ANNUAL REPORT 2014

Pivovary LOBKOWICZ
NÁVRAT K TRADICI

This Annual Report for the period ending 31 December 2014 was amended if compared to the version published on 30 April 2015 accordingly:

- New section "Governing Bodies of the Issuer" was included in the document and grammatical corrections were made (page 38–54). Declarations that no Board of Directors member or Supervisory Board member entered into an agreement on performance of an office or any other agreement with the Company which contains any provision providing benefits upon termination of the office was amended to include also other Group companies (page 46 and page 51).
- Corporate Governance Principles are described in a separate section (page 56)
- Section "Auditor´s Reports to the Consolidated Financial Statements" was amended to include auditors statement to the Annual Report (page 80)
- New section "Non-consolidated Financial Statements" of Pivovary Lobkowicz Group, a.s. was included in the document (page 121) and includes also the auditor´s statement to the Non-consolidated Financial Statements (page 118)
- A percentage of sales in the on-trade segment on total sales in 2014 was corrected to 62% (page 10)
- Principal Investments newly includes a paragraph on financing of the investments (page 27)
- A new explanation was included to the Organizational chart (page 38)
- Information on Shares Held by the members of the Supervisory Board was amended (page 53)
- Information on Remuneration and Benefits was amended to include also other Group companies (page 54). Information on remuneration of senior management was provided in more detail (page 55).
- Expenses and Fees paid to External auditors were amended in accordance with the legal requirements (page 57)
- Explanatory Note to the Consolidated Statement of Cash Flow is described in more detail (page 115)

Contents

About the Company

> With respect to rich and long history of its breweries, PLG strongly emphasizes on beer quality, flavour and using traditional brewing methods. By using natural ingredients, it produces so called "craft beer" that seems to play an important role in the way the brewing industry could develop in the future as a reaction to the mass production and marketing of beer by big players.

Pivovary Lobkowicz Group, a.s. ("PLG" or the "Company") and its group (the "Group") is the Czech no. 4 brewing group by local sales and no. 5 by total production (2014). It consists of seven regional breweries (Protivín, Uherský Brod, Jihlava, Rychtář, Klášter, Vysoký Chlumec and Černá Hora) located throughout Bohemia and Moravia which are centrally managed. The start of some of the breweries dates back to the Middle Ages and the oldest brewery was founded as early as in 1298. The breweries Protivín and Vysoký Chlumec were owned by the most significant aristocratic families in the country. The Group produces a wide portfolio of beers that differ from each other by the large spectrum of their taste. In addition, soft drinks and table waters are also produced. Group currently offers approximately 70 beer brands. Apart from traditional beer such as pale ale and lagers, it offers a range of beer specialties – from semi-dark and higher-alcohol-content beers to dark lagers and non-alcoholic beer.

As at 31 December 2014, the Group had 661 employees.

Following the IPO in the Prime Market of the Prague Stock Exchange in May 2014, the biggest shareholder of the Company is Palace Capital with a 53.2% stake and 20.6% of shares are free float.

2014 Key Events

February 2014

Lobkowicz Premium beer won the 3rd place in the pale lager category and Lobkowicz Premium Nealko won the 3rd place in the alcohol free beers category in the competition The Golden Cup Pivex – The Beer of 2014 (Zlatý pohár Pivex – Pivo 2014).

Černá Hora Velen won 3rd place in the wheat beer category in the competition "The Gold Brewer´s Seal" (Zlatá pivní pečeť 2014) held during the International Beer Festival in Tábor 2014.

April 2014

Pivovar Černá Hora launched a new brand of beer named Matouš. The new beer is 11% pale lager, which boasts distinctive bitterness and fullness of its taste. During its production is used only high-quality Moravian malt from selected barley from malt house in Brodek u Přerova and high-quality Saaz hops, which adds a distinctive hoppy beer aroma. The new beer has a slightly lower alcohol content so that will be drinkable even during the hot summer.

May 2014

Pivovary Lobkowicz presented their beers during the Prague Food Festival, the biggest gastronomy event in the Czech Republic held in the Prague Castle area. The festival was attended by more than 17,000 people and Pivovary Lobkowicz presented beer degustation and beer tapping exhibition and tapped over 9 thousand beers of various PLG´s brands.

On 28 May 2014 PLG shares started trading on the Prime market of the Prague Stock Exchange following a successful Initial Public offering to institutional and retail investors.

June 2014

In June 2014, PLG held number of beer festivals and events in its regional breweries:
20. 6. Den Ježka – Jihlava brewery
21. 6. Rychtář Fest – Hlinsko Brewery
28. 6. Klášterské pivobraní – Klášter Hradiště n. Jizerou Brewery

During the beer degustation competition "The Beer of the Czech Republic 2014, which took place in České Budějovice, following PLG´s beer brands were awarded:
Brand Rychtář Standard – the 3rd place in the pale lager category,
Merlin – the 1st place in the category dark beer,
The Lobkowicz Premium Nealko – the 2nd place in the alcohol free beer category,
Démon – the 1st place in the semi-dark beer category,
Klášter Premium – the 3rd place in the pale lager category.

Pivovar Rychtář launched a new brand of beer named Rychtář Fojt nefiltrovaný. New unfiltered pale beer has a slight haze, which is caused by the presence of brewer's yeast. The new beer has an alcohol content of 4.0% vol. During its production Saaz hops in the form of dried hops is used, which gives the beer a pleasant bitterness.

July 2014

Lobkowicz beer became a partner of the 49th International Film Festival in Karlovy Vary. PLG held a number of events directly in the site of the film festival and a special yeast Lobkowicz lager was brewed especially for this event.

The Company announced that a potential buyer private equity fund Enterprise Investors had commenced a negotiation with respect to a potential sale of a stake in the Company.

In July 2014, PLG held number of beer festivals and events in its regional breweries:
19. 7. Léto s Rychtářem – Hlinsko
26. 7. Platan Day – Protivín

Brands Rychtář Klasik, Rychtář Standard, Rychtář Premium, Rychtář 15% Special, Rychtář Rataj and Rychtář Natur obtained the regional quality certificate MAS Hlinecko.

August 2014

Černá Hora Velen became a winner of the test among 10 wheat beers from industrial breweries.

In August 2014, PLG held number of beer festivals and events in its regional breweries:
1. – 2. 8. Pivní slavnost – Uherský Brod
15. 8. Léto s Rychtářem – Hlinsko
16. 8. Jazz na Roštejně – Jihlava
29. 8. Létos Rychtářem – Hlinsko

In August 2014, PLG announced its financial results for the first half of 2014. Total consolidated revenues amounted to CZK 577.7 million, up 3.6% yoy and total beer sales increased by 5.8% to CZK 551.1 million.

Pivovar Uherský Brod launched a new brand of beer named Respekt that was brewed for the 120th anniversary of the brewery. This new beer has a darker colour, the full taste with a significantly higher hoppy aroma and mild bitterness.

September 2014

PLG organized a beer fest called Pivní pouť in the Černá Hora brewery.

During the beer fest Žatecká dočesná 2014, PLG brands obtained a number of awards:
Černá Hora Tas – 1st place in the pale beer category,
Klášter výčepní – 2nd place in the pale beer category,
Lobkowicz Premium Nealko – 1st place in the alcohol free beers category,
Démon – 1st place in the semi-dark special beer category.

October 2014

Rychtář speciál was awarded the 2nd place as the special beer of the year 2014 in the beer contest Cerevisia Specialis.

November 2014

Pivovary Lobkowicz Group signed a licence agreement with a local partner in China in Tianjin for a production of Czech beer in the chain of newly established network of small breweries in China.

Pivovar Vysoký Chlumec launched a new brand of beer named IPA Flying Cloud. It is a semi-dark 14% special beer. In the production method is used top-fermenting, brewing processes are significantly different from traditional Czech beer. Hops are American hop varieties Amarillo and Cascade. Beer has excellent and rich flavour, high bitterness and the wonderful aroma of mandarin, raisins and flowers.

December 2014

PLG completed acquisition of the remaining 30% stake in Rychtář, where it held 70% and is currently a 100% owner of the brewery.

IPA Flying Cloud obtained the 1st place award in the IPA category by Pivo, Bier & Ale magazine.

Chairman of the Board of Directors Letter

Dear Shareholders,

The 2014 was a milestone year in Pivovary Lobkowicz´s history. After several of years of heavy investment activity, acquisitions of local breweries and their integration into centrally managed Group, Pivovary Lobkowicz became the only brewing company currently listed on the Prime market of Prague stock exchange. I am proud to announce now, that Pivovary Lobkowicz proved that its investment case is highly compelling as the IPO attracted number of new institutional and mainly retail investors across whole Europe. The share price since the IPO at the end of May has been rising what I believe stakeholders should appreciate. I believe that our retail shareholders are also very familiar with our beer products and by buying our beers, they contribute to the value of the shares they own.

I am satisfied with Pivovary Lobkowicz´s financial and business performance in 2014 which proved our strong position in the Czech beer market, growth in key market segments and solid profitability. Although the IPO process was challenging for the whole company, we managed to run our normal course of business and Pivovary Lobkowicz recorded in 2014 annual growth of total revenues of 3.7% to CZK 1.2 billion. Our total beer revenues grew 4.5% yoy and we have been particularly pleased with our beer exports which grew over 20%. We presented to all beer connoisseurs our ability to further extend our beer offer by launching new products within already very wide portfolio. Especially, I would like to mention the Flying Cloud IPA from Vysoký Chlumec Brewery that exceeded our expectations in all aspects and gained positive feedback and recognition both from beer lovers and professionals.

Through the year, PLG successfully acquired number of new customers in both on trade and off trade segments and managed to retain key existing ones – with a support of mobile application MIBSALE – a tool for market opportunities mapping and efficient management of human and investment resources which was launched in January last year.

Looking ahead, the year 2015 will be a period with many challenges. Apart from the continuous and permanent focus on organic growth and operational efficiency, we need to make sure that key strategic projects of PLG will be delivered in line with anticipated time plan and budget. The Board of Directors is committed to make such decisions and activities with the ultimate aim to bring value and wealth to all stakeholders. At the beginning of this year, we adopted some personnel changes in the top management and the Boards which we believe should bring additional dynamics into our day-to-day business management and clearly distinquish executive and supervisory roles within our corporate structure.

Business is not only about figures but also about people who stand behind. On behalf of the management, I would like to thank you to the shareholders, management and employees of Pivovary Lobkowicz Group for their achievements and daily effort. We look forward to the next challenges and mutual cooperation in the upcoming periods.

Yours sincerely,

Zdeněk Radil
Chairman of the Board of Directors
of Pivovary Lobkowicz, a.s.

Pivovar Protivín

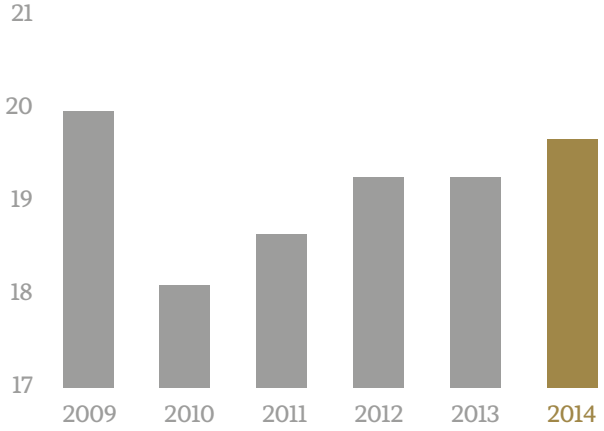
The exact year of foundation of Protivín brewery is not documented in writing, however it is certain that in the first half of the 16th century beer was brewed there. The first written mentions date back even to 1540. In 1711, the brewery became the property of the noble Schwarzenberg family, where it remained for more than two hundred years. The most famous beer the brewery produces is Platan (sycamore). The name was first used in 1973 for 11% pale lager. The inspiration for the name was a beautiful sycamore tree line avenue, lining the path to the brewery. Protivín brewery produces 11 kinds of beer. High-quality water from artesian wells is used for manufacture of beer. The water quality conforms to nursery water even without modification.

Management Board Report

Overview of Czech Beer Market and Segments

The Czech Republic is well known for its beer which is exported to more than 50 countries worldwide. According to ČSPS Report on the State of Czech Brewing and Malting 2014, the Czech beer production has reached 19.6 million hl in 2014, a 2.3% yoy increase.

Czech beer production (2009-2014, in millions of hectolitres)



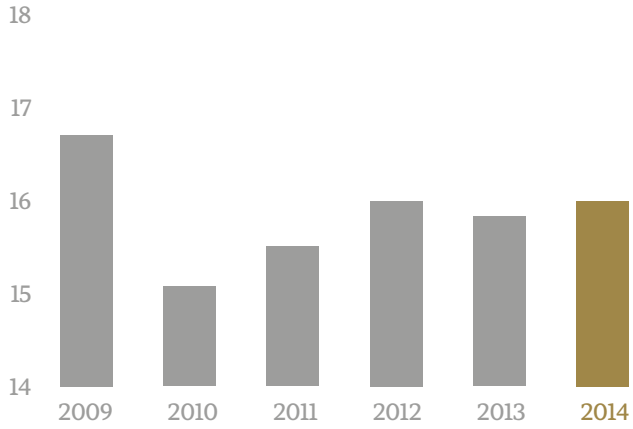
Source: ČSPS Report on the State of Czech Brewing and Malting 2014

After a steep decline in 2010 caused by a hike in excise tax on beer, the production has been increasing year-on-year, recording a 2010/2014 CAGR (compound annual growth rate) of 1.7%. Czech beer market is dominated by the "Big 4" brewing companies, consisting of Plzeňský Prazdroj owned by SABMiller, Staropramen owned by Molson Coors, Heineken CZ, and state-owned Budějovický Budvar. The Big 4 is estimated to have a 75-80% market share of total Czech beer production. The Group estimates its market share of total beer production in the Czech Republic at approx. 4-5%.

Other important Czech breweries include Moravskoslezské pivovary (PMS; consisting of Holba, Zubr and Litovel breweries and having production of approx. 750 thousands of hl) and LIF group (consisting of Svijany, Rohozec and Primátor breweries and having production of approx. 800 thousands of hl). According to ČSPS, the Czech beer market consists of about 50 large and medium-sized industrial breweries and about 270 micro-breweries (annual production of up to 10 thousands of hl), which together produce almost 400 local brands, some with traditions extending back hundreds of years.

Czech beer production for the domestic market recorded a 1.2% yoy increase in 2014. Acording to Czech statistical office imports recorded a 42% yoy decline in 2014 and were about 291 thousands of hl.

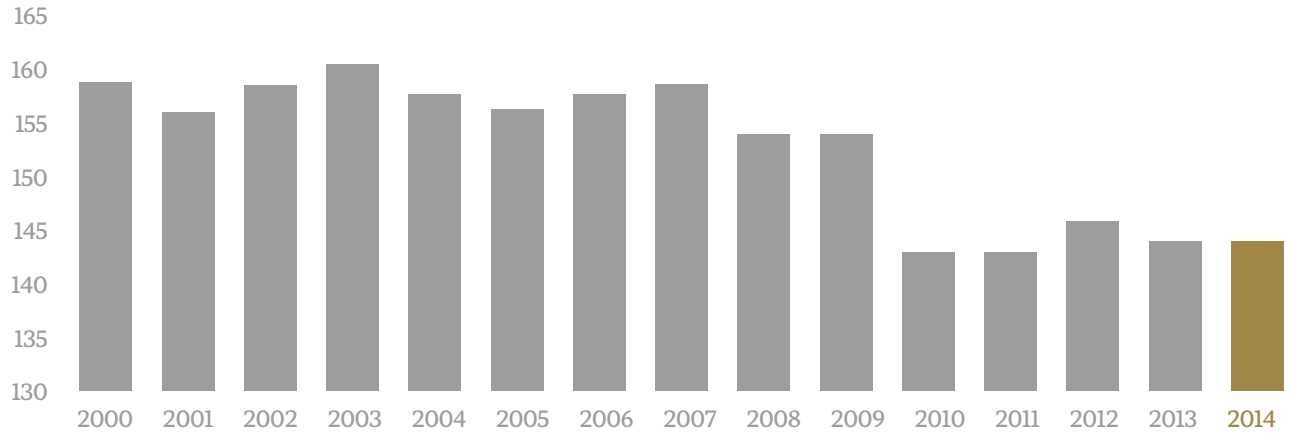
Beer production for the Czech market (2009-2014, millions of hectolitres)



Source: ČSPS Report on the State of Czech Brewing and Malting 2014

Taking into consideration only Czech beer production for the domestic market, the Group estimates its market share at approx. 4-5%. In its home market, the Group is ranked number four before heavily export-driven Budějovický Budvar.

Beer consumption per capita in the Czech Republic (2000-2014, in litres)



Source: ČSPS Report on the State of Czech Brewing and Malting Industry

The Czech beer market as a whole is saturated and stable. The average beer consumption per capita fell from around 160 litres annually in 2000-2007 to around 145 litres annually from 2010 onwards, mainly due to the global economic downturn. Nevertheless, Czechs are still the number 1 beer consumers worldwide.

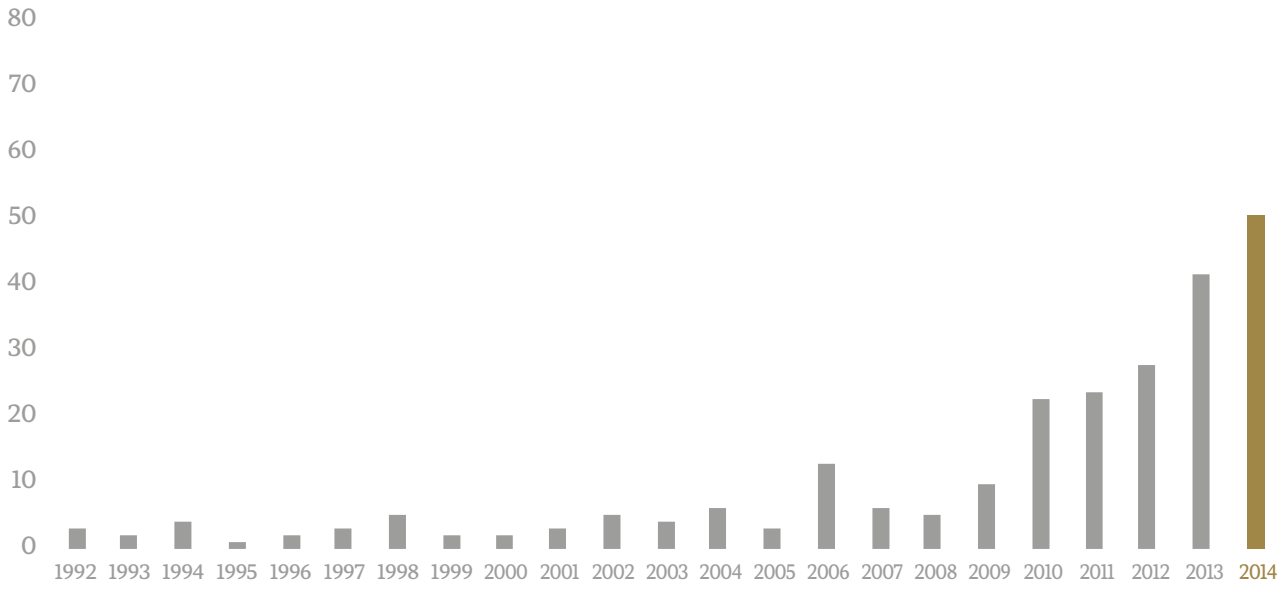
As consumption is stable with no decline prospects, increasing the share of premium brands is seen as a key growth driver with substantial potential on the domestic market, forcing breweries to increasingly invest in their premium brands.

Until recently, the Czech beer market focused almost exclusively on production of traditional Pilsner type beers. Currently, there is a clear shift in customer preferences towards regional lagers, higher degree and special beers, including traditional Czech beers in unfiltered or yeast variants. The ČSPS estimates the number of beer brands produced in the Czech Republic to be almost 400. Medium-sized and small breweries, including the Group‘s breweries, have, in comparison with the large multinational breweries, higher flexibility to create, produce and offer such kinds of beer.

According to ČSPS survey conducted in September 2013, 88% men and 70% women are usually interested in what kind of beer and brand they drink. According to the same survey, there is a clear shift from the traditional 10° beer towards higher degree beers and beer specials – 10°’s popularity fell from 50% in 2006 to 31% in 2013 (men only). A recent trends confirm decreasing customers’ interest in mainstream beer brands in favour of regional brands.

