26,11%
Javelin Finance	-	0,00%	1.752.712	10,87%
Larisa Afanaseva	-	0,00%	1.683.572	10,44%
UAB "Respublikos spaustuvė"	-	0,00%	1.604.981	9,95%
Takhir Shabaev	-	0,00%	851.604	5,28%
Vijoleta Dunauskienė	-	0,00%	482.708	2,99%
Kiti	555.460	3,44%	933.375	5,78%
Iš viso	16.129.614	100,00%	16.129.614	100,00%

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

To the Company's knowledge there no shareholder agreements due to which the securities transfer and (or) voting rights could be restricted.

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3.7. Employees

Number of employees	30-06-2018	30-06-2017
Average number of Employees	134	152
With University education	34	33
With College education	40	47
With secondary education	58	68
With not completed secondary education	2	4
Average monthly salary, EUR	2018	2017
	6 months	6 months
Management	1.402	2.372
Specialists	796	806
Workers	660	656

3.8. Change of 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

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 management bodies, the management of the Company

Algirdas Čiburys has been appointed as CEO of the Company since 28th of March 2018.

New Board, elected on annual general meeting of shareholders at 24th of May, 2018:

Name, Surname	Position Issuer	Number of shares owned	Owned share of authorized capital, %	Election date	End of term
Darius Juozas Mockus	Chairman	-	-	2018-05-24	2022-05-24
Vytis Mockus	Member	-	-	2018-05-24	2022-05-24
Artūras Listavičius	Member	-	-	2018-05-24	2022-05-24
Rolandas Vingilis	Memeber	-	-	2018-05-24	2022-05-24
Marijus Cilcius	Memeber	-	-	2018-05-24	2022-05-24

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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.

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4. DATA ON THE PUBLICLY DISCLOSED INFORMATION

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

Summary of Company's published information in first half of 2018:

Announc. date	Summary
28-02-2018	Gubernija AB interim information for twelve months of 2017
26-03-2018	Notice on the Competition Council permission to AB "MV GROUP Production"
27-03-2018	Notification of a person on the acquisition of a block of shares
27-03-2018	Notifications on the transactions concluded by managers in issuer's securities
27-03-2018	Notice of the Extraordinary General Shareholders Meeting of Gubernija AB
28-03-2018	Notification on disposal of a block of shares
28-03-2018	Concerning resignation of board members and change of general manager of AB "GUBERNIJA"
28-03-2018	Notification on acquisition of a block of shares
28-03-2018	CORRECTION: Notification of persons regarding disposal of voting right
29-03-2018	Notification of persons regarding disposal of voting right
29-03-2018	Notifications on the transactions concluded by managers in issuer's securities
30-03-2018	Notification about disposal of voting rights
03-04-2018	Notification on the intention to submit a non-competitive mandatory tender offer
10-04-2018	Regarding supplementation of the agenda of convoked on 20 April 2018 extraordinary General Shareholders' Meeting of AB „Gubernija“
20-04-2018	The Ordinary General Meeting of Shareholders was not held
02-05-2018	Notice of the Annual General Meeting of AB "GUBERNIJA" shareholders
04-05-2018	Amended information on transactions concluded by former managers of the company
08-05-2018	Director of the Supervision Service of the Bank of Lithuania approved the offering circular for mandatory offer of the shares of limited liability company "GUBERNIJA" intended for purchase
10-05-2018	Additional information related to the offering circular for mandatory offer of the shares of limited liability company "GUBERNIJA" price substantiation (supplement of 8th May, 2018 release)
24-05-2018	Decisions of the Annual General Meeting of Shareholders held on 24th May 2018
24-05-2018	Opinion on the Announced Official Offer of the Board of AB "GUBERNIJA" (the Company Whereof Shares Are Covered by the Official Offer)
24-05-2018	Chairman of the board of AB "GUBERNIJA" was elected
24-05-2018	AB "GUBERNIJA" annual information for the year 2017
29-05-2018	Notification on acquisition of a block of shares
29-05-2018	The report on the implementation of tender offer was received
31-05-2018	GUBERNIJA AB interim report for three months period ended 31 March 2018
11-06-2018	Notice on the intent to remove the shares of AB "GUBERNIJA" from NASDAQ Vilnius AB stock exchange secondary list and to suspend public offer of shares
11-06-2018	Notice of the extraordinary shareholder's meeting of AB "GUBERNIJA" shareholders

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.

