



CAPITAL BREWERY COMPANY, INC.

America's #1 Rated Brewery

1998 BTI World Beer Championships

NEWS RELEASE

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For More Information:

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CAPITAL BREWERY REPORTS THIRD CONSECUTIVE YEAR OF PROFITABLE GROWTH

Capital Brewery Company, Inc. today announced results for the year ended May 31, 2006. Net sales increased to \$3,657,178 in 2006 from \$2,862,685 in fiscal year 2005. Net income for fiscal year 2006 was \$138,742.

MIDDLETON, Wis. - Capital Brewery achieved its third consecutive year of profitable growth in the year ended May 31, 2006, reporting net sales of \$3,657,178 and net income of \$138,742. Fiscal year 2006 was marked by significant accomplishments including the highly acclaimed product launch of *Island Wheat*, the completion of the first phase of cellar expansion, and the commencement of a 15,000 barrel expansion project for the company's brewing and cellar facility in Middleton, Wisconsin. We also continued to build our strong team

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by recruiting Catherine Baldauf for our sales team and Brodie Birkel for our Brew House team.

Carl Nolen, Capital Brewery President and CEO, said "The efforts of our employees and the spirit in which they have performed their duties are very much appreciated. We are growing and there is much more to learn. Our opportunity to rise to the occasion and compete as a major player in the Craft Beer segment in the Malt Beverage Industry is there for us. We will navigate the course successfully and meet the challenges "head on." We will succeed."

Sales and Cost of Goods Sold

Net sales (sales net of excise tax and sales discounts) increased to \$3,657,178 in fiscal year 2006, an increase of \$794,493 from the prior year. Gross profit increased to \$1,235,600 from the prior year gross profit of \$1,026,103. The overall gross margin for fiscal year 2006 was 33.8% compared to 35.8% gross margin last year. The decrease in gross margin occurred because the product mix shifted slightly in fiscal year 2006 to a higher percentage of packaged product sales compared to draught product.

Expenses

Sales and marketing expenses in fiscal year 2006 were \$515,406 compared to \$321,740 in fiscal year 2005. The increase in sales and marketing expenses was for the "Island Wheat" product launch and for overall increases in our sales and marketing capabilities. Our sales and marketing efforts continue to focus on our home territory of Wisconsin. Administration expense was \$501,620 in 2006 compared to \$451,572 in 2005. Interest expense increased slightly in fiscal year 2006 due to additional borrowing for new aging tanks in fiscal year 2006.

Liquidity and Capital Resources

As of May 31, 2006, we had working capital of \$659,541, compared to \$525,627 as of May 31, 2005. This

increase of \$133,914 was principally the result of working capital provided by profitable operations (income before depreciation and deferred income tax) totaling \$318,124, less debt repayment of \$145,323.

Capital Brewery's achievements are based on the success factors of our business:

- We can grow our business profitably and will continue to do so.
- Wisconsin is our home and our primary market and presents great opportunity.
- Our employees are the greatest asset of our Company.

"This past year has been another fantastic year for us at Capital Brewery. At the end of the day it's all about the beer," stated Carl Nolen.



**Capital Brewery Company, Inc.
Balance Sheet**

	As of Year End			As of Year End	
	5/31/06	5/31/05		5/31/06	5/31/05
Assets			Liabilities And Stockholders' Equity		
Current Assets			Current Liabilities		
Cash	\$ 125,861	\$ 82,940	Accounts Payable	\$ 229,606	\$ 186,997
Accounts Receivable (Net)	323,999	254,308	Accrued Expenses	121,067	107,293
Inventory	561,520	458,277	Deposits	86,239	59,788
Prepaid Expense	200,025	180,951	Current Portion Debt	114,952	96,772
Total Current Assets	<u>1,211,405</u>	<u>976,477</u>	Total Current Liabilities	<u>551,864</u>	<u>450,850</u>
Property And Equipment			Long-Term Liabilities		
Cost	2,228,603	1,908,195	Deferred Income Tax	86,700	60,900
Less Accumulated Depreciation	(998,729)	(855,447)	Notes Payable	555,820	409,325
Total Property And Equipment	<u>1,229,874</u>	<u>1,052,748</u>	Total Liabilities	<u>1,194,385</u>	<u>921,075</u>
Total Assets	<u>\$2,441,279</u>	<u>\$ 2,029,225</u>	Stockholders' Equity		
			Common Stock	1,504,266	1,504,266
			Retained Earnings (Deficit)	(257,372)	(396,116)
			Total Stockholders' Equity	<u>1,246,894</u>	<u>1,108,150</u>
			Total Liabilities & Stockholders' Equity	<u>\$2,441,279</u>	<u>\$2,029,225</u>

**Capital Brewery Company, Inc.
Statement Of Operations**

	Year Ended	
	5/31/06	5/31/05
Sales	\$3,657,179	\$ 2,862,686
Cost Of Goods Sold	<u>2,421,578</u>	<u>1,836,582</u>
Gross Profit	1,235,601	1,026,103
Expenses		
Sales And Marketing	515,406	321,740
Administration	<u>501,620</u>	<u>451,572</u>
Net Operating Income	218,576	252,792
Other Income & (Expense)		
Other Income	2,700	4
Interest Expense	<u>(41,332)</u>	<u>(32,197)</u>
Net Income Before Taxes	\$179,944	\$220,598
Income Tax Expense		
Current	5,100	-
Deferred	<u>36,100</u>	<u>53,300</u>
Net Income	<u>\$138,744</u>	<u>\$167,298</u>

**Capital Brewery Company, Inc.
Statement Of Cash Flows**

	Year Ended	
	5/31/06	5/31/05
Cash Flows from operating activities		
Net Income	\$138,744	\$167,298
Deferred tax	36,100	53,300
Depreciation	143,282	118,668
Working Capital Changes	(119,475)	14,081
Net Cash provided by Operations	<u>198,651</u>	<u>353,347</u>
Cash Flows from investing activities		
Equipment Purchases	<u>(320,407)</u>	<u>(93,584)</u>
Net cash used in investing	<u>(320,407)</u>	<u>(93,584)</u>
Cash Flows from financing activities		
Debt Proceeds for Equipment	310,000	-
Principal Payments	(145,323)	(211,177)
Purchase of Treasury Stock		(23,450)
Net cash provided by (used for) financing	<u>164,677</u>	<u>(234,627)</u>
Net increase <decrease> in cash	42,921	25,136
Cash Balance at Beginning of Period	82,940	57,804
Cash Balance at End of Period	<u>\$ 125,861</u>	<u>\$ 82,940</u>

Capital Brewery Company, Inc. is an award winning brewer of specialty, hand-crafted, full-bodied beers, produced in Middleton, Wisconsin. For more information, visit our website at www.capital-brewery.com.