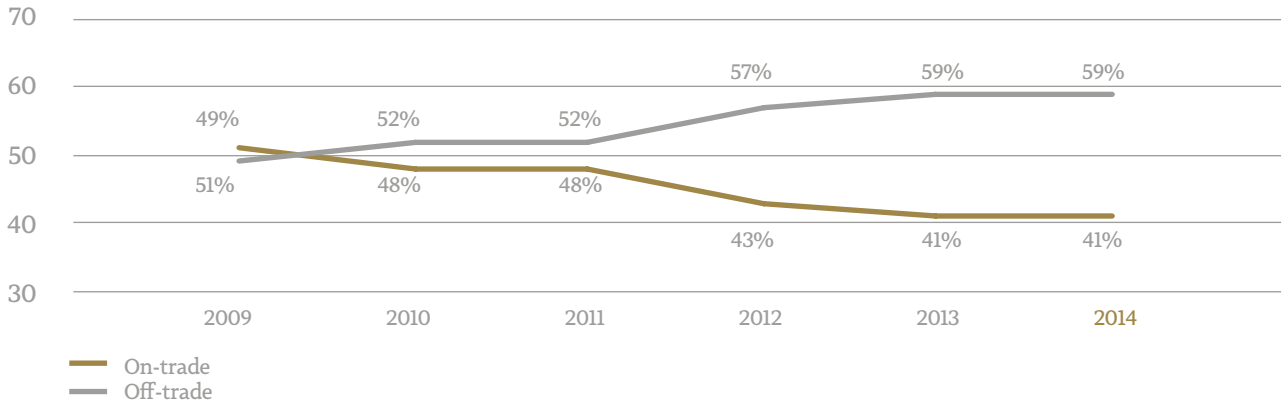
Increasing popularity of special beers can also be evidenced by a number of micro-breweries (production under 10 thousand hl annually) opened annually in the Czech Republic. According to ČTK, more than 50 new micro-breweries were opened in 2014 and the total number reached 270. However, the total production represents only some 1.3 % of total market consumption. According to Českomoravský svaz minipivovarů (Union of Czech and Moravian micro-breweries) the total number of micro-breweries can reach 350-400 in next years. However, PLG doesn´t view micro-breweries as a competition but rather as a distribution channel for various deliveries of special beers and semi-products (e.g. yeast).

Number of micro-breweries opened on the Czech market (1992-2014)



Source: www.pivni.info, ČTK

On-trade vs. Off-trade segment sales (2009-2014)



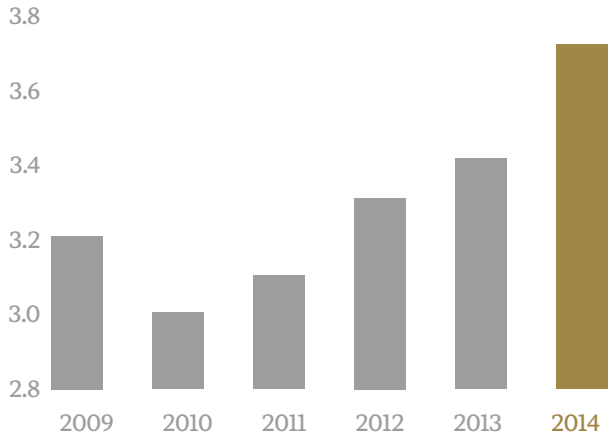
Source: ČSPS Report on the State of Czech Brewing and Malting 2014

On-trade segment vs. Off-trade segment

Another trend observed on the Czech market is shift from on-trade segment towards off-trade segment, caused partly by increase in price difference between draught and bottled beer and higher price sensitivity of consumers and changing lifestyle. Sector analysts expect this trend to continue until the off-trade segment reaches a 70% share of total beer sales. Total Czech on-trade segment sales have been declining since 2011. In spite of market developments, the Group maintains a strong 62% share of on-trade segment sales excluding private label production. The Group is able to maintain such high ratio mainly thanks to its wide product portfolio including numerous special beers, capitalising on the overall trend away from nation-wide brands and towards regional beers/specialities.

Czech beer exports

Czech beer exports (2009-2014, millions of hectolitres)



Source: ČSPS Report on the State of Czech Brewing and Malting 2014

Exports are now viewed as the primary growth strategy for large breweries, as their domestic sales are decreasing to benefit of local medium-sized and small breweries or stagnating at best.

According to ČSPS Report on the State of Czech Brewing and Malting 2013, lagers export (74% share on total exports) recorded a 9% y-o-y growth while special beers export (8% share) grew 17% y-o-y in 2013. Pale beers export (18% share) declined 12% y-o-y in 2013.

Use of the "Czech beer" EU-protected geographical indication ("PGI") as a quality guarantee and protection against competition measure helps Czech beer producers. A total of 13 Czech breweries including the Group's Protivín and Černá Hora breweries use this PGI for a total of 71 brands.

Sales & Customers

The Group's sales are principally divided into two categories – the more profitable on-trade segment, serving public houses and restaurants (mainly sales of draught drinks) and the off-trade segment, serving retailers (bottled drinks).

In line with market development, the Group is experiencing a slight shift from the on-trade segment to the off-trade segment. The Group is able to maintain a significantly higher share of on-trade sales on total sales than market average. In 2014, on-trade sales accounted for 54.1% of total domestic beer sales of the Group, including private labels. Excluding private label production, the Group realised 62% sales in the on-trade segment in 2014.

In 2014, more than 5,500 customers in the on-trade segment were supplied directly and more than 900 exclusively through a third party – mostly wholesalers.

Number of the Group's On-trade customers

On-trade Customers	2012	2013	2014
Supplied directly	5,273	5,306	5,572
Supplied via third party	1,176	1,058	936
TOTAL	**6,449**	**6,364**	**6,508**

Source: the Company

Most public houses and restaurants in the Czech Republic are contractually bound to purchase certain volumes of beer from the Big 4 players. On-trade customers are motivated to move away from Big 4 beers and to differentiate themselves from other public houses and restaurants due to increasing popularity of regional beers.

The process of customer acquisition in the on-trade segment consists in offering downpayments to public houses and restaurants owners for redemption of their existing contracts with other breweries (contractual penalty for outstanding volumes) and in providing initial investments in the outlet, such as tapping equipment, glasses, table cloths etc.

The Group typically signs contracts with its on-trade segment customers for a period of 3-5 years. To minimise dubious receivables, acquisitions (new contract signings) in the on-trade segment are evaluated by a three-step profitability model. Cases exceeding certain minimum value are also evaluated by an external credit scoring agency. Due to high demand from potential on-trade customers to sell the Group's beers, the new contracts can be signed quickly. In 2014, 84 new restaurants have been acquired with contractual purchases totalling 21 thousand hl per annum and another one hundred contracts with restaurants have been extended.

Off-trade segment goods are delivered to 61 wholesale warehouses and distribution centres of Czech and foreign retail chains. The split between wholesale and direct distribution is approx. 40:60 both in terms of volume and value (without private label). Some off-trade customers use mix of wholesale and direct distribution.

The Group has a business relationship with all the international retail chains operating in the Czech Republic and also with Czech purchasing alliance COOP and with most privately owned Czech retail / franchise chains. Focus is currently on increasing deliveries to international retail chains operating outside the Czech Republic – exports.

PLG expects to follow the positive results of beer export by using the strong potential of "Czech beer" abroad that is also proved by EU-protected geographical indication as a quality guarantee and protection against competition.

The Group doesn't have own can filling capabilities and uses external providers (Budějovický Budvar).

The Group's Protivín brewery is the first IFS-certified ("International Food Standard") brewery in the Czech Republic, meeting Lidl's requirements for private label suppliers.

Slovakia

The Group's supplies to Slovakia are mainly secured by two key wholesale partners importing beers produced in Černá Hora, Klášter and since 2013 also in Vysoký Chlumec, and Distrib Capital, s.r.o. ("Distrib Capital"), importing beers produced in Protivín, Jihlava and Uherský Brod. Exports to Slovakia are mainly supported by building of visibility and brand awareness.

Other export markets

The remainder of the Group's exports go to 32 countries world-wide. Key export markets are Russia/CIS, Italy, Poland, Scandinavia and Asia. The Group also exports to Brazil.

Product Portfolio

The Group offers customers a wide portfolio of beer brands, differentiated by type, taste and price, and an assortment of soft drinks and table water. Currently, the brand portfolio comprises 70 beer brands, which is unique on the Czech market, as well as 10 soft drink brands and two mixed drinks brands based on beer ("radler").

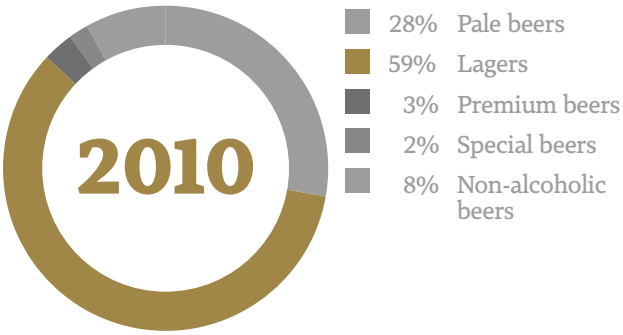
The Group's products are distributed throughout the country as well as abroad, using its own and leased distribution centres, selected wholesalers and export partners.

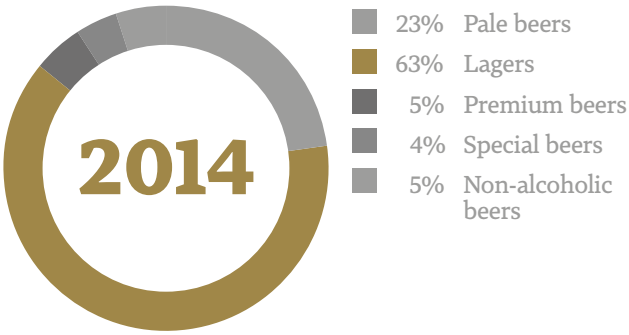
PLG introduced the "Lobkowicz Premium" brand in 2009 and its non-alcoholic variant and dark "Merlin" lager in 2010 (all produced in Protivín). The Group decided to introduce these brands because such products were demanded by customers and also due to higher profitability of premium brands.

Promotion and sale of higher margin premium beers and special beers such as Lobkowicz Premium is a top strategic priority of the Group. Production in the premium segment had 5% share on the Group's total beer production in 2014. This represents 0.6% yoy increase.

Besides traditional beer types such as pale beers and lagers, the Group offers numerous special beer types ranging from semi-dark beers, dark beers, strong beers, yeast beers, unfiltered beers, wheat beers, various ales, bock-type beers, flavoured beers or radlers to non-alcoholic beers. The Group focuses on using traditional recipes and finest ingredients in the production process.

Beer production by segments (2010/2014, in hectolitres)





Source: PLG

Overview of product portfolio by segments and breweries

Apart from the premium segment, the Group has introduced about 30 beer innovations and new packaging since 2009. To meet the popular demand, the Group introduced two types of "radler" in 2012 under the "Refresh" brand.

		Protivín	Rychtář	Klášter	Uherský Brod	Jihlava	Vysoký Chlumec	Černá Hora
PREMIUM	Premium lager	Lobkowicz Premium						
	Premium dark lager	Merlin						
	Premium non-alcoholic	Lobkowicz Premium Nealko						
Pale beers		Schwarzen-berg	Rychtář Fojt	Klášter Světlý	Perun	Šenkovní	Princ Max X.	Tas
Lagers		Schwarzen-berg, Platan 11, Platan Premium	Rychtář Grunt, Rychtář Premium, Rychtář Rataj	Klášter ležák 11, Klášter Premium	Patriot, Premium, Respekt	Ježek 11	Vévoda	Páter, Ležák, Matouš
Non-alcoholic beers		Platan Nealko						Forman Světlý, Forman polotmavý
SPECIAL BEERS	Pale special beers	Prácheňská Perla	Rychtář Speciál		Comenius	Jihlavský Grand, Telčský Zachariáš		Kvasar
	Semi-dark and dark beers	Protivínský Granát					Démon	Granát, Kern
	Yeast and unfiltered beers	Platan kvasnicový	Rychtář Natur, Rychtář Fojt nefil-trovaný	Klášter kvasnicový	Patriot ne-filtrovaný	Ježek kvas-nicový		Páter ne-filtrovaný, Sklepní
	Wheat beers					Jihlavský Alt Bier	Chlumecký Vít	Velen
	Flavoured beers						Fruit Ale	Borůvka (blueberry)
	"World beers"			Klášterní XIX. Bock	Kounic (Vienna lager), Rauchbier		Chlumecký Pale Ale, Chlumecký Amber Ale, IPA Flying Cloud	
Radlers ("Refresh brand")								lime & orange, cranberry & grapefruit
Special occasion beers		numerous brands						

Annually, the Group offers special beers prepared for various occasions such as Christmas, Easter, St. Nicholas Day, etc. Production of such beers extends the Group's product portfolio and also provides it with an important marketing tool.

New products in portfolio

Due to higher flexibility of individual breweries of the Group compared to the largest breweries on the Czech market, it is able to promptly react to market trends and introduce new beer types, maintaining reasonable economies of such moves. The Group is also able to produce smaller batches of special occasion beers, unlike its larger competitors.

Pivovar Černá Hora launched a new brand of beer named **Matouš**. The new beer is 11% pale lager, which boasts distinctive bitterness and fullness of its taste. During its production is used only high-quality Moravian malt from selected barley from malt house in Brodek u Přerova and high-quality Saaz hops, which adds a distinctive hoppy beer aroma. The new beer has a slightly lower alcohol content, so that is drinkable even during the hot summer.

Pivovar Rychtář launched a new brand of beer named **Rychtář Fojt nefiltrovaný.** New unfiltered pale beer has a slight haze, which is caused by the presence of brewer's yeast. The new beer has an alcohol content of 4.0% vol. During its production is used Saaz hops in the form of dried hops, which gives the beer a pleasant bitterness.

Pivovar Uherský Brod launched a new brand of beer named **Respekt** that was brewed for the 120th anniversary of the brewery. This new beer has a darker colour, the full taste with a significantly higher hoppy aroma and mild bitterness.

Pivovar Vysoký Chlumec launched a new brand of beer named **IPA Flying Cloud**. It is a semi-dark 14% special beer. In the production method is used top-fermenting, brewing processes are significantly different from traditional Czech beer. Hops are American hop varieties Amarillo and Cascade. Beer has excellent and rich flavour, high bitterness and the wonderful aroma of mandarin, raisins and flowers.

Soft drinks produced by the Group

Soft drinks produced by the Group include eight flavoured soft drinks and two kinds of water. Fructose and stevia are used for sweetening all the flavoured soft drinks; they also all contain hops extract.

Soft drinks produced by the Group

Brand	Description	Produced in
Malina	sparkling, raspberry flavoured	Černá Hora
Vita	still, orange and peach flavoured	Černá Hora
Zázvorka	sparkling, ginger flavoured	Černá Hora
Sylvána	sparkling, grape flavoured	Černá Hora
Tonic	sparkling, tonic flavoured	Černá Hora
Kombajnérka	sparkling, lemon flavoured	Černá Hora
Grena	sparkling, grapefruit and lemon flavoured	Černá Hora
Koala	sparkling, cola flavoured	Černá Hora
Artézia neperlivá	still water	Černá Hora
Artézia jemně perlivá	sparkling water	Černá Hora

Source: PLG

Production & Breweries

The Group's key activity is the operation of regional small and medium-sized breweries and sale of production on the Czech market and abroad.

The Group's breweries

The Group operates the following seven breweries (figures in thousands of hectolitres):

	Annual production capacity		
Brewery	Beers	Soft drinks	Acquired in*
Protivín	500	-	2008
Rychtář	120	-	2008
Klášter	140	-	2008
Uherský Brod	115	-	2008
Jihlava	380	-	2008
Vysoký Chlumec	100	-	2009
Černá Hora	230	50	2010
TOTAL	**1,585**	**50**	**-**

Source: PLG

Most of the Group's breweries have a rich history dating back to the Middle Ages – the oldest of them dates back to 1298. The breweries are located almost throughout the entire Czech Republic.

Pivovar Černá Hora

The first written mention of beer from Černá Hora, a picturesque small town in Blanensko, dates back to 1298, of the Černá Hora brewery in 1530, when the estate was owned by the brothers Tas and Jaroslav Černohorští from Boskovice. In addition to the Lords of Boskovic's, the brewery is historically associated in particular with a significant noble family of Liechtenstein, who managed it since 1597 and later with the family of Auersperg. Brewers of Černá Hora brewery brew 14 different beers; they use traditional methods and the finest ingredients. In addition to beer, the brewery produces 10 kinds of soft drinks and 2 mixed drinks based on beer (Radler).

Sponsoring

Lobkowicz brand is a proud partner of the International Film Festival in Karlovy Vary. This Festival is ranked among the most prestigious world film festivals and is considered the most important film event in Central and Eastern Europe. In 2014 a yeast Lobkowicz lager brewed especially for this event was presented to the visitors. Number of events were held directly in the site of the film festival.

In line with the fine-dining strategy, the Lobkowicz brand participated in the main gastronomy event – Prague Food Festival – that took place at Prague Castle gardens. Some 17,000 visitors tasted wide range of specialties served by the best Czech and Moravian restaurants. The Group presented beers from Pivovar Protivín, Pivovar Vysoký Chlumec, Pivovar Klášter and Pivovar Rychtář. Besides excellent beers, several activities were prepared for visitors such as professional beer degustation or beer tapping competitions with trade brewmaster.

Other sponsorship activities of Lobkowicz brand include cooperation with the sailing team Black Mamba and International Music Festival of Jiří Lobkowicz in Mělník city. Lobkowicz is also a proud partner of golf sport. The brand is present on greens throughout the Czech Republic, but also during the tournaments organized by this brand.

2014 Operational & Financial Review

Revenues

In 2014, the Company has recorded total consolidated revenues in the amount of CZK 1,201.9 million, which is 3.7% more yoy. The revenue increase was impacted by higher sales of bottled beer, primarily driven by sales to Lidl not just domestically but also to Slovakia, Bulgaria, Hungary, Croatia and Poland. The Company recorded higher sales not only in private labels (10°, 12°, alcohol-free) but also in main brands of the Group. In the sales of bottled beer, the Company recorded higher sales of Klášter beer to Penny Market and Billa retail chains. Also, the premium brand Lobkowicz sold better than in the previous year.

The intra-company sales of malt produced by Moravamalt went up due to the closure of malthouse in Protivín Brewery. As a result of that, the malt revenues on a consolidated based declined.

Costs

In 2014, total costs amounted to CZK 1,371 million which is 0.7% less compared with 2013. Total Raw materials, consumables and services declined to CZK 780.6 million, down 0.3% yoy. This declined was primarily driven by lower consumption of barley in the Protivín Brewery which closed its malthouse in the first half of 2013. In general, the sales-driven costs increased in 2014, mainly the packaging material due to higher production of the bottled beer. In the services, the Company reduced its leasing expenses due the expiry of leasing of the bottling line in the Protivín brewery and relocated its head office to own premises in Černá Hora. Further reduction of expenses was in external services, maintenance and marketing. In the contrary, the distribution costs and cost related to agreements with pubs went up due to higher sales. Staff cost in 2014 went up moderately due to more intensive work on beer bottling. Other operating costs include mainly the sale of receivable, additional taxation of unreturned packaging material and costs of damages.

EBITDA

In 2014, the total accounting EBITDA reached CZK 192.58 million, a 14.72% decline compared

to 2013. Both 2013 and 2014 accounting EBITDA were impacted by on-off items: 1. on-off sale of packaging materials in the amount of CZK 35 million in 2013 and 2. on-off expenses related to IPO and due diligence in 2014, in the amount of approximately CZK 19.4 million. If we adjust the accounting EBITDA by those on-off items, the 2013 recurrent EBITDA would equal to CZK 190.3 million and the 2014 recurrent EBITDA to CZK 212.3 million. As a result, the recurrent EBITDA in 2014 grew by 11.56% compared with the previous year.

Amortization, depreciation and impairments in 2013 was significantly impacted by the sale of barrels which was not repeated in 2014. In 2014, this item was impacted by the sale of returnable bottles.

Net profit/loss

The total Net profit/loss figure in 2014 was significantly impacted by the capitalization of shareholders loans leading to a reduction of interest expenses. The Group recorded in 2014 Net Loss of CZK 49.1 million, down by 33.4% compared with the previous year.

Major balance sheet changes

The major change in the balance was the increase of the share capital due to the capitalization of shareholders´ loans, in the opposite, there was a decline of the debt in liabilities.