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FINANCIAL STATEMENTS

For the six months period ended 30 June 2018

(All amounts are in thousand EUR)

INCOME STATEMENT

For the six months period ended 30 June 2018

No.	items	2018 6 months	2017 6 months
1.	Sales	2.521	3.034
2.	Cost of sales	(1.584)	(1.970)
3.	Biological assets market value change	-	-
4.	GROSS PROFIT (LOSS)	937	1.064
5.	Selling expenses	(150)	(254)
6.	General and administrative expenses	(1.171)	(906)
7.	Other activity results	57	(1)
8.	Income from investments into group and associated companies shares	-	-
9.	Income from other long term investments and loans	-	-
10.	Interest and similar income	-	-
11.	Financial assets and short term investments revaluation loss	-	-
12.	Interest and similar expenses	(77)	(120)
13.	PROFIT (LOSS) BEFORE TAX	(404)	(217)
14.	Profit tax	6	6
15.	NET PROFIT (LOSS)	(398)	(211)

No.	items	2018 II quarter	2017 II quarter
1.	Sales	1.533	1.763
2.	Cost of sales	(795)	(1.071)
3.	Biological assets market value change	-	-
4.	GROSS PROFIT (LOSS)	738	692
5.	Selling expenses	(55)	(118)
6.	General and administrative expenses	(756)	(520)
7.	Other activity results	55	(3)
8.	Income from investments into group and associated companies shares	-	-
9.	Income from other long term investments and loans	-	-
10.	Interest and similar income	-	-
11.	Financial assets and short term investments revaluation loss	-	-
12.	Interest and similar expenses	(30)	(56)
13.	PROFIT (LOSS) BEFORE TAX	(48)	(5)
14.	Profit tax	3	1
15.	NET PROFIT (LOSS)	(45)	(4)

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BALANCE SHEET

For the six months period ended 30 June 2018

No.	items	30 06 2018	31 12 2017
	ASSETS		
A.	NON-CURRENT ASSETS	6.848	7.022
1.	INTANGIBLE ASSETS	10	14
1.1.	Research and development	-	-
1.2.	Goodwill	-	-
1.3.	Computer software	6	8
1.4.	Concessions, patents, licences, trademarks and similar rights	-	-
1.5.	Other intangible assets	4	6
1.6.	Prepayments and intangible assets contracts in progress	-	-
2.	TANGIBLE ASSETS	6.767	6.937
2.1.	Land	-	-
2.2.	Buildings	4.761	4.803
2.3.	Machinery and equipment	1.965	2.076
2.4.	Vehicles	24	35
2.5.	Other equipment and tools	17	23
2.6.	Investment property	-	-
2.6.1.	Land	-	-
2.6.2.	Buildings	-	-
2.7.	Prepayments and tangible assets construction in progress	-	-
3.	FINANCIAL ASSETS	4	4
3.1.	Group companies shares	-	-
3.2.	Loans to group companies	-	-
3.3.	Accounts receivable from group companies	-	-
3.4.	Associated companies shares	-	-
3.5.	Loans to associated companies	-	-
3.6.	Accounts receivable from associated companies	-	-
3.7.	Long term investments	4	4
3.8.	Accounts receivable after one year	-	-
3.9.	Other financial assets	-	-
4.	OTHER LONG TERM ASSETS	67	67
4.1.	Deferred profit tax assets	67	67
4.2.	Biological assets	-	-
4.3.	Other assets	-	-
B.	CURRENT ASSETS	1.934	1.223
1.	STOCK	597	475
1.1.	Stock, raw and exploitative materials	288	217
1.2.	Production and contracts in progress	84	76
1.3.	Production	111	113
1.4.	Purchased goods for resale	13	-
1.5.	Biological assets	-	-
1.6.	Fixed tangible assets, held for resale	-	-
1.7.	Prepayments	101	69
2.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	1.256	703
2.1.	Trade receivables	1.117	700
2.2.	Group companies receivables	7	-
2.3.	Associated companies receivables	-	-
2.4.	Other accounts receivable	132	3
3.	CURRENT INVESTMENTS	-	-
3.1.	Group companies shares	-	-
3.2.	Other investments	-	-
4.	CASH AND CASH EQUIVALENTS	81	45
C.	FUTURE EXPENSES AND ACCUMULATED RECEIVABLE INCOME	48	8
	TOTAL ASSETS	8.830	8.253

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BALANCE SHEET (continued)

For the six months period ended 30 June 2018

No.	items	30 06 2018	31 12 2017
	EQUITY AND LIABILITIES		
D.	EQUITY	(94)	304
1.	Capital	3.065	3.065
1.1.	Authorized or main capital	3.065	3.065
1.2.	Underwritten but not paid in capital (–)	-	-
1.3.	Own shares (–)	-	-
2.	SHARE PREMIUM	-	-
3.	REVALUATION RESERVE	2.833	2.867
4.	RESERVES	-	-
4.1.	Compulsory reserve	-	-
4.2.	For purchase of own shares	-	-
4.3.	Other reserves	-	-
5.	UNDISTRIBUTED PROFIT (LOSS)	(5.992)	(5.628)
5.1.	Current period's net profit (loss)	(364)	(1.163)
5.2.	Previous periods' net profit (loss)	(5.628)	(4.465)
E.	GRANTS, SUBSIDIES	-	-
F.	PROVISIONS	725	731
1.	Provisions for pension and similar liabilities	-	-
2.	Tax provisions	476	482
3.	Other provisions	249	249
G.	ACCOUNTS PAYABLE AND LIABILITIES	8.194	7.218
1.	ACCOUNTS PAYABLE AFTER ONE YEAR AND OTHER LONG TERM LIAB.	4.392	4.128
1.1.	Debt liabilities	4	4.128
1.2.	Debts to credit institutions	-	-
1.3.	Prepayments received	-	-
1.4.	Trade payables	-	-
1.5.	Bills and cheques payables	-	-
1.6.	Group companies payables	4.388	-
1.7.	Associated companies payables	-	-
1.8.	Other accounts payable and long term liabilities	-	-
2.	ACCOUNTS PAYABLE WITHIN ONE YEAR AND OTHER SHORT TERM LIAB.	3.802	3.090
2.1.	Debt liabilities	2	852
2.2.	Debts to credit institutions	-	-
2.3.	Prepayments received	302	32
2.4.	Trade payables	587	1.477
2.5.	Bills and cheques payables	-	-
2.6.	Group companies payables	2.517	-
2.7.	Associated companies payables	-	-
2.8.	Profit tax payable	-	-
2.9.	Liabilities related to working contracts	309	423
2.10.	Other accounts payable and short term liabilities	85	306
H.	ACCUMULATED EXPENSES AND FUTURE INCOME	5	-
	TOTAL EQUITY AND LIABILITIES	8.830	8.253

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STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2018

	Authorized or main capital	Share premium	Own shares (-)	Revaluation reserve		Legal reserves		Other reserves	Undistributed profit (loss)	Total
				Fixed tangible assets	Fixed tangible assets	Compulsory	For purchase of own shares			
1. Balance at the end of the year prior to previous reporting period	3.065	-	-	2.934	-	-	-	-	(4.465)	1.534
2. Result due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-
3. Result due to correction of significant errors	-	-	-	-	-	-	-	-	-	-
4. Adjusted balance at the end of the year prior to previous reporting period	3.065	-	-	2.934	-	-	-	-	(4.465)	1.534
5. Tangible assets value increase (decrease)	-	-	-	-	-	-	-	-	-	-
6. Increase (decrease) due to implemented hedges	-	-	-	-	-	-	-	-	-	-
7. Acquisition (sale) of own shares	-	-	-	-	-	-	-	-	-	-
8. Unrecognized profit (loss) for the reporting period	-	-	-	(67)	-	-	-	-	67	-
9. Net profit (loss) for the reporting period	-	-	-	-	-	-	-	-	(1.230)	(1.230)
10. Dividends	-	-	-	-	-	-	-	-	-	-
11. Other payouts	-	-	-	-	-	-	-	-	-	-
12. Reserves established	-	-	-	-	-	-	-	-	-	-
13. Reserves utilised	-	-	-	-	-	-	-	-	-	-
14. Share capital increase (decrease)	-	-	-	-	-	-	-	-	-	-
15. Shareholder contributions for loss cover	-	-	-	-	-	-	-	-	-	-
16. Balance at the end of the previous reporting period	3.065	-	-	2.867	-	-	-	-	(5.628)	304
17. Tangible assets value increase (decrease)	-	-	-	-	-	-	-	-	-	-
18. Increase (decrease) due to implemented hedges	-	-	-	-	-	-	-	-	-	-
19. Acquisition (sale) of own shares	-	-	-	-	-	-	-	-	-	-
20. Unrecognized profit (loss) for the reporting period	-	-	-	(34)	-	-	-	-	34	-
21. Net profit (loss) for the reporting period	-	-	-	-	-	-	-	-	(398)	(398)
22. Dividends	-	-	-	-	-	-	-	-	-	-
23. Other payouts	-	-	-	-	-	-	-	-	-	-
24. Reserves established	-	-	-	-	-	-	-	-	-	-
25. Reserves utilised	-	-	-	-	-	-	-	-	-	-
26. Share capital increase (decrease)	-	-	-	-	-	-	-	-	-	-
27. Shareholder contributions for loss cover	-	-	-	-	-	-	-	-	-	-
28. Balance at the end of the reporting period	3.065	-	-	2.833	-	-	-	-	(5.992)	(94)