Marketing & Brands

During 2014, Pivovary Lobkowicz beer obtained a number of awards and quality certificates:

- Zlatá pivní pečeť 2014 (Golden Beer Seal 2014) – Beer fest Tábor, beer Velen from Černá Hora, 3rd place in wheat beer category,
- Zlatý pohár Pivex (Golden Cup Pivex) – Beer of the year 2014, Lobkowicz Premium, 3rd place in lager, Lobkowicz Premium Nealko, 3rd place in alcohol free category,
- Kvalita z Hlinecka (Quality from Hlinecko) – certificate for Rychtář Klasik, Rychtář Standard, Rychtář Premium, Rychtář 15 % Special, Rychtář Rataj, Rychtář Natur,
- Beer of the Czech Republic 2014 – Rychtář Standard – 3rd place in lager category, Merlin – 1st place in dark lager category, Lobkowicz Premium Nealko – 2nd place in alcohol free category, Démon – 1st place in half-dark beer category, Klášter Premium – 3rd place in lager premium category absolute winner,
- MF Dnes Award – Velen from Černá Hora became a winner of test among 10 wheat beers produced by industrial breweries,
- Award from Pivo, Bier & Ale magazine – IPA Flying Cloud – 1st place in IPA category,
- and many others.

On-trade segment development

The sales to on-trade segment in 2014 were impacted by unfavourable weather conditions in summer months as well as by fierce price war among main market players which PLG did not follow. Both factors had a direct impact on volumes sold mainly in July and August, usually the strongest months of the year.

Thanks to continuous investments in this market, the total number of on-trade customers increased approximately by 300 compared to the previous year and generated higher volumes and revenues than the average. During 2014 PLG invested approximately CZK 50 million to the on-trade expansion.

Well performing brands in 2014 were Lobkowicz Premium lager and the traditional Czech beers Klášter and Rychtář. Also, some newly introduced brands did very well – those were Respekt from Uherský Brod brewery and Matouš from Černá Hora brewery. High demand for beer specialities

continued, mainly for the new IPA Flying Cloud from Vysoký Chlumec brewery.

In the second half of 2014, PLG initiated a project of proprietary restaurants called ŠNYT. It should be the own concept of trendy restaurants focused on a presentation of broad portfolio of Pivovary Lobkowicz beers. The aim is to open several restaurants already in the first half of 2015.

Off-trade segment development

In the off-trade segment, PLG successfully continued to cooperate with retail chains BILLA, Kaufland, SPAR and Lidl, growing both volumes and value in 2014. A strong promotion during the year has resulted also in portfolio expansion into the retail chains (Billa, Kaufland). Lidl is an important customer and sales of PLG´s branded products have been growing significantly. Also, the sales of private labels went up including the increase in price. In 2014, PLG successfully continued in cooperation with MAKRO though the offer is limited by the existence of PLG´s own distribution network in the Czech Republic. On the other hand, MAKRO partially serves as emergency sale for pub owners and also as retail outlet of the bottled beer.

In 2014, the sales to export markets increased by 20.6% if compared with the same period last year. The sales to key customers grew in 2014 mainly due to higher sales to Lidl in Slovakia. Sales to Lidl went up also in other countries such as Bulgaria, while in the Polish and Romanian markets slightly declined. In terms of key customers, Lidl still represents a significant export opportunity, particularly in the canned beer.

Exports to non-key account customers also grew. All breweries recorded a growth in exports, mainly to Italy, Russia, Spain, Slovakia and partially also in China, the UK and Poland.

Co-operation in China

In 2014 Pivovary Lobkowicz Group signed a licence agreement with a local partner in China in Tianjin for a production of Czech beer in the chain of newly established network of small breweries in China. The beer will be produced from Czech ingredients, through Czech technology and under a supervision of a Czech brew master. The first small brewery was opened in Tianjin and based on a performance of this pilot project, the Group will decide about the future steps. PLG contributes to the project with its know-how including Czech ingredients need for the brewing, it supervises the technology, recipes and provides a Czech brew master for a period of at least one year. No other investments are required at this stage.

The intention is to take advantage from the rising demand for a craft beer in China. Czech beer has a very strong name in China but the long distance exports has its limits including the best-before date and a necessity to preserve the beer, for example by pasteurization. Therefore, PLG believes that a licenced production through a craft technology directly in China will bring to the Chinese market a beer with best possible and stable quality long-term. In the first stage, Lobkowicz Premium will be produced there, however, the licence agreement enables brewing of other beers from the PLG portfolio. PLG plans to repeat such a cooperation also in other countries. The demand for similar cooperation is from South Africa, UK, USA, Georgia and other countries.

Negotiation with respect to a potential sale of the majority stake

On 30 July 2014, PLG made public the information that a negotiation has been conducted by a potential buyer – a fund managed by Enterprise

Investors with an aim to acquire an equity stake in PLG.

In April 2015, the Company announced that negotiation with the potential buyer was terminated and that the transaction in concern will not happen.

Strategy and Outlook

The Group's key strength is the ability to offer uniquely wide product portfolio consisting of various beer types and a limited number of soft drinks. Due to the relatively smaller production capacity of the Group's individual breweries compared to the large international breweries, PLG is able to promptly react to market trends and customer requirements and introduce new beer types and brands, maintaining reasonable economies of scale in such moves. Another strong point of the Group's business is the regional footprint of its breweries, which together with increasing customer loyalty, contributes to increased sales in the respective regions and allowing the Group to offer numerous uncommon beers in other regions at the same time.

The Group has undertaken numerous performance improvement measures such as centralisation of purchasing and management of certain activities. Nowadays, the Group is able to efficiently operate multiple breweries.

Key strategic areas for the Group are stated below:

Premium Segment Growth

The Group's strategy is to maintain its flexibility and wide range and to capitalise on changing customer preferences and demand, shifting towards regional and special beers. Ability to promptly react to market trends and to introduce new beer types while maintaining economies is perceived as very important by the Group. Focus on promotion and sale of such beers and also on premium segment is believed to have a positive impact on the Group's financial performance.

On-Trade Segment Growth

The Group intends to focus on its domestic market by further penetrating the more profitable on-trade segment (public houses and restaurants, as elaborated on below), supported by increasing popularity of various beer types within its broad product portfolio.

Exports Growth

Capitalisation on positive perception of Czech beers abroad by strengthening long-term cooperation with existing foreign distributors of the Group's products as well as acquiring new export customers is another pillar of the Group's strategy. Concrete projects with foreign partners are already being realised.

Potential Brewery Acquisition

The Group has also pre-negotiated an acquisition of a brewery in 2014 and has signed corresponding Memorandum of Understanding, however the transaction is currently on hold. The acquired brewery would then be integrated in the Group's centralised management system. Further acquisitions of breweries in the Czech Republic would be considered and evaluated on a case by case basis.

Outlook for 2015

In 2015, the Group will continue to focus on sales performance in terms of higher volume and higher revenues per hectolitre sold. Acquisition of A-class customers (pubs and restaurants) away from the competition outlets remains a high priority in the upcoming periods with the use of the IPO proceeds. Export strategy should take advantage of highly positive perception of

Czech beers abroad by strengthening long-term cooperation with existing foreign distributors and acquiring new distributors, while a specific projects with foreign partners are already in pipeline.

In addition, the Company shall further focus on sales of higher margin premium beers and special beers. The aim is to be able to meet the changing customer requirements and promptly react to market trends, introduction of new beer types while maintaining economies.

Capital Resources

In 2014, PLG's total funds amounted to CZK 1,549 million compared to total funds in 2013 which amounted to CZK 1,584 million.

Overview of Capital Resouces (in thousands of CZK)

	2012	2013	2014
Share capital	2,000	2,000	1,870,000
Reserves and other equity operations	(18,136)	(204,287)	36,251
Accumulated losses from previous years	(481,347)	(550,618)	(613,949)
Net Loss of the period	(62,726)	(73,781)	(49,131)
Equity attributable to shareholders	**(560,209)**	**(826,686)**	**1,243,171**
Non-controlling interests	120,861	67,103	28,291
Total equity	**(439,348)**	**(759,583)**	**1,271,463**
Long-term Shareholders' loans	1,563,293	1,486,500	0
Short-term Shareholders' loans	0	0	0
Liabilities to Shareholders	0	250,000	0
Total Shareholder's loans and facilities	**1,563,293**	**1,736,500**	**0**
Long-term bank loans	264,574	259,925	176,356
Short-term bank loans and facilities	154,688	288,818	96,271
Total bank loans and facilities	**419,262**	**548,743**	**272,627**
Leases	9,100	3,333	884
Other long-term facilities provided by 3rd parties	38,775	55,264	3,820
TOTAL FUNDS	**1,591,081**	**1,584,257**	**1,548,794**

PLG reported total equity as at 31 December 2014 in the amount of CZK 1,271 million with the equity attributable to shareholders amounting to CZK 1,243 million and the equity attributable to non-controlling interests totalling CZK 28 million.

The shareholders provided both long-term and short-term shareholders loans, amounting to CZK 1,736 million as at the end of 2013. All these loans has been capitalised in IPO process in May 2014.

Pivovary Lobkowicz Group, a.s. increased of its regulatory capital from CZK 2,000,000 to CZK 1,870,000,160 effective from 23 May 2014. It concerned 11,687,501 pieces of book-entry ordinary shares with a nominal value of CZK 160 each. The rights attached to the share were in accordance with legislation and articles of the Company.

PLG benefits from the possibility to draw bank loans and other facilities. These bank facilities are provided to the company at the arm's length and are subject to pledges and collaterals. Total bank loans and facilities amounted to CZK 272.6 million as at 31 December 2014.

Following the capitalisation in May 2014, there were no shareholders loans or other liabilities to shareholders.

PLG has available sources of funds to finance its ongoing investment needs including investments in tangible fixed assets required for its business operations.

Funds provided by Shareholders (in thousands of CZK)

	2012	2013	2014
Equity attributable to shareholders	(560,209)	(826,686)	n/a
Short-term shareholders' loans	0	0	0
Long-term shareholders' loans	1,563,293	1,486,500	0
Other liabilities to shareholders		250,000	0
Funds provided by shareholders	1,003,084	909,814	n/a

PLG is not aware of any restriction on the use of capital resources that could materially affect, directly or indirectly, PLG´s operations.

Having completed the acquisition the remaining part of the Pivovar Rychtář, a.s. in November 2014, the Company´s management currently doesn´t have any firm commitments to principal future investments. The possibility of additional investments are being monitored and evaluated.

Research, development & intellectual property rights

Recipes

Virtually all products of the Group are based on proprietary formulas. These unique formulas constitute binding production processes for all the breweries within the Group. The only exception are four products of Pivovar Černá Hora, developed in cooperation with Pivo Praha, now manufactured based on a licence. Pivovar Černá Hora pays licence fees for the use of this licence, amounting to several hundred thousand CZK a year.

Trademarks

The Group's brands are integral to its commercial operations. The Group operates seven different brands: Pivovar Černá Hora, Pivovar Jihlava, Pivovar Klášter, Pivovar Protivín, Pivovar Rychtář, Pivovar Uherský Brod, and Pivovar Vysoký Chlumec. The Group has a substantial portfolio of trademarks registered in the Czech Republic and Europe covering its main brands.

In many cases these trademarks are established and well known in the Czech Republic through their use and are key to the strength of the Group's brands.

Below you can find the logos of the Group's brands:

Pivovar Černá Hora

Pivovar Jihlava

Pivovar Klášter

Pivovar Protivín

Pivovar Rychtář

Pivovar Uherský brod

Pivovar Vysoký Chlumec

Research and development

Development of new products corresponds to the market situation, and customer wishes and preferences. The Group continuously tries to introduce new products, including special beers made on the occasion of important days (Easter, St. Patrick's, Mid-Summer Night, St. Wenceslas', and St. Nicholas' days) as well as numerous other special beers made in limited editions, included in the permanent portfolio only in a significant positive market response. Since 2013, the Group had started introducing traditional beers made using of new manufacturing procedures and unconventional ingredients. The Group's intention is to launch beers on the local market that are nearly unknown to local consumers, such as "ALE", "Bock", "IPA", and other. The aim of these innovations is to further increase the share of on-trade sales.

The most significant development activities carried out by the Group took place in 2012 when development related costs amounted to CZK 3.7 million. The largest part was spent on the oncein- a-lifetime development of new syrups for soft beverages of CZK 2.7 million. Before 2012, soft beverages were made using purchased, primarily sugar-based syrups. The Company now uses its own syrup recipes for manufacturing soft beverages with lower sugar content, where sugar is replaced with stevia. The development of syrups for soft beverages included also the development of syrups used for "radler" beers, which experienced a significant sales increase on the Czech market since 2011.

Property, Plants & Equipment

As PLG is the holding company of the Group, its main assets are the ownership interests in the subsidiaries. PLG owns no material property, plants or equipment.

The Group owns an extensive real estate portfolio in the Czech Republic. The ability of the Group to operate the breweries depends to a large extent on its real estate assets. The Group owns or leases approximately 260 real estate sites, are properties owned by the Group. These properties occupy more than 300,000 square metres and are used for a number of different purposes, including beer brewing, parking sites, administration and office buildings, storage and space that is currently vacant.

The Group's real estate strategy comprises three main elements: (i) to manage property costs tightly; (ii) to provide fit-for-purpose processing and delivering centres which allow the Group to generate competitive advantage in the Czech Republic; and (iii) to realise surplus value in the real estate portfolio.

The Group possess all possible privileges and authorizations associated with operation of a brewery under the applicable legislation.

The main property sites owned by the Group are operated by the following subsidiaries: Pivovar Jihlava, a.s., Pivovar Černá Hora, a.s., Pivovar Rychtář, a.s., Pivovar Uherský Brod, a.s., Pivovar Klášter, a.s., Pivovar Protivín, a.s., Pivovar Výsoký Chlumec, a.s. and Moravamalt, s.r.o. Some buildings and adjacent plots in the sole ownership of Pivovar Jihlava, a.s. which form brewery complex with the following major encumbrances – mortgage in favour of GE Money bank.

Some buildings and plots in the sole ownership of Pivovar Černá Hora, a.s. are with the following major encumbrances – mortgage in favour of S Morava Leasing and mortgage in favour of PPF banka a.s.

Pivovar Jihlava

The oldest written record of Jihlava malting is most likely a mention in the city book from the 14th century. The first real malting statutes were confirmed by the City Council of Jihlava in October 1579. In 1748, Maria Theresa set a finite number of legal brewing homes in Jihlava to 123. All of these 123 owners of brewing rights clearly embodied its brewing rights in 1859 into a new brewery, today's Jihlava brewery. New Jihlava brewery was opened on April 4, 1861. In the summer of 2008, Jihlava brewery, under the direction of a new owner returned to the production of beer according to original recipes and is producing several kinds of beers, including interesting specials.

Some buildings and adjacent plots in the sole ownership of Pivovar Rychtář, a.s. which form brewery complex are with the following major encumbrances – mortgage in favour of Citibank Europe plc.

Buildings and adjacent plots in the sole ownership of Pivovar Uherský Brod, a.s. which form brewery complex are with the following major encumbrances – mortgage in favour of PPF banka a.s.
Buildings and adjacent plots in the sole ownership of Pivovar Klášter, a.s. which form brewery complex are with the following major encumbrances – mortgage in favour of PPF banka, a.s.
Buildings and adjacent plots in the sole ownership of Pivovar Protivín, a.s. which form brewery complex are with the following major encumbrances – mortgage in favour of Sberbank CZ, a.s.

Buildings and adjacent plots in the sole ownership of Pivovar Vysoký Chlumec, a.s. which form brewery complex with the following major encumbrances – Mortgage in favour of Sberbank CZ, a.s.
Buildings and adjacent plots in the sole ownership of Moravamalt, s.r.o. with the following major encumbrances – mortgage in favour of KB Banka a.s.

As opposed to other industrial sectors, brewing industry is ranked as environmentally friendly. The greatest load is waste-water, treated through of private water treatment plants or, as the case may be, by local waterworks companies. Air pollution is another environmental load. Most of the PLG's breweries use gas (environmentally friendly) boiler rooms, the only exception being Pivovar Vysoký Chlumec, a.s. which operates a coal boiler room (the nearest gas distribution network is eight kilometres away from the brewery). The air pollution is subject to regular measurements, and the brewery pays emission fees to the Czech Environmental Inspectorate.

Principal Investments

The principal areas for investments by PLG's subsidiaries are four: promotion material (PM), tap technology (TT), packaging and production investments.

Investments (in CZK thous.)	2012	2013	2014
PM	5,684	15,522	12,746
TT	28,936	23,906	16,539
Packaging	18,161	20,885	16,402
Production	38,361	78,368	76,799
Acqusition of 50% share in Pivovar Vysoký Chlumec, a.s.	0	250,000	0
Acquisition of 30% share in Pivovar Rychtář, a.s.			43,631
TOTAL	**91,142**	**388,681**	**166,117**

Source: the Company

As for promotional material, the investments focus on the equipment of newly acquired restaurants and refurbishing of the existing establishments. The promotional material comprises, among others, simple and conventional advertisements, parasols, table cloths, glasses, menu boards, beer coasters and a number of other small-size items used for promotion, at the sales point, of the beer and soft beverage brands of the Group.

Tap technology is the essential means for restaurants to sell the Group products. As with promotional material, these investments are directed at newly acquired establishments as well as to the refurbishing of existing ones. The most significant items in the tap technology category are beer taps, cooling systems, keg tappers, tanks, bars. The property stays with the customers based on a contract of borrowing, while PLG (or as the case may be any of its subsidiaries) remains the owner.

The area of packaging is represented by purchases of new kegs and carrier boxes.

The most significant investments in 2014 were the malt silo and the waste-vapour condenser in the Protivín Brewery, cooling system renovation in breweries Rychtář and Klášter and hot water management system in the Klášter Brewery.

In December 2014 PLG completed acquisition of the remaining 30% stake in Rychtář, where it held 70% and is currently a 100% owner of the brewery. With respect to new acquisitions, new opportunities are closely monitored and evaluated on-case-by-case basis with an ultimate goal to be integrated in centralised management system of the Group.

Investments into promotional material, tap technology and packaging have been financed by company´s own resources. Investments into production have been financed partially by the IPO proceeds (CZK 9.4 million), by bank loans (CZK 3.1 million) and the rest by company´s own resources. The acquisition of the 30% stake in Pivovary Rychtář was financed by a bank loan (CZK 30 million) and by the IPO proceeds (CZK 13.631 million).

Material Contracts

No material contracts were closed during 2014 except the extension of existing banking overdraft facilities. Material contracts closed prior the IPO are described in detail in the IPO prospectus.

Related party Agreements

PLG has entered into several material agreements with majority shareholders. More information can be found in the section Related Party Transactions.

Pivovar Klášter

Klášter Brewery got its name from the monastery of the Cistercian order, which was founded in the second half of the 12th century and stood on the site of today's brewery. Although at the time it was one of the most important religious objects in Europe, only a gate with a beautiful portal survived to this day, the gate stands in the courtyard of the current brewery. Klášter Brewery produces 5 types of unpasteurised beer. Their outstanding quality is determined by, among other things unmistakable natural conditions – high quality water and especially by old cellars dug deep into the rock beneath the brewery where beer is fermented and matures at optimal temperatures.

Information about the principles and procedures of internal controls related to the financial reporting

Pivovary Lobkowicz Group, a.s. keeps its financial reporting in accordance with the Czech Accounting standards (CAS). Financial reports according to the CAS are used for tax purposes, reporting to financial institutions and also as a base for conversion into the International Financial Reporting Standards (IFRS). The IFRS conversion is performed by the external company Apogeo. The conversion is performed on the consolidated entity level, the individual Group companies keep their accounting solely according to CAS.

Major part of the accounting services within the Group is realized by Shared Services Centre of Pivovary Lobkowicz, a.s. The accounting is kept in the Enterprise Resource Planning System (ERP) Infos which is maintained and developed Pivovary Lobkowicz, except Pivovary Lobkowicz Group, a.s. and K Brewery Management which haven´t been integrated into the Shared Services Centre yet.

Accounting transactions are processed in accordance with a directive issued for all companies, subject to the general principle that all accounting transactions are recorded only on the basis of approved documentation. Approval takes place either in writing for documents forwarded to the accounting department in paper form, or electronically through the Infos approvals process for documents forwarded in electronic form. The scope of each approving officer's signature authority is set forth in the management directives of the company in question.

In terms of the organization, the accounting function is separated from the process of managing business partners, including management of bank account information and settlement of accounts payable. This rules out any possibility of a single employee entering a business partner in the database, recording a payable with respect to that partner, and issuing a payment order. Accounts are paid only when approved by the employee authorized to purchase the goods or services in question and by an employee authorized to confirm that the goods and/or services have been received.