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FINANCIAL STATEMENTS

For the six months period ended 30 June 2018

(All amounts are in thousand EUR)

CASH FLOW STATEMENT

For the six months period ended 30 June 2018

No.	items	2018 6 months	2017 6 months
1.	Cash flows from operating activities		
1.1.	Net profit (loss)	(398)	(211)
1.2.	Depreciation and amortisation expenses	184	211
1.3.	Elimination of gain from disposal of non-current tang. and intangible assets	(6)	-
1.4.	Elimination of financing and investing activities results	77	83
1.5.	Elimination of other not cash related activity results	-	-
1.6.	(Increase) decrease in receivables from group and associated companies	-	-
1.7.	(Increase) decrease in other amounts receivable after one year	-	-
1.8.	(Increase) decrease in deferred profit tax	-	-
1.9.	(Increase) decrease in inventories, excluding prepayments	(88)	(58)
1.10.	(Increase) decrease in prepayments	(32)	77
1.11.	(Increase) decrease in trade receivables	(420)	(336)
1.12.	(Increase) decrease in trade receivables from group and associated companies	(3)	-
1.13.	(Increase) decrease in other amounts receivable	(129)	(144)
1.14.	(Increase) decrease in current investments	-	-
1.15.	(Increase) decrease in future expenses and accumulated receivable income	(42)	2
1.16.	Increase (decrease) in provisions	(6)	-
1.17.	Increase (decrease) in non-current trade payables and prepayments	-	-
1.18.	Increase (decrease) in non-current bills and cheques payables	-	-
1.19.	Increase (decrease) in non-current group and assoc. companies payables	-	-
1.20.	Increase (decrease) in current trade payables and prepayments	(606)	512
1.21.	Increase (decrease) in current bills and cheques payables	-	-
1.22.	Increase (decrease) in current group and associated companies payables	32	-
1.23.	Increase (decrease) in profit tax payable	-	(6)
1.24.	Increase (decrease) in liabilities related to working contracts	(114)	(16)
1.25.	Increase (decrease) in other accounts payable and liabilities	(222)	119
1.26.	Increase (decrease) in accumulated expenses and future income	7	(6)
	Net cash flows from operating activities	(1.766)	227
2.	Cash flows from investing activities		
2.1.	Acquisition of non-current assets, excluding investments	(13)	(1)
2.2.	Disposal of non-current assets, excluding investments	8	-
2.3.	Acquisition of long-term investments	-	-
2.4.	Disposal of long-term investments	-	-
2.7.	Loans granted	-	-
2.8.	Loan repayments received	-	-
2.9.	Dividends and interest received	-	-
2.10.	Other increases in cash flows from investing activities	-	-
2.11.	Other decreases in cash flows from investing activities	-	-
	Net cash flows from investing activities	(5)	(1)

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FINANCIAL STATEMENTS

For the six months period ended 30 June 2018

(All amounts are in thousand EUR)

CASH FLOW STATEMENT (continued)

For the six months period ended 30 June 2018

No.	items	2018 6 months	2017 6 months
3.	Cash flows from financing activities		
3.1.	Cash flows related to company's shareholders	-	-
3.1.1.	Issue of shares	-	-
3.1.2.	Shareholders' contributions covering loss	-	-
3.1.3.	Acquisition of own shares	-	-
3.1.4.	Payment of dividends	-	-
3.2.	Cash flows related to other financing sources	1.807	(186)
3.2.1.	Increase in borrowings	2.445	-
3.2.1.1.	Loans received	2.445	-
3.2.1.2.	Bonds issued	-	-
3.2.2.	Decrease in borrowings	(624)	(186)
3.2.2.1.	Loans repaid	(562)	(120)
3.2.2.2.	Bonds redeemed	-	-
3.2.2.3.	Interest paid	(62)	(65)
3.2.2.4.	Financial lease payments	-	(1)
3.2.3.	Increase in other liabilities of the company	-	-
3.2.4.	Decrease in other liabilities of the company	-	-
3.2.5.	Other increases in cash flows from financing activities	-	-
3.2.6.	Other decreases in cash flows from financing activities	(14)	-
	Net cash flows from financing activities	1.807	(186)
4.	Foreign exchange effect on the balance of cash and cash equivalents	-	-
5.	Net increase (decrease) in cash flows	36	40
6.	Cash and cash equivalents at the beginning of the reporting period	45	20
7.	Cash and cash equivalents at the end of the reporting period	81	60

GUBERNIJA AB
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NOTES TO THE FINANCIAL STATEMENTS

For the six months period ended 30 June 2018
(All amounts are in thousand EUR)

GENERAL INFORMATION

GUBERNIJA AB (hereinafter "the Company") is a private company registered with the Register of Legal Entities on 5 May 1993 in accordance with the Lithuanian Law on Register of Companies.

The main activity of the Company is production and sales of beer, beer drinks and kvass.

Shareholders of the Company as at 30th June:

Shareholder	30-06-2018		30-06-2017	
	Number of shares	Share, %	Number of shares	Share, %
AB "MV GROUP Production"	15.574.154	96,56%	-	0,00%
Vitas Tomkus	-	0,00%	4.609.703	28,58%
Romualdas Dunauskas	-	0,00%	4.210.959	26,11%
Javelin Finance	-	0,00%	1.752.712	10,87%
Larisa Afanaseva	-	0,00%	1.683.572	10,44%
UAB "Respublikos spaustuvė"	-	0,00%	1.604.981	9,95%
Takhir Shabaev	-	0,00%	851.604	5,28%
Vijoleta Dunauskienė	-	0,00%	482.708	2,99%
Kiti	555.460	3,44%	933.375	5,78%
Iš viso	16.129.614	100,00%	16.129.614	100,00%

At 27th of March 2018 company MV GROUP Production AB acquired 94,21% of Company shares from the previous main shareholders of the Company. On subsequent mandatory tender offer MV GROUP Production AB acquired additional 2,34% of Company shares.

Statement of compliance

The interim 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.

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 and buildings which are stated at revalued amount.

The preparation of financial statements in conformity with Business Accounting Standards 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.

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Information related to excise duties accounting in sales and costs of sales

Since 01-01-2018 Company does not include accounted excise duties in sales and costs sales in its income statement.

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

Equity

The authorized capital of the Company on 30th June, 2018 is EUR 3 065 thousand. 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, 2018 stood at -94 EUR thousand. The company's management believes, that the change in shareholders, which occurred on 27th of March, 2018, will allow the Company to solve its issues with equity shortage until the end of the year 2018.

Debts liabilities and debts to credit institutions

	30-06-2018	31-12-2017
MV GROUP UAB	6.858	3.358
Tax obligations	-	521
Šiaulių bankas leasing	4	6
Other loans	-	86
Laumžirgiai UAB	-	1.009
Total obligations	6.862	4.980
Short-term part		
MV GROUP UAB	2.517	188
Tax obligations	-	321
Laumžirgiai UAB	-	255
Other loans	-	86
Šiaulių bankas leasing	2	2
Total short-term part	2.519	852
Total long-term part	4.343	4.128

In April of 2018, Company has settled all of its tax obligations under tax loans.

Events after reporting period

On August 21st, 2018 the Company submitted the request regarding the delisting of AB “GUBERNIJA” shares from NASDAQ Vilnius AB Additional Trading List.