The access into the information system is limited to specific personal who´s access is necessary for the performance of their professional duties. Permission of individual users of the information system are clearly defined according to their job positions. Only the accounting department specialists are permitted to make active operations in the system. All accesses in the information system are recorded in the database and can be tracked in the future. Each accounting operation and record is traceable by user.

The accounting correctness is monitored on on-going basis by the Shared Services Centre and by the financial controlling centre. In addition, the accounting correctness confirmed by external auditors at the end of the calendar year. The external audits are conducted in individual subsidiaries and also at the consolidated entity level.

Risk Factors

The financial strength of the Group is small compared with competitors

The Group's competitors in the domestic brewing industry include companies that are part of supranational brewing groups. These firms have significantly greater economic strength than PLG, and it is possible that in a more competitive market PLG will not be able to continue to compete effectively.

Dependency on certain key suppliers

Regarding several raw materials, the Group relies in some cases on single source suppliers for its supplies and as such is exposed to the risk that these suppliers could be unable to deliver products or material in the required quality or in the required quantities to fulfil the Group's orders and/or may increase the price of available supplies. The Group uses, amongst other inputs, barley, grain, hops, glass and aluminium for producing and packaging its products. The Group cannot predict the future availability or prices of the products and materials required for its products or guarantee that its water supply will not be subject to stoppages, scarcity or other interruptions. The markets in the relevant commodities may continue to experience price increases or suffer from disruptions in supply. In addition, changes in packaging mixes continue to pressure input costs. Any shortage of, change in price of, or supply disruptions to, any of the raw and/or packaging materials or discontinuity to Group's water supply may lead to delays or reductions in the Group's production, additional costs, contractual penalties, reduction of orders by unsatisfied customers or the loss of certain customers or may have a material adverse effect on its business, financial condition and/or results of operations.

Dependency on retaining key personnel and attracting highly skilled individuals

The Group's success depends substantially upon the efforts and abilities of key individuals and the Group's ability to retain such staff. The executive management team has significant experience in the international brewing industry and fast moving consumer goods and has made an important contribution to the Group's growth and success. The loss of their skills could have an adverse effect on the Group's operations. The Group may not be successful in attracting and retaining such individuals in the future, which could have a material adverse effect on the Group's prospects, operations and financial condition. The loss of certain individuals in non-managerial positions may also have a materially adverse effect on the Group's business where such individuals possess specialised knowledge which cannot be easily replaced.

The Group relies on the strength of its brands

The Group's revenues depend largely on the strength of the Group's brands. The Group enjoys a positive corporate reputation and its operating companies are well respected in their regions. Constant management attention is directed towards enhancing Group's social, environmental and financial reputation. The Group's brands are, along with its people, its most valuable assets and one of the key elements in Group's growth strategy. Anything that adversely affects consumer and stakeholder confidence in its brands could have an adverse effect on its business, financial condition and/or results of operations. Also, if Group fails to ensure the relevance and attractiveness of its brands and the enhancement of brand marketing, this could also have an adverse effect on its business, financial condition and/or results of operations.

Product recall, product liability and/or general safety, health and environmental issues, including the discovery of contaminants in Group's beverage products, or unethical or irresponsible behaviour by Group or its employees could damage its reputation, brand image, sales and revenues. Additionally, poor quality or integrity of Group's products may result in health hazards, reputational damage, lower volumes and financial claims. Any damage to Group's brands or reputation could have an adverse effect on its business, financial condition and/or results of operations, even if the negative publicity is factually inaccurate or unfounded.

PLG may be impacted by changes in the availability or price of raw materials, packaging and other input costs

The supply and price of raw materials used to produce the Group's products, primarily malted barley, hops, water, sugar and packaging materials, can be affected by a number of factors beyond its control, including the level of crop production around the world, export demand, government regulations and legislation affecting agriculture, adverse weather conditions, currency fluctuations, economic factors affecting growth decisions, plant diseases and pests.

If the Group cannot pass on raw materials prices or increase in packaging costs to customers, or if sales volumes decrease as a result of higher prices, the Group's sales and/or profits may decrease, which could adversely affect Group's businesses, financial condition and results of operations.

The Group is exposed to fluctuations in exchange rates

The Group operates internationally; its reporting currency is the Czech crown. However, certain receivables to and payables of PLG are denominated in foreign currency. Consequently, significant fluctuations in exchange rates between CZK and foreign currencies and vice versa may have impact on the turnover derived from its activities, as well as on the asset and liability elements denominated in foreign currency.

Risk of future capital needs

From time to time, the Group may be required to raise additional funds for its future capital needs or to refinance its current funding through public or private financing, strategic relationships or through other arrangements. The Group's failure to raise capital when needed could have an adverse effect on its business, financial condition and/or results of operations.

Exposure to interest rate risk on its floating rate indebtedness and financial arrangement limitations

The Group is partly financed by floating rate debt. As the reference interest rate on this debt can fluctuate, it is exposed to interest rate risk. Higher interest rates may result in higher interest costs which could adversely affect the Group's business, financial condition and/or results of operations.

The Group's commercial and financial flexibility is restricted by certain restrictive covenants under the terms of the Facility Agreements. These include (without limitation) restrictions relating to mergers and acquisitions, the granting of security over or disposal of assets, the incurrence of financial indebtedness, guarantees and indemnities and derivative transactions. Any breaches of the restrictions or covenants contained in the Facility Agreements or any of the Group's outstanding borrowings in the future may result in acceleration of the repayment of such existing or future indebtedness prior to maturity, which may have a material adverse effect on the Group's ability to service other liabilities and consequently may lead to its insolvency.

Risk of export to foreign markets

The Group also exports its products to a number of emerging markets, particularly Russia, which are associated with higher economic and political risk. There is also greater uncertainty in connection with compliance with contractual conditions and the possibilities of successful enforcement of contract terms in litigation before local courts. Export to these countries is also exposed to the risk of changes in customs terms and imposition of non-tariff import barriers to protect local producers.

Exposure to the credit risk of its customers and suppliers.

In particular, the Group may suffer losses as a result of payment delays and defaults of its contractual counterparties.

Risk of failure to renew agreements with third parties

Some distribution and other agreements are generally concluded for a fixed term and terminable upon a short notice period. Any failure to renew agreements with third-parties on terms acceptable to the Group, the termination of these agreements or a dispute with a third party contractors could result in disruption of the Group's normal distribution channels, incurrence of breakage costs and loss of sales or customers. The Group may not be able to satisfactorily replace any of its third-party contractors on a timely basis or at all, which could disrupt its operations in the relevant market. Any consolidation among distributors or any other contractors may also impact the Group's ability to renegotiate distribution agreements on favourable terms, if at all, which could adversely affect the Group's competitive position and operations in the market.

Changes in distribution channels in the Czech Republic may have an adverse effect on the Group's business and its profitability
On the Czech brewing market, there has been a shift in beer consumption from catering establishments to the household. This phenomenon causes a decrease in sales of keg beer in favour of bottled beer that is sold in retail stores. Profit margins in retail stores are typically smaller than in the case of catering establishments. The continuing trend changes in the distribution channels in favour of sales in retail stores could adversely affect the financial situation of the Company.

PLG may not be able to protect its intellectual property rights

The Group owns and licences trademarks (for, among other things, its product and brand names and packaging) and other intellectual property rights that are important to its business and competitive position. The Group has invested considerable effort in protecting its brands, including the registration of trademarks. If the Group is unable to protect its intellectual property, any infringement or misappropriation could have an adverse effect on its business, financial condition and/or results of operations and/or its ability to develop its business. Applications filed by the Group in respect of new trademarks or patents may not be granted.

The growth in competition in the brewing industry

Over the last years, beer consumption in the Czech market showed a decline or stagnation, which may result in a more competitive approach between brewing groups and possibly leading to a decrease in the market share or profit margin of the Group. This process could be further worsened by import of cheap beer from abroad, which the local producers will not be able to compete with in

terms of price. The above factors could adversely affect the financial performance of the Group.

Decreases in beer consumption in favour of other beverage categories

The Group is exposed to mature markets where the attractiveness of the beer category is challenged by other drink categories and could lower demand for beer as a result of consumption trends shifting in favour of other beverages. In addition, the Group competes with alternative beverages, based on factors over which it has little or no control and that may result in fluctuations in demand for Group's products. Any decrease in the demand for Group's beer in favour of alternative beverages or decreases in Group's product pricing margins on the basis of factors over which PLG has little or no control could adversely affects PLG's business, financial condition and/or results of operations.

Seasonal consumption cycles may adversely affect demand for products

Demand for the Group's products may be affected by seasonal consumption cycles and adverse weather conditions. PLG experiences the strongest demand for its products when temperatures rise and particularly during the summer months. Adverse weather conditions, such as unseasonably cool or wet weather in the spring and summer or spring months, can adversely affect sales volumes.

Exposure to litigation risk

Companies in the alcoholic beverage industry are, from time to time, exposed to litigation relating to alcohol advertising, alcohol abuse programmes or health and societal consequences from the excessive consumption of alcohol and to litigation related to product liability issues, including the discovery of contaminants in beverage products. Further, increasing restrictions over alcoholic beverages increases the risk of non-compliance, which increases the likelihood of litigation claims. Any such litigation could adversely affect the Group's business, financial condition and/or results of operations.

Employees

The Group's staff is critical to its business and success. The Group is committed to the principle of equal opportunity in employment. The Group aims to achieve high levels of employee satisfaction and engagement by ensuring that all people involved in its businesses understand, and are engaged in delivering, the Group's strategic aims.

Collective Agreements

Currently there are three different labour unions operating in the following subsidiaries – Pivovar Černá Hora, a.s., Pivovar Protivín, a.s. and Pivovar Vysoký Chlumec, a.s. These subsidiaries and the labour unions collectively negotiate improvement of work, wage and other conditions of employees of the relevant subsidiaries. The collective agreements / negotiations are as follows:

Pivovar Černá Hora, a.s. / Collective agreement with labour union Základní organizace ZO NOS PPP

Pivovar Protivín, a.s. / Collective agreement with labour union - Odborová organizace ZO NOS PPP Pivovar Platan s.r.o.

Pivovar Vysoký Chlumec, a.s. / Collective bargaining with labour union – ZO NOS PPP Pivovar Vysoký Chlumec, a.s.

Number of employees

The table below indicates number of employees employed by the Group and its subsidiaries by profession:

PLG	2012	2013	2014
Management	26	25	26
Manufacturing	335	313	309
Trade	96	99	96
Logistics	131	161	153
Others	108	103	77
TOTAL	**696**	**701**	**661**

Source: the Company

On the Group level and excluding Moravamalt, s.r.o., the total number of employees per division is 336 in trade, 314 in production, 16 in financial department and 7 in IT. All employees are located and employed in the Czech Republic.

The Group currently has no stock option plan or any other equity-related remuneration available to its employees.

Pivovar Rychtář

Brewery in Hlinsko was founded in 1913. Originally a share brewery was nationalised in 1948, became part of Horácké breweries and later East-Bohemian breweries. Under the name RYCHTÁŘ, the first bottled beer was a 12% lager in 1981. Many investment and reconstruction activities, which have gradually changed and are still changing the appearance of the brewery and its technological equipment, allow the brewery to satisfy the continuing demand of all fans of first-class, traditionally produced beer. Rychtář Brewery produces 8 kinds of beer. As one of the few breweries in the Czech Republic, it uses hops in its natural form.

Investor Information and Shares

Shareholding Structure

Shareholders as of 31 December 2014:

Palace Capital, a.s.	53.20%
GO Solar s.r.o.	26.17%
Management	0.02%
Other free float	20.62%

Source: Company Data

Initial Public Offering

On 22 May 2014, PLG successfully completed an Initial Public Offering ("IPO") of its shares with the issue price set at CZK 160 per share. In the IPO, a total number of 2,300,000 of newly issued shares were offered by the Company, no shares were offered by existing shareholders. Additional 230,000 shares were subject of the Over-Allotment Option, of which 110,000 shares were exercised and sold by majority shareholders. The total number of shares offered (including the final over-allotment option) equalled to 2,410,000 shares. The shares were sold to institutional and retail investors from the Czech Republic, Austria, Poland, Hungary and Slovakia. Shares of Pivovary Lobkowicz Group were listed on the Prague Stock Exchange on 28 May 2014.

In connection with the offering all shareholder loans have been capitalized and the PLG's equity has been increased by approx. CZK 1,758,000.000. The chairman of the board of directors Zdeněk Radil committed to acquire 349,502 PLG shares after the IPO, however, this sale has not been settled.

PLG´s plan to use the net proceeds from the sale was as follows:

- Distribution network - PLG intended to spend approx. CZK 200 million on the acquisition of new restaurants and public houses based on the high demand on the side of restaurant and pub owners for the PLG' products.
- Market consolidation – PLG considers an acquisition of a brewery with annual production of between 80 to 100 thousands hectolitres of beer.
- Export growth – PLG intends to invest in further growth of export of its products to key export markets in Russia / Commonwealth of Independent States and Slovakia.

Shares Structure

As of 31 December 2014, the issued and paid-up share capital of PLG amounted to CZK 1,870,160 and was divided into 11,687,501 shares with a nominal value of CZK 160 each. All of the shares are ordinary registered shares, are fully paid up and rank pari passu with each other, and there is no other authorised class of shares. All shares have been or will be issued under Czech law. All shares have one vote and carry equal dividend rights. Shares have been issued in the book-entry form and are registered in the Central Securities Depository Prague. None of the share is held by PLG or any of its subsidiaries.

The shares are traded on the Prague Stock Exchange under ISIN CZ0005124420 PLG. The shares of PLG are included in the indices PX index, PX-TR and PX-GLOB that cover shares of all major issuers on the Prague Stock Exchange.

Share Price Development and Trading Activity in 2014

In 2014, PLG shares were traded for a total value of CZK 162 million on the Prague Stock Exchange. The lowest trading prices during the year was CZK 155 and the highest was CZK 176 on the Prague Stock Exchange.

The closing prices on 30 December 2014 was CZK 174.5 on the Prague Stock Exchange and the market capitalisation of PLG came to CZK 2 billion.

Share Price Development 28 May 2014 – 30 December 2014

Source: Prague Stock Exchange

Negotiation with respect to a potential sale of the majority stake

On 30 July 2014, PLG made public the information that a negotiation has been conducted by a potential buyer – a fund managed by Enterprise Investors with an aim to acquire an equity stake in PLG.

Dividend Policy

The management does not plan to pay any dividends for the years 2014 and 2015, as all the free cash flow shall be used for further expansion of distribution network and potential acquisitions of breweries, as the case may be.

Any payment of any future dividends will effectively depend on the discretion of the shareholders at the General Meeting. The current intention of the Management is to recommend to the General Meeting for the year 2016 and beyond a dividend payout ratio of 40% to 60% of the PLG's net profit for the relevant year, after taking into account any circumstances that may have an impact on the PLG's freely distributable reserves and provided that such dividend payment would not impair the capital structure of the Group. The PLG's ability to distribute dividends depends on the level of its freely distributable reserves and cash at hand, which will be determined by the financial performance of the Group.

PLG´s investor relations commitment

In the period since the IPO, PLG has focused on developing research coverage for the Company, developing relationships with analysts and setting up investor relations communications according to the best market standards. PLG is dedicated to open and proactive communication with its shareholders and has implemented a schedule of investor communications events, which is fully compliant with market standards for listed companies.

Financial Results Calendar for 2015

14 May 2015	Interim Management Statement for the Period Starting 1 January 2015
27 August 2015	Half Year Report 2015 incl. First Half 2015 Financial Results
12 November 2015	Interim Management Statement for the Period Starting 1 July 2015

Governing Bodies of the Issuer

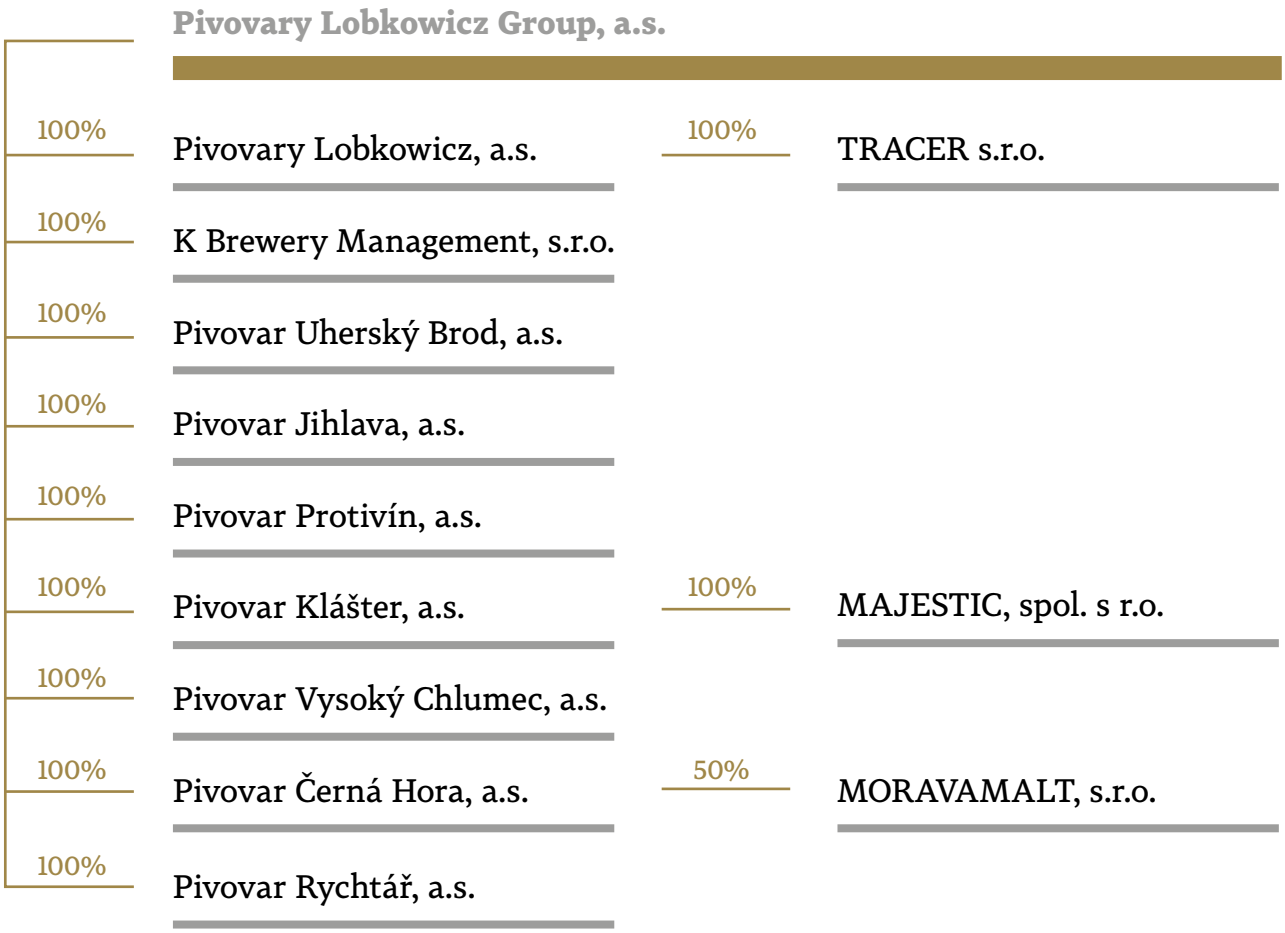
Group Structure

PLG is the sole owner or co-owner of nine principal companies (the subsidiaries) identified below (PLG and the subsidiaries jointly as the Group). PLG controls the subsidiaries through the ownership interests in them. In addition, most of the subsidiaries are legally controlled by K Brewery Management, s.r.o. based on control agreements. Information on significant subsidiaries are presented in the section "Information about the Issuer".

The chart below presents the Group structure as of 31 December 2014:

Organizational Chart

(The ownership interests stated in the chart represent a percentage of the share capital and voting rights attached to the shares of individual companies of the PLG Group. Detailed information about the shareholdings in the individual subsidiaries are described in the Section "Information about the Issuer", page 62–68.)



Supervisory Bodies and Management

General Meeting

The General Meeting is the supreme body of PLG. The exclusive powers of the General Meeting under the Articles shall include:

(i) decisions on amendments to the Articles, except changes resulting from an increase in the share capital by the authorised Board under Sections 511 et seq. of the Companies Act, or a change which occurred on the basis of other legal facts;

(ii) decisions on a change in the amount of the share capital or on a set-off of a cash receivable from PLG against a receivable concerning the payment of the share issue price, or on approval of the set-off draft agreement;

(iii) a decision on issuance of the bonds pursuant to Section 286 et seq. of the Companies Act;

(iv) a decision on acquisition of PLG´s own shares pursuant to cases stipulated by the applicable law;

(v) decisions on winding up PLG with liquidation, appointment and removal of a liquidator, including the determination of his/her fee, approval of a proposed distribution of liquidation surplus;

(vi) approval of an in-kind contribution to PLG's share capital;

(vii) a decision on exclusion or restriction of the preferential right to an acquisition of exchangeable or priority bonds or on exclusion or limitation of the preferential right to a subscription of new shares; a decision on issuance of the option warrant for exercising the preferential right to the acquisition of the exchangeable or priority bonds; a decision on a subscription of shares when exercising rights from priority bonds and/or on an subscription of shares for PLG's share capital increase;

(viii) a decision on the change of type and form of the shares, and on restriction of the transferability of the name registered shares, and on a change of this limitation; a decision on the change of rights connected with particular type of shares, on shares consolidate or certain shares and decision on transfer of book-entry shares to certificate shares and vice versa;

(ix) election and removal of members of the Supervisory Board;

(x) a decision on PLG's transformation;

(xi) approval of the office agreement for members of the Supervisory Board, and a decision on any other payment pursuant to Section 61 of the Companies Act;

(xii) appointment of the auditor of PLG's financial statement certification and other document certification, if such certification is required by law;

(xiii) granting of prior approval to provide financial assistance under the conditions pursuant to Section 311 et seq. of the Companies Act;

(xiv) approval of a silent partnership agreement, including approval of amendments thereto and cancellation thereof;

(xv) approval of the report on PLG's business activity and state of assets;

(xvi) approval of annual, extraordinary or consolidated financial statements and, in cases stipulated by law, interim financial statements, as well as decisions on the distribution of profits or coverage of loss, and the determination of the profit share for the members of the statutory bodies;

(xvii) approval of a tenancy, acquisition, transfer or pledge of the enterprise or a part thereof, which would result in a substantial change of the current of the structure of the enterprise, or in a substantial change of scope of business;

(xviii) decisions on filing an application for the admission of PLG's participation securities for trading on the regulated European market, or on withdrawing such securities from trading on the regulated European market;
(xix) a decision on other matters entrusted to the General Meeting under the law or the Articles.

The General Meeting is held at least once in an financial year, no later than six months of the last day of the previous financial year on request of the Board or, as the case may be, on a request of a Board member if the Board will not convene the General Meeting without undue delay when the law requires so, and/or when the Board is not quorate in the long term, unless the applicable legal provisions provide otherwise.

The General Meeting is also held upon the request of the qualified shareholders. The Board convenes the General Meeting based on such a request, if all requirements of the Articles and the Companies Act are met.

The General Meeting may be convened by the Supervisory Board if required by PLG's interests. The Supervisory Board proposes necessary measures at the General Meeting, and shall convene the General Meeting when the company has no Board, or the elected Board has neglected its obligations for a long period and the General Meeting has not been convened, including by its members.

The General Meeting shall be convened at least 30 days (if the General Meeting is not requested by the qualified shareholder or if the General Meeting is not requested as a substitute General Meeting) before the General Meeting, by publishing the invitation to the General Meeting on PLG's website. Instead of sending the invitation to the shareholder's address the invitation is published in the Mladá Fronta DNES newspaper and on the www.valnehromady.cz website. All documents related to the General Meeting shall be published on the PLG's website. The invitation shall contain all information required by law. If the change of the Articles is on the agenda of the General Meeting, PLG shall permit each shareholder to inspect such a proposed change in the period prescribed by the invitation and free of charge. If the qualified shareholders request the Board to convene the General Meeting, it shall be convened in a manner and period prescribed by the Companies Act and shall be deemed as adjourned General Meeting. All matters that were not on the proposed agenda of the General Meeting shall be discussed or approved only with the consent of all shareholders. The General Meeting shall be cancelled or its date shall be changed only under provisions of law. A financial statement with a report on the business activity and state of assets shall be published on PLG's website at least 30 days before the General Meeting is held. If all the shareholders agree, the General Meeting may be held without fulfilling the requirements set out by law and the Articles.

Only shareholders included in the shareholder's ledger as the owners of the shares on the seventh calendar day before the General Meeting (the decisive date for participation in the General Meeting) may attend the General Meeting. The Board shall obtain the shareholder's ledger extract to such decisive date. A shareholder attends General Meeting personally or on behalf of its representative. Power of attorney for representation on the General Meeting must have written form and must explicitly provide whether it was granted for just one or more General Meetings representation. Shareholders signature on the power of attorney must by officially certified.

The voting on the General Meeting shall be by the ballot. The proposal of the Board or, as the case may be, the proposal of the Supervisory Board, if it convened the General Meeting, shall be voted first and if such proposal was submitted. If such a proposal of the Board or of the Supervisory Board is approved, the rest of the proposals are not subject to further voting. The rest of the proposals shall have voting order according to order of their proposition.

The shareholders and their representatives present at the General Meeting are recorded in the list of attendees. If PLG refuses to permit a person to be signed in in the list of attendees, such information shall be recorded in the list of attendees, including the reason for the refusal. The accuracy of the list of attendees shall be confirmed by the signature of the convener or a person authorised by the convener. The members of the Board and the Supervisory Board shall always attend the General Meeting. In addition to the members of PLG's bodies and shareholders, only persons nominated by the Board shall attend the General Meeting. The Board may authorise PLG's employees or third persons to attend the General Meeting for its organisational and technical purposes.

The General Meeting is commenced by the convener or a person authorised by him/her. Such a person shall proceed to the appointment of the chairman of the General Meeting, minute-taker, one or two minute-verifiers and persons entrusted with counting of the votes. The rest of the General Meeting is chaired by the chairman of the General Meeting. The rules of the method of discussion and voting or any other details of the General Meeting may be subject to the rules of procedure, if approved by the General Meeting. If a discrepancy arises between the Articles and the rules of procedure, the Articles should prevail. Minutes shall be taken of the proceedings at the General Meeting. The minute-taker shall be responsible for the minutes, to be finalised 15 (fifteen) days from the date of the General Meeting. The minutes shall meet all legal requirements, and be signed by the minute-taker, the chairman of the General Meeting and the minute verifier(s).

The General Meeting shall be considered quorate if the present shareholders hold shares with a par value of more than 30% of PLG's share capital. If the General Meeting is not considered quorate after one hour from its commencement, PLG shall take legal steps to convene the substitute General Meeting. The General Meeting approves resolutions by overall majority of the present shareholders votes, unless the applicable law or the Articles provides otherwise. Shares without a voting right or shares with a voting right that cannot be exercised shall not be taken into account when assessing the ability of the General Meeting to pass resolutions and for each vote at the General Meeting.

Board of Directors

The Board is the statutory body of PLG, which manages its activities, and represents it. The Board makes decisions as a collective body, unless the Articles or applicable law provide otherwise. The Board is responsible for business management of PLG, including responsible management of the PLG's accounting. The Board may adopt a resolution, by which the business management of PLG is divided between the members of the Board. The members of the Board authorised to the business management of PLG represent PLG under such authorisation individually. They are obliged to keep records of legal acts they performed on behalf of PLG and to inform the Board about their such acts at the meetings of the Board, and provide minutes from such meetings, containing a full description of all their legal acts. The decision of the Board shall authorise its members for the legal acts towards its employees.

The powers of the Board include in particular:

(i) fulfilling the company's strategy and its mid-term business plan;
(ii) deciding on important tactical matters of a non-standard nature;
(iii) ensuring the preparation of and submitting to the General Meeting:
  - annual, extraordinary or interim financial statements;
  - motions to distribution of profits or other own funds, including the determination of the amount of and method of distribution of dividends and tantièmes;
  - motions to decide on allocations to PLG's funds;
  - motions to cover the losses;
  - report on business activity and state of assets;
  - proposed amendments to the Articles; and
  - motions to decrease or increase the share capital,
(iv) implementing resolutions of the General Meeting;
(v) verifying the fulfilment of the annual business plan;
(vi) submitting to the Supervisory Board for discussion or supervision:
  - annual, extraordinary or interim financial statements;
  - motions to distribute profits or other funds including the determination of the amount and method of distributing dividends and tantièmes;
  - motions to cover the losses; and
  - all other matters entrusted to the Supervisory Board by law or by the Articles;
(vii) deciding on establishment of the legal entity in which PLG has an interest, on dissolving a legal entity that is controlled by PLG, and deciding on the purchase, sale, transfer or pledge of the interest in the other legal entity;
(viii) exercising employer's rights;
(ix) nominating and removing the proxy;
(x) approving organisational rules of and its amendments;
(xi) approving other internal provisions to which the Board expressly assigns such responsibility;
(xii) preparation of the written report on relations no later than at the end of the 3rd (third) month following the end of the previous accounting period pursuant to Section 82 of the Companies Act; such a report is part of the annual report prepared under a special legal act;
(xiii) fulfilling other obligations entrusted to the Board set by law or the Articles.

The Board shall observe the legal provisions and the Articles. The Board shall observe the rules and instructions provided by the General Meeting and the Supervisory Board, if they are in accordance with the law and the Articles.

The Board shall consist of three members, which are elected and removed by the Supervisory Board. The term of office of a Board member shall be for five years and terminates by the last day of the term of office of a Board member. The re-election of the Board member is possible without any restrictions. Any Board member may resign by written notice delivered to the Board. The Board shall discuss the resignation at its next meeting, after the Board acknowledges the resignation. The office of the Board member ends by the day the Board discussed or should have discussed the resignation. If a Board member announces resignation verbally at the meeting of the Board, the office of Board member ends two months after the date of notice of resignation, unless the Board upon the request of resigning member of the Supervisory Board will not approve the termination of office of a Board member on a different date.

The Supervisory Board shall elect new Board member no later than two months from the office termination of the Board member, from the resignation of the Board member or from the office termination of the Board member by any other way. If the number of Board members did not fall below half number of members, the Board may appoint substitute Board members until the next Supervisory Board meeting. The Supervisory Board may appoint substitute Board members, who will start to perform their office in order in which they were appointed. The Board shall appoint and recall its chairman and vice-chairman.

In exercising their office, the Board members, besides the obligations requested by the applicable law, shall act with due managerial care and agree to keep confidential sensitive information and facts, the disclosure of which to third parties may cause harm to the company. The provisions of the law shall apply with respect to non-competition obligations of the members of the Board. A Board member besides other legal provisions and without notification obligation cannot: (a) carry on business in the subject of PLG's business; (b) arrange or provide PLG's trade for other persons; (c) participate in the business activities of other business corporation as a shareholder with unlimited liability, or as a controlling person of the person with same or similar scope of business; and (d) be a member of the statutory body of another legal entity with the same or a similar scope of business, or be a person in a similar position, unless it is a legal entity within the PLG's concern. Should any of the above obligations be breached by any Board member PLG is entitled to claim all profits or other payments, including damages for loss conceded to PLG under the applicable law. The Board member shall inform the chairman of the Board about his/her performance of the office of the statutory body, membership in a statutory body or any other body in any other legal entity.

The Board adopts decisions on its meetings, unless the Articles provides otherwise. The Board shall meet usually once in a month, however, at least six times per calendar year. The meetings of the Board shall be usually convened upon the chairman's written notice; the chairman shall also chair the meetings of the Board. The vice chairman of the Board shall chair the meetings of the Board during the absence of the chairman at the meeting. Upon the written request of any Board member or upon the written request of the Supervisory Board the meeting of the Board must be convene, no later than 14 days from such request delivery. The request must contain the reasoning and a proposed meeting agenda. The Board may invite to its meeting at its own discretion a members of the Supervisory Board, employees or other persons. The attendance at a meeting of the Board is obligatory for invited employees. The meeting of the Board may be attended by the member of the Supervisory Board determined by the decision of the Supervisory Board.

The Board shall be quorate if a majority of all its members is present at the meeting of the Board. Resolutions at the meetings of the Board shall be passed by a majority vote of all members of the Board; if there is a tie, the chairman's vote shall be decisive. Each Board member shall have one vote, and voting shall be by acclamation. Minutes shall be taken of the proceedings and signed by a minute-taker authorised by the Board and by the chairman. The minutes shall specify the names of the members who voted against the adoption of any decisions or abstained from voting; members whose names are not specified are deemed to have voted in favour of the decision, unless proven otherwise.

The Board may adopt a decision outside the meeting by written voting or by voting via communication technologies if all Board members agree. A Board member voting via communication technologies or by paper votes shall be considered as present at the meeting of the Board for the quorate purposes of the Board. The voting record shall form part of the next Board meeting minutes.

If all members of the Board agree, a meeting of the Board may be held even if it does not fulfil the requirements for being called, as prescribed by the Articles. The chairman may cancel or postpone the convened meetings because of significant reasons. The venue of the meeting usually takes place at the registered office of PLG or another suitable place. The costs of the meetings and other activities of the Board shall be borne by PLG.

The members of the Board are entitled to receive remuneration for the costs related to the performance of their office.

If a Board member learns about a conflict of interest between PLG and a Board member or between close relatives of such a Board member or between persons controlled or influenced by him/her, this Board member shall inform, without undue delay, remaining Board members and the Supervisory Board. The Supervisory Board may suspend office of such a Board member who informed about the conflict of interest for a time period necessary with respect to the character and duration of such conflict of interest. Such measure may be approved repeatedly. The Board may appoint a substitute member for a period of suspension of the Board member with conflict of interest. The Board member with suspended office is not entitled to any remuneration for the suspension period. If the reason for suspension ceases the relevant body shall decide on termination of the suspension.

The Board of Directors comprised as of 31 December 2014 of following members:

Name	Position	Business address
Zdeněk Radil	Chairman	Prague 4, Hvězdova 1716/2b, postal code 140 78
Eva Kropová	Vice-chairman	Prague 4, Hvězdova 1716/2b, postal code 140 78
Otakar Binder	Member	Prague 4, Hvězdova 1716/2b, postal code 140 78

Zdeněk Radil
Mr Radil has served as the chairman of the Board of Directors for the past 10 years. He is a graduate of the University of Economics Prague (1999) and Charles University in Prague (2002). He gained his MBA degree in 2013. His previous work experience includes institutions and companies such as the Czech National Bank (1996-1998), SPT Telecom (1998-2000), Alcatel (2000-2002), Deloitte & Touche (2002-2004), Telefónica O2 (2004-2008) and BGS (2008).

Mr Radil is (i) the chairman or the member of the Board of Directors in the following subsidiaries: Pivovary Lobkowicz, a.s.; Pivovar Uherský Brod, a.s.; Pivovar Jihlava, a.s.; Pivovar Protivín, a.s.; Pivovar Klášter, a.s.; Pivovar Vysoký Chlumec, a.s.; Pivovar Černá Hora, a.s.; Pivovar Rychtář, a.s.; Pivovar Platan, a.s.; Lobkowiczký pivovar, a.s. and (ii) the director in MORAVAMALT, s.r.o.

Mr Radil's
(i) past directorships in other companies in the past five years include: Anterax a.s. – member of the board of directors (2000-2009), Hotel Černá Hora, a.s. – member of the board of directors (2007-2010); LACERO TERGUS a.s. – member of the board of directors (2007-2009); Lázně Luhačovice, a.s. – member of the supervisory board (2006-2011); Palace Capital, a.s. – member of the supervisory board (2007-2012); PIVOVAR ROHOZEC, a.s. – member of the board of directors (2007-2010); and

(ii) current directorship in other companies in the past five years include: AETHEON CAPITAL CE a.s. – member of the board of directors (from 2007); Agroprodukt plus a.s. – member of the supervisory board (from 2013); BGS Energy Plus a.s. – member of the supervisory board (from 2009); Colosseum, a.s. – member of the supervisory board (from 2003); Energy produkt Plus s.r.o. – responsible representative (in Czech, odpovědný zástupce) (from 2010); FC VYSOČINA JIHLAVA, a.s. – member of the supervisory board (from 2008); Pivovar Janáček, s.r.o. – executive director (from 2008); Výzkumný ústav pivovarský a sladařský, a.s. – member of the supervisory board (from 2008); Zlatý vůl s.r.o. – shareholder (from 2005).

Mr Radil (i) has not been convicted of any fraudulent offences, (ii) has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies or from acting in the management or conduct of the affairs of any company for at least the previous five years, (iii) was not associated with an official public incrimination and/or sanctions by statutory or regulatory authorities including designated professional bodies.

Mr Radil was not associated with bankruptcies, receiverships or liquidations in the capacity of any of the positions listed above for the last five years.

Eva Kropová
Ms Kropová joined PLG and served as a vice – chairman of the Board since 2008. She is a graduate of the VŠB – Technical University of Ostrava (1990) and the Bank Institute / College of Banking (2002). Her previous work experience includes Třinecké železárny (1978-1990), Třinec revenue authority (1991-1995) and auditor, investor and tax adviser (since 1995). Ms Kropová currently holds shares in Lázně Luhačovice (since 1999), Léčebné Lázně Jáchymov (since 2000) and Ekonomika a daně (since 2001).

Ms Kropová is also (i) the member of the Supervisory Board in the following subsidiaries: Pivovary Lobkowicz, a.s.; Pivovar Uherský Brod, a.s.; Pivovar Jihlava, a.s.; Pivovar Protivín, a.s.; Pivovar Klášter, a.s.; Pivovar Vysoký Chlumec, a.s.; Pivovar Černá Hora, a.s.; (ii) the vice-chairman of the Board of Directors in Pivovar Rychtář, a.s. and (iii) the chairman of the Supervisory Board in the following subsidiaries of the Group: Pivovar Platan, a.s. and Lobkowiczký pivovar, a.s.

Ms Kropová's
(i) past directorships in other companies in the past five years include: FORTISSIMO, spol. s r.o. – member of the supervisory board (2009); Hotel Černá Hora, a.s. – member of the supervisory board (2007-2010); LACERO TERGUS a.s. – member of the supervisory board (2007-2009); Palace Capital, a.s. – member of the supervisory board (2007-2012); member of the board of directors (1999-2007); PIVOVAR ROHOZEC, a.s. – member of the supervisory board (2007-2010); and

(ii) current directorship in other companies in the past five years include: Daňová, auditorská a účetní kancelář, spol. s r.o. – executive director (from 1997); shareholder (from 2003) responsible representative (in Czech, odpovědný zástupce) (from 2003); EKONOMIKA A DANĚ, s.r.o. – executive director (from 2001); shareholder (from 2001); Lázeňská kolonáda Luhačovice, o.p.s.

– member of the board of directors (from 2009); Lázně Luhačovice, a.s. – member of the board of directors (from 1999); Léčebné lázně Jáchymov a.s. – member of the board of directors (from 2010); MVE Třinec, a.s. – member of the supervisory board (from 2003); Nadační fond DARA – inspector (in Czech, revizor) (from 2007); Palace Capital, a.s. – proxy (in Czech, prokurista) (from 1999); PEGA - VEL, a.s. – member of the board of directors (from 2006); RATIO CAPITAL, a.s. – member of the supervisory board (from 2013); SILESIA CAPITAL, a.s. – member of the board of directors (from 2005).

Ms Kropová (i) has not been convicted of any fraudulent offences, (ii) has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of or from acting in the management or conduct of the affairs of any company for at least the previous five years, (iii) was not associated with an official public incrimination and/or sanctions by statutory or regulatory authorities including designated professional bodies.

Mr Kropová was not associated with bankruptcies, receiverships or liquidations in the capacity of any of the positions listed above for the last five years.

Otakar Binder
Mr Binder has served as a member of the Board of Directors since 2008 for the past 6 years. He is a graduate of the Czech University of Life Sciences Prague (1973). Since then he held the post of commercial manager in various Czech companies such as Fruta Brno (1973-1992), Coca Cola Amatil (1992-1995) and Plzeňský Prazdroj where he held post of a commercial manager for the Czech Republic (1995-2008).

Mr Binder is also (i) a member of the Board of Directors in the following subsidiaries: Pivovary Lobkowicz, a.s.; Pivovar Uherský Brod, a.s.; Pivovar Jihlava, a.s.; Pivovar Protivín, a.s.; Pivovar Klášter, a.s.; Pivovar Vysoký Chlumec, a.s.; Pivovar Černá Hora, a.s.; Pivovar Rychtář, a.s. and (ii) a member of the Supervisory Board in the following subsidiaries of the Group: Pivovar Platan, a.s. and Lobkowiczký pivovar, a.s.
Mr Binder did not hold any directorship in other companies in the past five years besides the subsidiaries of the Group.

Mr Binder (i) has not been convicted of any fraudulent offences, (ii) has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of or from acting in the management or conduct of the affairs of any company for at least the previous five years, (iii) was not associated with an official public incrimination and/or sanctions by statutory or regulatory authorities including designated professional bodies.

Mr Binder was not associated with bankruptcies, receiverships or liquidations in the capacity of any of the positions listed above for the last five years.

Office terms

All Board of Directors members were elected on 4th September 2013 by the General Meeting and their term of office is five years from the date of their election.

PLG hereby declares no member of the Board of Directors entered into an agreement on performance of an office or any other agreement with the Company or any of the Group companies which contains any provision providing benefits up on termination of the office.

Supervisory Board

The Supervisory Board is PLG's supervisory body, which elects and removes Board members and which oversee the exercise of the powers of the Board and PLG's business activities and approves the office agreements for Board members, and on any other payments to Board members pursuant to Section 61 of the Companies Act. The Supervisory Board is obliged to request any information from the auditors for its supervisory activities and to cooperate with such an auditor.

The powers of the Supervisory Board shall include:

(i) supervising exercise of the Board's powers, particularly fulfilment of tasks assigned to the Board by the General Meeting; compliance with the Articles and legal provisions, supervising business activities; the status of PLG's assets, receivables and debts; administration and transparency of the accounting and informing the General Meeting about results, conclusions and recommendations following the supervisory activities;

(ii) reviewing the annual, extraordinary or, as the case may be, interim financial statements and motions to distribute profits or other own funds and cover losses and report the General Meeting about its statements;

(iii) convening the General Meeting, if required by PLG's interests, and proposing necessary measures;

(iv) representing PLG through one of the member of the Supervisory Board in a judicial or any other dispute against the member or members of the Board;

(v) fulfilling other obligations entrusted to the Supervisory Board by law or the Articles.

The Supervisory Board shall observe the rules and instructions approved by the General Meeting, if they are in accordance with the law and the Articles.

The Supervisory Board has three members. The members of the Supervisory Board shall be elected and removed by the General Meeting. The term of office of the members of the Supervisory Board shall be five years and terminates by the last day of the term of office for which a member of the Supervisory Board was elected. The re-election of the member of the Supervisory Board is possible without any restrictions.

A member of the Supervisory Board may resign from his/her office, through a written notice delivered to the Supervisory Board. The office of a member of the Supervisory Board ends on the date when his/her resignation was discussed or should be discussed by the Supervisory Board. The Supervisory Board shall discuss the resignation at its next meeting, after the Supervisory Board acknowledges such resignation. If a member of the Supervisory Board announces resignation verbally at the meeting of the Supervisory Board, the office of member of the Supervisory Board ends two months after the date of notice of resignation, unless the Supervisory Board, upon the request of resigning member of the Supervisory Board will not approve the termination of office of a member of the Supervisory Board on a different date.

The General Meeting shall elect new member of the Supervisory Board no later than two months from the office termination of the member of the Supervisory Board or from the resignation of a member of the Supervisory Board or, if the office of the Supervisory Board member terminates by any other way. If the number of Supervisory Board members did not fall below half of the total number of members,

the Supervisory Board may appoint a substitute Supervisory Board members by the next General Meeting. If PLG has a sole shareholder, the term of office of such a substitute Supervisory Board members shall terminate by the date PLG receives the decision of the sole shareholder, exercising powers of the General Meeting, on the appointment of new Supervisory Board member(s). The General Meeting may appoint substitute Supervisory Board members, who will start to perform their office in order in which they were appointed.

The Supervisory Board adopts decision at its meetings and shall usually meet four times per calendar year. The meetings of the Supervisory Board shall be convened by the chairman by written notice; the chairman shall also chair the meetings of the Supervisory Board. The vice-chairman of the Supervisory Board shall chair the meetings of the Supervisory Board during the absence of the chairman at the meetings.

The Supervisory Board shall be quorate if a majority of all its members is present at the meeting. Resolutions at the meetings of the Board shall be passed by a majority vote of all members of the Board, if there is a tie, the chairman's vote shall be decisive. Each Board member shall have one vote. The vote of the vice-chairman shall be decisive during the absence of the chairman. The voting shall be by acclamation, and the chairman of the Supervisory Board shall convene the meeting of the Supervisory Board always when requested by any member of the Supervisory Board or by the Board; such a request must contain the reasoning and a proposal of the agenda for the meeting. The meetings of the Supervisory Board shall be held at the registered office of PLG, unless the Supervisory Board decides otherwise. The Supervisory Board may invite to its meeting upon its own discretion members of the Board, employees or other persons; an invitation to the meeting of the Supervisory Board is obligatory for employees. Minutes shall be taken of the proceedings and shall be signed by the minute-taker authorised by the Board and by the chairman. The minutes shall contain contrary opinions of a minority of the members, if requested by them.

The Supervisory Board may adopt a decision outside the meeting by written voting or by voting via communication technologies if all members of the Supervisory Board agree. A member of the Supervisory Board shall be considered as present at the meeting of the Supervisory Board for the quorate of the Supervisory Board when voting via communication technologies or by written voting. The voting record shall be part of the minutes of the next Supervisory Board meeting. The costs of the meetings and other activities of the Supervisory Board shall be borne by PLG.

The members of the Supervisory Board are entitled to receive remuneration for the costs related to the performance of their office.

In exercising their office, the members of the Supervisory Board shall act with due managerial care and agree to keep confidential sensitive information and facts, the disclosure of which to third parties may cause harm to PLG. If respective action of the Board requests the approval of the Supervisory Board and the Supervisory Board will not provide such approval to the Board or will exercise its right to prohibit specific action to the Board, a member of the Supervisory Board shall be responsible for damages in cases and extent specified under Section 49 of the Companies Act. The Article 19 of the Articles shall apply to members of the Supervisory Board similarly.

Audit Committee

Without prejudice to the responsibilities of the Board or the Supervisory Board, the Audit Committee is PLG's body that performs particularly the following:

(i) monitoring the progress of drawing up the financial statements;
(ii) evaluating the effectiveness of PLG's internal controls, internal audit and, where applicable, risk management systems;
(iii) monitoring the process of the mandatory audit of the financial statements; and
(iv) assessing the independence of the statutory auditor and audit company, and mainly the provision of auxiliary services to the audited entity
(v) suggesting an auditor to review the financial statements.

The Audit Committee shall consist of three members elected and removed by the General Meeting from the members of the Supervisory Board or third persons. At least one member of the Audit Committee shall be independent on the PLG and shall have at least three years practical experience in the accounting or obligatory audit. The Audit Committee shall appoint its chairman. The term of office of a member of the Audit Committee shall be for five years. The Audit Committee adopts decision at its meetings, which are usually held twice per calendar year. The Audit Committee shall be quorate if a majority of all its members is present at the meeting. Resolutions at the meetings of the Audit Committee shall be passed by a majority vote of all members of the Audit Committee.

As of the date of the Annual Report, the Audit Committee has not been elected; and its powers are executed by the Supervisory Board.

The Supervisory Board comprised as of 31 December 2014 of following members:

Name	Position	Business address
Martin Burda	Chairman	Prague 4, Hvězdova 1716/2b, postal code 140 78
Petr Bič	Member	Prague 4, Hvězdova 1716/2b, postal code 140 78
Grzegorz Hóta	Member	Prague 4, Hvězdova 1716/2b, postal code 140 78

Martin Burda
Mr Burda joined PLG and served as a chairman of the Supervisory Board since 2008. He is a graduate of the polish Gymnasium in Český Těšín (1992). Since then Mr Burda become a private businessman and investor. He was a shareholder in Pega (200-2006), Pivovar Svijany and Pivovar Rohozec (2007-2010) and currently he holds shares in Lázně Luhačovice (since 1999), Léčebné Lázně Jáchymov (since 2000), Motorpal (since 2007).

Mr Burda is the chairman or the member of the Supervisory Board in the following subsidiaries: Pivovary Lobkowicz, a.s. and Pivovar Uherský Brod, a.s.

Mr Burda's
(i) past directorships in other companies in the past five years include: Hotel Černá Hora, a.s. – member of the board of directors (2007-2009); REDO spol. s.r.o. – executive director and shareholder (1995-2011); and

(ii) current directorship in other companies in the past five years include: Lázně Luhačovice, a.s. – member of the board of directors (from 1999); Léčebné lázně Jáchymov a.s. – member of the board of directors (from 2010); Palace Capital, a.s. – member of the board of directors and

shareholder (from 1999); SILESIA CAPITAL, a.s. – member of the board of directors (from 2005).

Mr Burda (i) has not been convicted of any fraudulent offences, (ii) has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of or from acting in the management or conduct of the affairs of any company for at least the previous five years, (iii) was not associated with an official public incrimination and/or sanctions by statutory or regulatory authorities including designated professional bodies.

Mr Burda was appointed as liquidator of REDO spol. s r.o. from 2010 to 2011 and was not associated with bankruptcies or receiverships in the capacity of any of the positions listed above for the last five years.

Petr Bič
Mr Bič joined PLG in 2008. He is a graduate of the University of Economics in Prague (2007) and obtained certificate in Business Administration from Martin College in Sydney, Australia (2001). His previous work experience includes coordinator position in AXA Assistance (2001-2006), Palace Capital (since 2004), Motorpal where he held position of company's deputy (2007-2009), member of the supervisory board (2007) and the board of directors member (since 2007), Lázně Luhačovice as a supervisory board member (since 2007), Pivovar Černá Hora as a supervisory board member (since 2007) and Léčebné lázně Jáchymov as a supervisory board member (since 2010).

Mr Bič is also (i) the chairman or member of the Supervisory Board in the following subsidiaries: Pivovar Rychtář, a.s.; Pivovar Platan, a.s.; Lobkowiczký pivovar, a.s. and the director in the following subsidiaries of the Group: K Brewery Management, s.r.o. and MAJESTIC, spol. s r.o.

Mr Bič's
(i) past directorships in other companies in the past five years include: Hotel Černá Hora, a.s. – member of the supervisory board (2007-2010); LACERO TERGUS a.s. – member of the board of directors (2007-2009); MOTORPAL, a.s. – member of the board of directors (2007-2012); WRES, a.s. – member of the board of directors (2007-2012); and

(ii) current directorship in other companies in the past five years include: Lázeňská kolonáda Luhačovice, o.p.s. – member of the supervisory board (from 2009); Lázně Luhačovice, a.s. – member of the supervisory board (from 2007); Léčebné lázně Jáchymov a.s. – member of the supervisory board (from 2010); Palace Capital, a.s. – member of the supervisory board (from 2004); SILESIA CAPITAL, a.s. – member of the supervisory board (from 2005).

Mr Bič (i) has not been convicted of any fraudulent offences, (ii) has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies or from acting in the management or conduct of the affairs of any company for at least the previous five years, (iii) was not associated with an official public incrimination and/or sanctions by statutory or regulatory authorities including designated professional bodies.

Mr Bič was not associated with bankruptcies, receiverships or liquidations in the capacity of any of the positions listed above for the last five years.

Grzegorz Hóta
Mr Hóta became a member of the Supervisory Board in 2008. He is a graduate of the University of Economics in Prague (2003). His previous work experience includes a share dealer position in Rendital, s.r.o. (1996-1997), trading with publicly listed shares on its own account (since 1997) and various projects comprising M&A transactions (since 2000).

Mr Hóta is also the member of the Supervisory Board in Pivovary Lobkowicz, a.s.

Mr Hóta's
(i) past directorships in other companies in the past five years include: GO com a.s. – member of the supervisory board (2009-2013); and

(ii) current directorship in other companies in the past five years include: EKOTREG-TŘINEC, s.r.o. – shareholder (from 2002); FOSSTON a.s. – member of the board of directors (from 2007); GO com a.s. – member of the board of directors (from 2013), ModemTec s.r.o. – shareholder (from 2001); SILESIA CAPITAL, a.s. – member of the board of directors (from 2005); TRITREG - TŘINEC, s.r.o. – shareholder (from1999); Villusion a.s. – member of the supervisory board (from 2000); Viveca Invest, a.s. – member of the supervisory board (from 2011); WRES, a.s. – member of the supervisory board (2007-2008 and from 2012 up to now).

Mr Hóta (i) has not been convicted of any fraudulent offences, (ii) has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies or from acting in the management or conduct of the affairs of any company for at least the previous five years, (iii) was not associated with an official public incrimination and/or sanctions by statutory or regulatory authorities including designated professional bodies.

Mr Hóta was not associated with bankruptcies, receiverships or liquidations in the capacity of any of the positions listed above for the last five years.

Office Terms

All the members of the Supervisory Board were elected on 4th September 2013 by the General Meeting and their term of office is five years from the date of their election.

PLG hereby declares that no Supervisory Board member entered into an agreement on performance of an office or any other agreement with the Company or any of the Group companies which contains any provision providing benefits upon termination of the office.

Senior Management

Members of the Management are managers and heads of PLG's key departments, which are subordinate to the chairman of the Board of Directors.

The Management of the Company comprised as of December 31 2014

Name	Position	Business address
Zdeněk Radil	CEO	Prague 4, Hvězdova 1716/2b, postal code 140 78
Otakar Binder	Chief Sales Officer	Prague 4, Hvězdova 1716/2b, postal code 140 78
Petr Blažek	CFO and CIO	Prague 4, Hvězdova 1716/2b, postal code 140 78
Jiří Faměra	Production Manager	Prague 4, Hvězdova 1716/2b, postal code 140 78

Zdeněk Radil
Information on Mr Radil can be found above in 'Board of Directors' section.

Otakar Binder
Information on Mr Radil can be found above in 'Board of Directors' section.

Petr Blažek
Mr Blažek joined the Group in 2008 and since 2010 he holds post of the CFO and CIO. Mr Blažek is a graduate of the Mendel University in Brno (1999) and Brno University of Technology (2003). His previous work experience includes 5 years as a Chief of the economic department in distribution centre in the Coca Cola Amatil (1991-1996) and Plzeňský Prazdroj (1996-2008).

Mr Blažek (i) has not been convicted of any fraudulent offences, (ii) has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies or from acting in the management or conduct of the affairs of any company for at least the previous five years, (iii) was not associated with an official public incrimination and/or sanctions by statutory or regulatory authorities including designated professional bodies.

Mr Blažek did not hold any directorship in other companies in the past five years. Information about Mr Blažek´s memberships in the Boards of the Group companies can be found in the section Information about the Issuer.

Mr Blažek was not associated with bankruptcies, receiverships or liquidations in the capacity of any of the positions listed above for the last five years.

Jiří Faměra
Mr Faměra joined the Group in 2008 and holds the post of the production manager. Mr Faměra is a graduate of the Institute of Chemical Technology Prague, with specialisation in fermentative industry (1982). His previous work experience includes positions in Plzeňský Prazdroj technology department and laboratory as a chief brewer (1982-1996), in Západočeské Pivovary as a manager of the R&D department (1996-2000), in Plzeňský Prazdroj as a quality manager (2000-2006) and at the Research Institute of Brewing and Malting as a project and commercial manager (2006-2008).

Mr Faměra is also a member of the Supervisory Board in Pivovar Klášter, a.s. and director in MORAVAMALT, s.r.o.

Mr Faměra did not hold any directorship in other companies in the past five years.

Mr Faměra (i) has not been convicted of any fraudulent offences, (ii) has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies or from acting in the management or conduct of the affairs of any company for at least the previous five years, (iii) was not associated with an official public incrimination and/or sanctions by statutory or regulatory authorities including designated professional bodies.

Mr Faměra was not associated with bankruptcies, receiverships or liquidations in the capacity of any of the positions listed above for the last five years.

Conflict of interests

Save as disclosed below, none of the members of the Board of Directors, Supervisory Board and Managers has any potential conflicts of interests between their duties to the Group and their private interests or other duties:

- Mr Radil is one of the PLG's shareholders.
- Ms Kropová is one of the PLG's shareholders.
- Mr Burda is the sole shareholder of the Palace Capital, a.s. which is a PLG's controlling shareholder which provided the Company in the past with a loan agreement. This loan has been fully capitalized in 2014.
- Mr Hóta is the shareholder of the GO solar s.r.o. which is one of PLG's shareholders which provided the Company in the past with a loan agreement. This loan has been fully capitalized in 2014.
- Mr Hóta and Mr Burda are shareholders of SILESIA CAPITAL, a.s. has provided in the past a loan to the PLG in the amount of CZK 30,000,000. This loan has been completely repayed in 2014. Ms Kropová, Mr Burda and Mr Hóta are Board members and Mr Bič is member of the Supervisory Board of the SILESIA CAPITAL, a.s.

Information on Shares Held by the members of the Supervisory Board, Board of Directors and by the Senior Management

As of 31 December 2014, the following members of the Board of Directors held shares issued by the Company:

Name	Position	Type of Security	No. of Securities	% of the total capital
Mr Zdeněk Radil	CEO and Chairman of the Board of Directors	Common shares	1,125	0.01%
Mrs Eva Kropová	Vice-chairman of the Board of Directors	Common shares	750	0.01%

Mr Zdeněk Radil has agreed on the purchase of such amount of the shares so that Mr Zdeněk Radil becomes the 3% shareholder of PLG. However, these agreements have not been settled to date.

As of 31 December 2014, the following members of the Supervisory Board held shares issued by the Company:

Name	Type of Security	No. of Securities	% of the total capital
Martin Burda	Common shares	6,217,205	53.20%
Grzegorz Hóta	Common shares	3,058,421	26.17%

- Mr Burda held shares in PLG indirectly, as the sole shareholder of the Palace Capital, a.s.
- Mr Hóta held shares in PLG indirectly, as the shareholder of the GO solar s.r.o.

As of 31 December 2014, the no members of the Senior management held issued by the Company. In 2014 the Company didn´t adopt any stock option plan for its management or employees.

Remuneration and Benefits

CZK thousands		Remuneration (2014) Pivovary Lobkowicz Group, a.s.	Other Group Companies	TOTAL
Members of the Board of Directors*	Board Remuneration	469	-	469
	Salaries and other similar income	-	7,514	7,514
	Management Bonus	-	-	-
	Other (compensation)			-
	TOTAL	**469**	**7,514**	**7,983**
Members of the Supervisory Board	Board Remuneration	938		938
	Salaries and other similar income	-	774	774
	Management Bonus	-	-	-
	TOTAL	**938**	**774**	**-**
Senior Management of the Company**	Salaries and other similar income	-	15,586	15,586
	Management Bonus	-	-	-
	Board Remuneration (incl. Supervisory board of Group companies)	-	-	-
	TOTAL	**-**	**15,586**	**15,586**
TOTAL		**1,407**	**23,874**	**25,281**

* Board remuneration of members of the Board of Directors include Mr Radil, Mr Binder and Mrs Kropová. Salaries of Mr Radil and Mr Binder are included in the category Other Group companies (CZK 7,514 thous.)

** Salaries and other similar income exclude Mr Radil and Mr Binder.

Members of the Board of Directors and the Supervisory Board

The remuneration of the members of the Board of Directors in 2014 was CZK 469,000 for the performance of the member of the Board of Directors duties, paid by Pivovary Lobkowicz Group, a.s. and CZK 7,514,000 as salaries paid by other Group companies. The remuneration of the Board of Directors for the performance of the office is approved by the Supervisory Board at the beginning of the office term and is a fixed amount for every year of the office term.

Mr Zdeněk Radil, apart from his remuneration as the Chairman of the Board of Directors, received also a salary as the CEO of the Company. Mr Otakar Binder, apart from his remuneration as the member of the Board of Directors, received also a salary as the Chief Sales Office of the Company.

The remuneration of the members of the Supervisory Board in 2014 was CZK 938,000 for the performance of the member of the Supervisory Board duties, paid by Pivovary Lobkowicz Group, a.s. and CZK 774,000 as salaries paid by other Group companies. The remuneration of the Supervisory Board for the performance of the office is approved by the General Meeting of Shareholders at the beginning of the office term and is a fixed amount for every year of the office term.

Senior Management

The senior management of the Group receives remuneration in based on standardized management contracts. The compensation of the senior management is determined by a base salary and motivation bonuses based on performance of each individual manager. The annual basic salary payable to the senior management members was CZK 15,586,000 in total for the last full financial year 2014 and was paid solely by other Group companies. These salaries are reviewed, but not necessarily increased, annually. The variable (motivation) component of the salary is based on KPI´s which set in the annual business plan of the Group. The KPI´s for senior management include Group´s EBITDA, operating profit and external debt. The level of those performance indicators is set by the audited consolidated financial statements. Once the financial accounts are closed for each financial year, the remuneration proposal for senior management is approved by the Board of Directors and subsequently by the Supervisory Board. The variable (motivation) component paid in financial year 2014 was zero.

The senior management members are entitled to receive benefits in kind comprising a company car also for private purposes, personal notebook and mobile phone. In 2014, the CEO was provided a company car owned by PLG of the total book value of CZK 914,012 as of the balance sheet date 31 December 2014. The members of the senior management (comprising 8 senior managers) were provided with company cars leased from a third party. The value of the leasing expense for those 8 company cars was CZK 1,615,182 in 2014. An integral part of management contracts is a non-compete clause and in such regard the particular manager is entitled to remuneration based on the length of the non-compete clause after termination of the management contract. The non-compete clause is ordinarily concluded for 6 months for all members of senior management.

Corporate Governance Principles

The Group is firmly committed to the highest standards of corporate governance and maintaining an effective framework for the control and management of the Group's business. Accordingly, many of the corporate governance practices and principles expected of listed companies are already well-established within the Group and PLG complies with the recommendations of the Corporate Governance Codex which lies on principles of OECD.

Other Information Required by the Act Capital Market Undertakings

Expenses and Fees paid to External Auditors

In 2014, the Group paid to external auditing firms following fees and expenses:

In CZK thousands	Pivovary Lobkowicz Group, a.s.	Other Group companies included in the consolidation
Mandatory Audit of the consolidated annual financial statements	630	1,072
Other verification services	500	558
Tax consultancy	-	-
Other non-auditing services	-	-
TOTAL	**1,130**	**1,630**

Other verification services include works on the IPO prospectus and assistance in the conversion of financial reports from the CZ GAAP into IFRS

Other Information Required by the Act Capital Market Undertakings

Information According to Article 118 paragraph 5, a) to l) of the Act on Capital Market Undertakings

a) Information on shares and capital structure is described in the section "Investor Information and Shares",

b) the transferability of the Company's shares is not restricted,

c) information on significant direct and indirect shareholdings in Company is described in the section "Information on Shares...." ,

d) none of the Company's securities have any special rights attached to them,

e) the voting rights attached to Company's individual shares and/or to a certain amount of the Company's shares are not restricted in any way or form,

f) the Company is not aware of the existence of any agreements between the Company's shareholders which may result in restrictions on the transferability of the Company's shares and/or voting rights attached to the shares,

g) no special rules governing the election and recall of the members of the Board of Directors and/or amendment to the articles of association apply,

h) members of the Board of Directors do not have any special powers; in particular, they have been not granted by the General Meeting authority to adopt a decision on an increase of the Company's share capital, on acquisition by the Company of its own shares or another decision of such type,

i) the Company is not a party to any significant agreement which will enter into effect, change and/or cease to exist in the event of change of control over the Company as result of a takeover bid,

j) no agreements have been concluded between the Company and the members of its Board of Directors which would bind the Company to render performance in the event that the position of a member of the Company's Board of Directors is terminated in connection with a takeover bid. No agreements have been concluded between the Company and its employees that would bind the Company to render performance in the event that the employment of an employee is terminated in connection with a takeover bid,

k) the Company hasn´t implemented any plans on the basis of which the Company's employees or members of its Board of Directors would be entitled to acquire shares or other participation securities in the Company, or options on such securities or other rights thereto, under special terms.

l) not applicable

Material Subsequent Events

Tracer s.r.o., a member of the Group, changed its legal name to K Brewery Trade, s.r.o. effective 3 February 2015.

MAJESTIC, spol. s r.o., a member of the Group, changed its legal name to na K Brewery Group, spol. s r.o.. effective 29 January 2015.

Changes in the statutory bodies and top management after 31 December 2014

Mr Otakar Binder resigned from the post of the Commercial Director and member of the Board of Directors. Mr Binder left PLG with the effect of 31 March 2015.

PLG created a new key management position: Executive Director and appointed Mr Pavel Herman with the effect of 1 April 2015. His goal will be a utilization of the imminent business opportunities which are currently available in the highly competitive beer market. The new Executive Director will report directly to the Supervisory Board. Mr Herman was also appointed Vice-chairman of the Board of Directors.

Mr Herman, after its graduation at the Prague School of Economics in 1994, started his professional career in Mars – Master Foods. From 1998 he worked for H.J. Heinz in various positions as the CFO, General Manager for Czech Republic and Slovakia and General Manager for Central Europe and Central European Export. In 2004 he joined company Hero (Dr. A. Oetker), responsible for CEE business development. In 2007 he was appointed Vice President for Central&Eastern Europe and member of the Global Executive Committee. Between 2013-2014 he worked in Molson Coors where he was responsible for post-acquisition integration of Central and South European bussinesses into the European business unit.

In order to ensure the maximum efficiency of all PLG Group companies, Mrs Eva Kropová will be replaced in the Boards of Directors of remaining PLG Group companies by Mr Petr Blažek, current CFO of the PLG Group. Mrs Kropová will become a member of the Supervisory Boards of PLG Group companies.

In April 2015, negotiations between the main shareholders of PLG and a fund managed by Enterprise Investors as a potential buyer of a stake in the Company have been terminated. As a result, the negotiated transaction will not occur.

Apart from the events stated above, the Company is not aware of any other material events which occurred after the balance sheet date of 31 December 2014.

Declaration of Responsible Persons

Statutory Declaration

With the use of all reasonable care, to the best of our knowledge the consolidated Annual Report provides a true and fair description of the financial situation, business activities, and results of operations of the issuer and its consolidated group for the year 2014 and of the outlook for the future development of the financial situation, business activities, and results of operations of the issuer and its consolidated group, and no facts have been omitted that could change the meaning of this report.

Prague, 30 April 2015

Zdeněk Radil
Chairman of the Board of Directors

Pavel Herman
Vice chairman of the Board of Directors

Petr Blažek
Member of the Board of Directors

Pivovar Uherský Brod

Beer brewing in the royal town of Uherský Brod has a long tradition dating back to medieval times. The first joint brewery, which replaced the brewing houses, was built in 1614 by people of Uherský Brod. Brewery, where the beer is brewed today, was built in 1895 by Francis B. Janáček. Currently, the brewery in Uherský Brod produces 10 kinds of beers. All are brewed according to traditional recipes and characterised by a strong bitterness and fullness. Cask beers from this brewery are not pasteurised and therefore keep many health-promoting substances.

Information about the Issuer

Basic information

Business name:	Pivovary Lobkowicz Group, a.s.
Place of registration:	Czech Republic, Municipal Court in Prague, File B, Insert 10035
Identification number:	272 58 611
Tax identification number:	CZ 699002113
Date of incorporation:	20 July 2005
Legal form:	joint-stock company
Country of incorporation:	Czech Republic
The legislation under which the Company operates:	Companies Act and regulation established hereunder
Registered office:	Prague 4, Hvězdova 1716/2b, postal code 140 78
Telephone contact:	538 765 111
E-mail:	info@pivovary-lobkowicz.cz
Web site:	www.pivovary-lobkowicz-group.com

Selected Subsidiaries as of 31 December 2014

Pivovary Lobkowicz, a.s., a joint-stock established and existing under the laws of the Czech Republic, with its registered office at Prague 4, Hvězdova 1716/2b, postal code 140 78, Identification number: 284 89 411, registered in the Commercial Register maintained by the Municipal Court in Prague, File B, Insert 14838:

Scope of business	production, trade and services not specified in annexes 1-3 of the Trade Licensing Act
Share capital	CZK 2,000,000
Shares	100 ordinary name registered shares in the nominal value of each share CZK 20,000
Shareholder	PLG as a sole shareholder owns 100 ordinary name registered shares which equals to the contribution to the share capital and voting rights of 100%
Board	Chairman of the board: Zdeněk Radil Vice-chairman of the board: Otakar Binder Member of the board: Petr Blažek
Supervisory Board	Member of the supervisory board: Eva Kropová

K Brewery Management, s.r.o., a limited liability company established and existing under the laws of the Czech Republic, with its registered office at Prague 4, Hvězdova 1716/2b, postal code 140 78, Identification number: 284 89 993, registered in the Commercial Register maintained by the Municipal Court in Prague, File C, Insert 145383:

Scope of business	production, trade and services not specified in annexes 1-3 of the Trade Licensing Act
Share capital	CZK 440,098,000
Ownership interest	one ownership interest representing 100% of the share capital
Shareholder	PLG as a sole shareholder owns ownership interest which equals to the contribution to the share capital and voting rights of 100%
Director	Petr Bič

Pivovar Uherský Brod, a.s., a joint-stock company established and existing under the laws of the Czech Republic, with its registered office at Uherský Brod, Neradice 369, postal code 688 16, Identification number: 607 42 917, registered in the Commercial Register maintained by the Regional Court in Brno, File B, Insert 1548:

Scope of business	catering and accommodation brewing and malting production, trade and services not specified in annexes 1-3 of the Trade Licensing Act motor road vehicle transport – cargo domestic operated by the vehicles with maximum permitted weight up to the 3,5 tonne motor road vehicle transport – cargo domestic operated by the vehicles with maximum permitted weight over the 3,5 tonne
Share capital	CZK 72,500,000
Shares	6 bearer shares in the nominal value of each share CZK 5,000,000 40 bearer shares in the nominal value of each share CZK 1,000,000 25 bearer shares in the nominal value of each share CZK 100,000
Shareholder	PLG as a sole shareholder owns 71 bearer shares which equals to the contribution to the share capital and voting rights of 100%
Board	Chairman of the board: Zdeněk Radil Vice-chairman of the board: Otakar Binder Member of the board: Petr Blažek
Supervisory Board	Member of the supervisory board: Eva Kropová

Pivovar Jihlava, a.s., a joint-stock company established and existing under the laws of the Czech Republic, with its registered office at Jihlava, Vrchlického 2, postal code 586 01, Identification number: 499 73 711, registered in the Commercial Register maintained by the Regional Court in Brno, File B, Insert 1276:

Scope of business	catering and accommodation brewing and malting production, trade and services not specified in annexes 1-3 of the Trade Licensing Act
Share capital	CZK 221,783,000
Shares	221,783 bearer shares in the nominal value of each share CZK 1,000
Shareholder	PLG as a sole shareholder owns 221,783 bearer shares which equals to the contribution to the share capital and voting rights of 100%
Board	Chairman of the board: Zdeněk Radil Vice-chairman of the board: Otakar Binder Member of the board: Petr Blažek
Supervisory Board	Member of the supervisory board: Eva Kropová

Pivovar Protivín, a.s., a joint-stock company established and existing under the laws of the Czech Republic, with its registered office at Protivín, Pivovar 168, postal code 398 11, Identification number: 260 25 248, registered in the Commercial Register maintained by the Regional Court in České Budějovice, File B, Insert 1990:

Scope of business	purchase of goods for further sale brewing and malting
Share capital	CZK 40,000,000
Shares	100 ordinary bearer shares in the nominal value of each share CZK 400,000
Shareholder	PLG as a sole shareholder owns 100 ordinary bearer shares which equals to the contribution to the share capital and voting rights of 100%
Board	Chairman of the board: Zdeněk Radil Vice-chairman of the board: Otakar Binder Member of the board: Petr Blažek
Supervisory Board	Member of the supervisory board: Eva Kropová

Pivovar Klášter, a.s., a joint-stock company established and existing under the laws of the Czech Republic, with its registered office at Klášter Hradiště nad Jizerou 16, postal code 294 15, Identification number: 251 46 297, registered in the Commercial Register maintained by the Municipal Court in Prague, File B, Insert 4844:

Scope of business	brewing and malting catering and accommodation production, trade and services not specified in annexes 1-3 of the Trade Licensing Act
Share capital	CZK 1,000,000
Shares	100 ordinary bearer shares in the nominal value of each share CZK 10,000
Shareholder	PLG as a sole shareholder owns 100 ordinary bearer shares which equals to the contribution to the share capital and voting rights of 100%
Board	Chairman of the board: Zdeněk Radil Vice-chairman of the board: Otakar Binder Member of the board: Petr Blažek
Supervisory Board	Member of the supervisory board: Eva Kropová

Pivovar Vysoký Chlumec, a.s., a joint-stock company established and existing under the laws of the Czech Republic, with its registered office at Vysoký Chlumec 29, postal code 262 52, Identification number: 463 53 224, registered in the Commercial Register maintained by the Municipal Court in Prague, File B, Insert 15277:

Scope of business	brewing and malting production, trade and services not specified in annexes 1-3 of the Trade Licensing Act
Share capital	CZK 80,000,000
Shares	40 ordinary name registered shares in the nominal value of each share CZK 1,000,000 40 preferred name registered shares in the nominal value of each share CZK 1,000,000
Shareholder	PLG as a sole shareholder owns 80 shares which equals to the contribution to the share capital and voting rights of 100%
Board	Chairman of the board: Zdeněk Radil Vice-chairman of the board: Otakar Binder Member of the board: Petr Blažek
Supervisory Board	Member of the supervisory board: Eva Kropová

Pivovar Černá Hora, a.s., a joint-stock company established and existing under the laws of the Czech Republic, with its registered office at Černá Hora, nám. U Pivovaru 3, postal code 679 21, Identification number: 282 82 876, registered in the Commercial Register maintained by the Regional Court in Brno, File B, Insert 5599:

Scope of business	brewing and malting production, trade and services not specified in annexes 1-3 of the Trade Licensing Act catering and accommodation manufacture and treatment of fermentation spirit, consumer spirit, spirits and other alcoholic beverages (except for beer, fruit distillates, other distillates and mead and other fruit distillates obtained by grower distillation)
Share capital	CZK 234,000,000
Shares	10 ordinary bearer shares in the nominal value of each share CZK 200,000 16 ordinary bearer shares in the nominal value of each share CZK 14,500,000
Shareholder	PLG as a sole shareholder owns 26 ordinary bearer shares which equals to the contribution to the share capital and voting rights of 100%
Board	Chairman of the board: Zdeněk Radil Vice-chairman of the board: Otakar Binder Member of the board: Petr Blažek
Supervisory Board	Member of the supervisory board: Eva Kropová

Pivovar Rychtář, a.s., a joint-stock company established and existing under the laws of the Czech Republic, with its registered office at Hlinsko v Čechách, Resslova 260, postal code 539 01, Identification number: 474 55 110, registered in the Commercial Register maintained by the Regional Court in Hradec Králové, File B, Insert 2967:

Scope of business	brewing and malting motor road vehicle cargo transport business, financial, organisational, and economic consulting wholesale specialized retail sale
Share capital	CZK 20,000,000
Shares	20 ordinary registered shares with a nominal value of each share CZK 1,000,000
Shareholder	PLG as a shareholder owns 20 ordinary registered shares which equals to the contribution to the share capital and voting rights of 100%
Board	Chairman of the board: Zdeněk Radil Vice-chairman of the board: Eva Kropová Member of the board: Otakar Binder
Supervisory Board	Chairman of the supervisory board: Ladislav Valtr Member of the supervisory board: Petr Bič Member of the supervisory board: Petr Blažek

MORAVAMALT, s.r.o., a limited liability company established and existing under the laws of the Czech Republic, with its registered office at Brodek u Přerova, Tovární 162, postal code 751 03, Identification number: 465 81 413, registered in the Commercial Register maintained by the Regional Court in Ostrava, File C, Insert 3624:

Scope of business	brewing and malting, production, trade and services not specified in annexes 1-3 of the Trade Licensing Act
Share capital	CZK 102,000
Ownership interest	two ownership interests each representing 50% of the share capital
Shareholder	PLG has indirect control through Pivovar Černá Hora, a.s., a sole shareholder which owns ownership interest which equals to the contribution to the share capital and voting rights of 50%
Directors	First managing director: Jiří Faměra Second managing director: Zdeněk Radil Third managing director: Antonín Doleček Fourth managing director: Stanislav Müller

TRACER s.r.o., a limited liability company established and existing under the laws of the Czech Republic, with its registered office at Modřice, Evropská 873, postal code 664 42, Identification number: 253 20 840, registered in the Commercial Register maintained by the Regional Court in Brno, File C, Insert 25401:

Scope of business	production, trade and services not specified in annexes 1-3 of the Trade Licensing Act
Share capital	CZK 102,000
Ownership interest	one ownership interest representing 100% of the share capital
Shareholder	PLG has indirect control through Pivovary Lobkowicz, a.s., a sole shareholder which owns ownership interest which equals to the contribution to the share capital and voting rights of 100%
Directors	Bořivoj Bartoněk

MAJESTIC, spol. s r.o., a limited liability company established and existing under the laws of the Czech Republic, with its registered office at Prague 4 - Nusle, Hvězdova 1716/2b, postal code 140 78, Identification number: 453 12 435, registered in the Commercial Register maintained by the Municipal Court in Prague, File C, Insert 6968:

Scope of business	production, trade and services not specified in annexes 1-3 of the Trade Licensing Act
Share capital	CZK 100,000
Ownership interest	one ownership interest representing 100% of the share capital
Shareholder	PLG has indirect control through Pivovar Klášter, a.s., a sole shareholder which owns ownership interest which equals to the contribution to the share capital and voting rights of 100%
Directors	Petr Bič

Pivovar Vysoký Chlumec

Vysoký Chlumec estate, located near Sedlčany, was for a long time home of the Czech noble Lobkowicz family. The castle, which towers above the present brewery, was bought by Lobkowicz family, in the 2nd half of the fifteenth century. The first mention of brewing on the estate dates back to 1466, the oldest surviving description of Vysoký Chlumec brewery dates back to 1611. Currently, standard production is 7 kinds of beer, another 7 are produced occasionally. A significant part of the production is exported, mainly to Germany.

Related Party Transaction Report of Pivovary Lobkowicz Group, a.s., for 2014

The Board of Directors of Pivovary Lobkowicz Group, a.s., with the registered office at Hvězdova 1716/2b, 140 78 Praha 4 - Nusle, CRN 27258611, recorded in the Commercial Register under file no. B 10035 kept by Municipal Court in Prague (hereinafter referred to only as "PLG"), as the controlled company, produced, according to sec. 82 Act on Business Corporations (hereinafter referred to only as "ABC"), the following Report on relations between the company and the controlling person and between the company and persons controlled by the same controlling person (hereinafter referred to as "interconnected persons") for the past fiscal period from 1 January 2014 until 31 December 2014 (hereinafter only as "conclusive period").

The structure of relations in the holding, the controlling person, persons controlled by the same controlling person

The structure of relations:

The structure of relations between persons according to sec. 82 par. 1 ABC is a diverse and multilevel that gradually descents from the controlling natural person, in 2014 it was Mr Martin Burda, date of birth 18 January 1974. Mr Martin Burda controlled the company PLG directly, and consequently indirectly, by the company PALACE CAPITAL, a.s., CRN 63474948, with the Registered Office in Luhačovice, Lázeňské náměstí no.436, Post Code 763 26, recorded in the Commercial Register kept by the RC in Brno, section B, file no. 1682, according sec. 75 subsec. 2 ABC. Other business corporations are controlled by PLG, as stated hereunder.

PLG is the controlling person of a business group
- holding, which includes a number of business subjects specializing in brewing, i.e. production and sale of beer and related products. This group meets the definition requirements of legislation – sec. 79 ABC. PLG is thus a sole shareholder, i.e. sole owner of the following companies:

Pivovar Černá Hora, a.s., CRN: 282 82 876
Registered office: nám. U Pivovaru 3, Post Code 679 21 Černá Hora
Recorded in the commercial register kept by the Regional court in Brno, section B, file no. 5599,

Pivovar Klášter, a.s., CRN: 251 46 297,
Registered office: Klášter Hradiště nad Jizerou 16, Post Code 294 15,
Recorded in the commercial register kept by the Municipal court in Prague, section B, file no. 4844,

Pivovar Protivín, a.s., CRN: 260 25 248,
Registered office: Protivín, Pivovar 168, Písek district, Post Code 398 11,
Recorded in the commercial register kept by the Municipal court in České Budějovice, section B, file no. 1990,

Pivovar Jihlava, a.s., CRN: 499 73 711,
Registered office: Vrchlického 2, Jihlava,
Recorded in the commercial register kept by the Regional court in Brno, section B, file no. 1276,

Pivovar Uherský Brod, a.s., CRN: 607 42 917,
Registered office: Uherský Brod, Neradice 369, Post Code 688 16, Recorded in the commercial register kept by the Regional court in Brno, section B, file no. 1548,

Pivovar Rychtář, a.s., CRN: 474 55 110,
Registered office: Hlinsko v Čechách, Resslova 260, Post Code 539 01,
Recorded in the commercial register kept by the Regional court in Hradec Králové, section B, file no. 2967, Note. Until November 2014 PLG company had 70% stake in the company. Since November 2014, PLG company has owned 100% shares in the company.

Pivovar Vysoký Chlumec, a.s., CRN: 463 53 224, Registered office: Vysoký Chlumec čp. 29, Post Code 262 52, Recorded in the commercial register kept by the Municipal court in Prague, section B, file no. 15277,

Lobkowiczký pivovar, a.s., CRN: 284 39 201, Registered office: Praha 4, Nusle, Hvězdova 1716/2b, Post Code 140 78, Recorded in the commercial register kept by the Municipal court in Prague, section B, file no. 14519,

Pivovar Platan, a.s., CRN: 282 45 164, Registered office: Brno - Černá Pole, tř. Kpt. Jaroše 1844/28, Post Code 602 00, Recorded in the commercial register kept by the Regional court in Brno, section B, file no. 6516,

K Brewery Management, s.r.o., CRN: 284 89 993, Registered office: Praha 4, Nusle, Hvězdova 1716/2b, Post Code 140 78, Recorded in the commercial register kept by the Municipal court in Prague, section C, file no. 145383,

Pivovary Lobkowicz, a.s., CRN: 284 89 411, Registered office: Praha 4, Nusle, Hvězdova 1716/2b, Post Code 140 78, Recorded in the commercial register kept by the Municipal court in Prague, section B, file no. 14838,

PLG holding further includes also the companies in which some of the aforementioned subsidiaries of PLG own some stakes. Those are:

MORAVAMALT, s.r.o., CRN 46581413, Registered office: Brodek u Přerova, Tovární 162
- Shareholder Pivovar Černá Hora, a.s., CRN 28282876, Registered office: Černá Hora 3/5, Post Code 679 21, contribution: CZK 51,000, paid up: 100%, 50% share on the Registered capital
- Shareholder OSEVA UNI, a.s., CRN 15061612, Registered office: Choceň, Na Bílé 1231, Post Code 565 14, contribution CZK 51,000, paid up 100%, 50% share on the Registered capital

K Brewery Trade, s.r.o. (formerly TRACER s.r.o.), CRN 25320840, Registered office: Modřice, Evropská 873
- Sole shareholder Pivovary Lobkowicz, a.s., CRN 28489411, Registered office: Prague 4, Hvězdova 1716/2b, contribution CZK 100,000, paid up: 100%, 100% share on the Registered capital

K Brewery Group, spol. s r.o. (formerly MAJESTIC, spol. s r.o.), CRN 45312435, Registered office: Prague 4, Hvězdova 1716/2b
- Sole shareholder Pivovar Klášter, a.s., CRN 25146297, Registered office Klášter Hradiště nad Jizerou 16, Post Code 29415, contribution CZK 100,000, paid up: 100%, 100% share on the Registered capital

The structure of relations within the Group is shown in the scheme in the Appendix.

Controlling person

Mr Martin Burda was directly controlling person of PLG until 3 April 2014. Since this date, he owned shares of PLG in the total nominal value representing a 55% stake in the Registered capital thereof.

As from 3 April 2014, PALACE CAPITAL, a.s., CRN 63474948, with the Registered office Luhačovice, Lázeňské náměstí no. 436, Post code 763 26, recorded in the Commercial register kept by the RC in Brno, section B, fie no. 1682 was the directly controlling person of PLG, as Mr Martin Burda transferred the shares of PLG company at the amount of 55% in the aforementioned company on the aforementioned date. Mr Martin Burda is the sole shareholder of PALACE CAPITAL, a.s.

On 28 May 2014 all issued shares of PLG were accepted to trading in the European regulated market – Prague Stock Exchange (Burza cenných papírů Praha, a.s.). In relation with listing of PLG´s shares in the regulated market, which was accompanied by the simultaneous increase of the Registered capital of the company, with a participation of persons who had not been shareholders of the company so far, the stake of Martin Burda in PLG was altered so that consequently he owned shares of PLG at the total 53.8% stake in the Registered capital.

Person acting in concert

The Board of Directors of PLG assumes that:

JUDr. Ing. Zdeněk Radil, date of birth: 31 January 1975, and Ing. Eva Kropová, date of birth: 14 July 1959, act in concert with the controlling person i.e. Martin Burda, resp. the company PALACE CAPITAL, a.s. within provisions of sec. 78 ABC.

JUDr. Ing. Zdeněk Radil is the Chairman of the Board of Directors of PLG. Ing. Eva Kropová is the Vice-chairman of the Board of Directors of PLG (as of 31 December 2014). Both aforementioned persons are authorised to represent PLG independently within the whole range of powers and perform the voting rights of PLG as a sole shareholder, resp. a shareholder in subsidiaries stated in point 1.1.

Ing. Eva Kropová is also a sole member of the Supervisory Board of subsidiaries in the form of corporations and which are stated in the aforementioned point 1.1. and is authorised to decide on the composition of the statutory bodies because the by-laws of these companies are based on so called German model.

Persons controlled by the same controlling person

Ing. Martin Burda is the controlling person of the following companies:

Lázně Luhačovice, a.s., CRN: 463 47 828, Registered office: Luhačovice, Lázeňské náměstí 436, Zlín district, Post Code 763 26, Recorded in the Commercial Register kept by the Regional Court in Brno, section B, file no. 809,

Palace Capital, a.s., CRN: 634 74 948, Registered office: Luhačovice, Lázeňské náměstí č. 436, Post Code 763 26, Recorded in the Commercial Register kept by the Regional Court in Brno, section B, file no. 1682,

SILESIA CAPITAL, a.s., CRN: 268 58 142, Registered office: Třinec, Karpentná 64, PSČ 739 94, Recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, file no. 2880,

Léčebné lázně Jáchymov a. s., CRN: 292 11 808, Registered office: Jáchymov, T. G. Masaryka 415, Post Code 362 51, Recorded in the Commercial Register kept by the Regional Court in Plzeň, section B, file no. 1603.

Methods and means of control

At present, Mr Martin Burda, as a single shareholder of PALACE CAPITAL, a.s., controls PLG indirectly through this company. PALACE CAPITAL, a.s. perform the control of PLG by making decisions as a shareholder at the general meeting of PLG. With respect to the number of shares owned by PALACE CAPITAL, a.s., this company can appoint, elect or revoke most of persons who are members of the statutory or supervisory body of PLG.

The control of the companies in PLG holding is performed by applying and enforcement of a unified holding management. Such management activity is performed by the Board of Directors of PLG.

Until the end of 2014, the contracts on the control of companies, concluded according to sec. 66a par.7 Act no.513/1991 Coll. – Commercial Code, between the company K Brewery Management s.r.o., as the controlling person, and the following companies, as the controlled persons:
– Pivovar Uherský Brod, a.s.
– Pivovar Jihlava, a.s.
– Pivovar Protivín, a.s.
– Pivovar Klášter, a.s.
– Pivovar Rychtář, a.s.
– Pivovar Vysoký Chlumec, a.s. a
– Pivovar Černá Hora, a.s.,
had been in effect, and these companies created so called contractual holding. The effect of these contracts of the control of companies terminated as to 31 December 2014, according to sec. 780 par.1 ABC.

The control of companies by PLG, i.e. by K Brewery Management, s.r.o. was performed by giving general and specific instructions, directives, or methodologies, which were adapted to the purpose thereof. During the conclusive period more specific instructions were assigned, apart from others, through the membership of JUDr. Ing. Zdeněk Radil and Ing. Eva Kropová in the statutory bodies of PLG and the subsidiaries thereof stated in the point 1.1. herein.

Pivovary Lobkowicz, a.s. (former K Brewery Trade, a.s.) has the exclusive position in the holding, as it has concluded contracts of mandate with the companies stated in the point 2.3., upon which the company Pivovary Lobkowicz, a.s. performs the administrative, financial, tax, business, IT, marketing, production and managerial activity, which are paid by the respective remuneration. The company Pivovary Lobkowicz, a.s. replaces the commercial divisions of the companies stated in the point 2.3., when these individual commercial divisions were transferred to Pivovary Lobkowicz, a.s. by contracts for the sale of business part concluded in 2009.

The role of PLG in the structure of the controlling relations within the group and in the business relations with the interconnected persons

In the relation to the members of PLG holding, PLG has the superior relation, when it performs the powers of a single shareholder, and/or a single member of the subsidiaries. PLG acted towards the subsidiaries as the owner, but not as a business partner.

An overview of acts performed in the last fiscal period, which were initiated or performed in the interest of the controlling person or persons controlled thereby if the act related to the property exceeding 10% of the own capital of the company stated in the financial statement for the year 2013.

11 May 2014: Pivovary Lobkowicz Group, a.s. (Issuer) vs. Erste Group Bank AG (Lead Manager) vs Česká spořitelna, a.s. (Domestic Lead Manager) vs Palace Capital, a.s. (Selling Shareholder) vs GO solar s.r.o. (Selling Shareholder) - UNDERWRITING AGREEMENT

22 May 2014: Pivovary Lobkowicz Group, a.s. (Issuer) vs. Palace Capital, a.s. (Selling Shareholder) vs. GO solar s.r.o. (Selling Shareholder) vs. Erste Group Bank AG (Lead Manager) vs. Česká spořitelna, a.s. (Domestic Lead Manager) – PRICING AGREEMENT

An overview of mutual contracts within the group, where the company is one of the parties to the contract

Contracts between PLG and the controlling person and persons controlled by the same controlling person

8 September 2008 K Brewery Group, a.s. (debtor) vs. Martin Burda (creditor) – Loan contract CZK 100 mil.

15 September 2008 K Brewery Group, a.s. (debtor) vs. Palace Capital, a.s. (creditor) – Loan contract CZK 55 mil.

20 April 2009 K Brewery Group, a.s. (debtor) vs. Palace Capital, a.s. (creditor) – Agreement on change of the maturity of a receivable CZK 450.1 mil.

15 January 2010 K Brewery Group, a.s. (debtor) vs. Martin Burda (creditor) – Framework Loan Agreement CZK 330.900.000

1 December 2010 K Brewery Group, a.s. (debtor) vs. Martin Burda (creditor) – Agreement on Amendment of liability (replacement of several loans by a single one)

31 December 2011 K Brewery Group, a.s. (debtor) vs. Martin Burda (creditor) – Supplement to the Framework Loan Agreement

12 December 2012: K Brewery Group, a.s. (debtor) vs. Palace Capital, a.s. (creditor) – Loan contract CZK 1.5 bill.

3 April 2014: Pivovary Lobkowicz Group, a.s. (assignor) vs. Palace Capital, a.s. (assignee) – Agreement on the inclusion of a debt CZK 13,515,738

3 April 2014: Pivovary Lobkowicz Group, a.s. (assignor) vs. Palace Capital, a.s. (assignee) – Agreement on the assignment of debts CZK 13,515,738 SILESIA CAPITAL, a.s. for consideration

22 May 2014: Pivovary Lobkowicz Group, a.s. (the company) vs. Palace Capital, a.s. (subscriber) – Agreement on the subscription of shares

22 May 2014: Pivovary Lobkowicz Group, a.s. (the company) vs. Palace Capital, a.s. (shareholder) – Agreement on the inclusion of debts CZK 1,211,374,989.12 and CZK 1,005,450,080

22 May 2014: Pivovary Lobkowicz Group, a.s. (the company) vs. Palace Capital, a.s. (shareholder) – Agreement on the provision of an extra subscription of a shareholder into the own capital of the company CZK 1,211,374,989.12

17 February 2014: Pivovary Lobkowicz Group, a.s. (debtor) vs. Léčebné lázně Jáchymov a.s. (creditor) – Loan contract CZK 4.9 mil.

31 March 2014: Pivovary Lobkowicz Group, a.s. vs. SILESIA CAPITAL, a.s. – Agreement on the inclusion of a debt CZK 54.5 mil.

31 March 2014: Pivovary Lobkowicz Group, a.s. (assignor) vs. SILESIA CAPITAL, a.s. (assignee) – Agreement on the assignment of debts CZK 54.5 mil. for consideration

29 April 2014: Pivovary Lobkowicz Group, a.s. (assignor) vs. SILESIA CAPITAL, a.s. (assignee) – A supplement no.1 to the Agreement on the assignment of debts for consideration as of 31 March 2014 – CZK 54.5 mil.

29 April 2014: Pivovary Lobkowicz Group, a.s. vs. SILESIA CAPITAL, a.s. – A supplement no. 1 to the Agreement on the inclusion of debts as of 31 March 2014 – CZK 34,336,284.93

Contracts with corporations controlled by PLG

1 January 2009: K Brewery Group, a.s. (creditor) vs. K Brewery Trade, a.s. (debtor) – General loan agreement 6% p.a.

18 March 2010: K Brewery Group, a.s. (creditor) vs. Pivovar Klášter, a.s. (debtor) – Loan agreement CZK 1,990,808

24 March 2010: K Brewery Group, a.s. (creditor) vs. Pivovar Černá Hora, a.s. (debtor) – Loan agreement CZK 103 mil.

1 May 2011: K Brewery Group, a.s. (creditor) vs. Pivovar Černá Hora, a.s. (debtor) – Agreement on the novation of obligations and general loan agreement no. RSP 1/2011

1 May 2011: K Brewery Group, a.s. (creditor) vs. Pivovar Černá Hora, a.s. (debtor) – Partial loan agreement no. DS 1/2011
31 October 2012: K Brewery Group, a.s. (assignee) vs. Pivovary Lobkowicz, a.s. (assignor) – Agreement on the assignment of debt CZK 154,541,825.70
31 December 2012: K Brewery Group, a.s. vs. Pivovary Lobkowicz, a.s. – Agreement on mutual settlement of claims and debts CZK 154,541,825.70
25 July 2013: K Brewery Group, a.s. (assignee) vs. Pivovary Lobkowicz, a.s. (assignor) – Agreement on the assignment of a debt CZK 91,694,833.17
25 September 2013: K Brewery Group, a.s. vs. Citibank Europe plc vs. Pivovary Lobkowicz, a.s. vs. K Brewery Management, s.r.o. – Agreement on a loan product – overdraft CZK 165 mil.
31 March 2014: Pivovary Lobkowicz Group, a.s. (assignee) vs. Pivovary Lobkowicz, a.s. (assignor) – Agreement on the assignment of a debt CZK 54.5 mil. for consideration
29 April 2014: Pivovary Lobkowicz Group, a.s. (assignee) vs. Pivovary Lobkowicz, a.s. (assignor) – Supplement no.1 to the agreement on the assignment of a debt for consideration as of 31 March 2014 – CZK 54.5 mil.
25 September 2014: Pivovary Lobkowicz Group, a.s. (seller) vs. Pivovar Janáček, s.r.o. (buyer) – Agreement on the transfer of shares for consideration - Lobkowiczký pivovar, a.s.
25 September 2014: Pivovary Lobkowicz Group, a.s. (seller) vs. Pivovar Janáček, s.r.o. (buyer) – Agreement on the transfer of shares for consideration - Pivovar Platan, a.s.

Evaluation of damage and the settlement thereof

No damage arose from and within the relations described in this report during the conclusive period. Evaluation of a damage settlement according to sec.71 and 72 ABC is out of the question.

Evaluation of advantages, disadvantages and risks

The result of advantages and disadvantages evaluation arising for the company from the relations which are subject of this report, mainly considering the fact that the company suffered no harm arising from the relations, is the findings that the advantages prevail and the relations are risk free.

In Prague on 31 March 2015

Pivovary Lobkowicz Group, a.s.

JUDr. Ing. Zdeněk Radil
Chairman of the Board of Directors

Ing. Eva Kropová
Vice-Chairman of the Board of Directors

Appendix no. 1: The structure of relations in the group (situation as to 31 December 2014)

Organizational Chart

Pivovary Lobkowicz Group, a.s.

100%	Pivovary Lobkowicz, a.s.	100%	TRACER s.r.o.
100%	K Brewery Management, s.r.o.		
100%	Pivovar Uherský Brod, a.s.		
100%	Pivovar Jihlava, a.s.		
100%	Pivovar Protivín, a.s.		
100%	Pivovar Klášter, a.s.	100%	MAJESTIC, spol. s r.o.
100%	Pivovar Vysoký Chlumec, a.s.		
100%	Pivovar Černá Hora, a.s.	50%	MORAVAMALT, s.r.o.
100%	Pivovar Rychtář, a.s.		

AUDIT
BOHEMICA

Independent auditor`s report on the consolidated financial statements prepared under IFRS accounting regulations of the company Pivovary Lobkowicz Group, a.s. as at 31 December 2014

AUDIT BOHEMICA, s. r. o.
Holušická 2221/3
CZ 148 00, Praha 4

Date: 28. April 2015

Number of pages: 3

AUDIT
BOHEMICA

INDEPENDENT AUDITOR'S REPORT

on the financial statements prepared under IFRS accounting regulations of the company Pivovary Lobkowicz Group, a.s. as at 31 December 2014

Registered office: Praha 4, Hvězdova 1716/2b, PSČ 140 78

Identification number: 272 58 611

We have audited the accompanying consolidated financial statements of Pivovary Lobkowicz Group, a.s. and its subsidiaries which comprise the consolidated statements of financial position as of 31 December 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for years then ended as at 31 December 2014, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Consolidated Financial Statements

The statutory body of Pivovary Lobkowicz Group, a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those laws and regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDIT BOHEMICA, s. r. o.

Holušická 2221/3
CZ 148 00, Praha 4

AUDIT
BOHEMICA

Opinion

In our opinion, the restatements and adjustments to consolidated financial statements give a true and fair view of the financial position of Pivovary Lobkowicz Group, a.s. and its subsidiaries as of 31 December 2014 and of its financial performance and its cash flows for the respective years then ended in accordance with International Financial Reporting Standards.

Prague, 28 April 2015

Audit firm:
AUDIT BOHEMICA, s. r. o.
Praha 4, Chodov, Holušická 2221/3
Certificate number of the audit firm 526

Auditor:
Ing. František Novák
Certificate number of the auditor 1043

AUDIT
BOHEMICA

Independent auditor's report

on the Annual report of the company Pivovary Lobkowicz Group, a.s.

as of 31 December 2014

The auditor's report was issued in the Czech language. The English translation is for information only.

AUDIT BOHEMICA, s. r. o.
Holušická 2221/3
CZ 148 00, Praha 4

Number of pages: 2

AUDIT BOHEMICA, s. r. o.

Holušická 2221/3
CZ 148 00, Praha 4

AUDIT
BOHEMICA

INDEPENDENT AUDITOR'S REPORT

on the Annual report of the company Pivovary Lobkowicz Group, a.s.

Registered office: Hvězdova 1716/2b, Praha 4, PSČ 140 78

Identification number: 272 58 611

Scope of business: see the commercial register

This independent audit report on verification of the annual report has been prepared for shareholders of the company Pivovary Lobkowicz Group, a.s.

We have audited the annual report of the company Pivovary Lobkowicz Group, a.s. for consistency with the financial statements as of 31 December 2014 which are included in this annual report. The correctness of the annual report is the responsibility of the statutory body of the company Pivovary Lobkowicz Group, a.s. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report of the company Pivovary Lobkowicz Group, a.s. as of 31 December 2014 is consistent, in all material respects, with the financial statements referred to above.

Prague, 30 April 2015

AUDIT BOHEMICA, s. r. o.
Praha 4, Chodov, Holušická 2221/3
Certificate number of the audit firm 526

Ing. František Novák
Certificate number of the
auditor 1043

AUDIT BOHEMICA, s. r. o.

Holušická 2221/3
CZ 148 00, Praha 4

Consolidated Financial Statements in accordance with IFRS

covering yearly period from 1 January 2014 through 31 December 2014

Summary

1. Consolidated Financial Statements

Consolidated Statement of Comprehensive Income (years ending as at 31 December) (in thousands of CZK)

	note	2013	2014
Revenue	6.1	**1 159 135**	**1 201 850**
Other income	6.2	**159 168**	**123 815**
Changes in inventory and assets in progress	6.3	**103 354**	**69 215**
Raw materials, consumables and services	6.4	-782 823	-780 639
Personnel expenses	6.5	-284 875	-286 479
Taxes and fees	6.6	-4 853	-3 928
Amortization, depreciation and impairments	6.7	-192 703	-205 850
Other operating costs	6.8	-115 638	-94 175
Total expenses		**-1 380 892**	**-1 371 071**
Results from operating activities		**40 765**	**23 809**
Interest income	6.9	13 122	5 064
Interest expenses	6.10	-105 820	-47 488
Other finance income/(expenses)	6.11	-2 746	-12 819
Net finance expenses		**-95 444**	**-55 243**
Loss before income tax		**-54 680**	**-31 434**
Income tax expense	6.12	-15 040	-13 071
Loss of current accounting period	6.13	**-69 720**	**-44 505**
Profit attribuable to non-controlling interests		4 061	4 625
Net loss of the period (attribuable to equity holders)		**-73 781**	**-49 131**

EBITDA Calculation			
Results from operating activities		**40 765**	**23 809**
Ordinary amortization, depreciations and impairments		185 062	168 775
Result from sale of assets		-35 481	376
Stock market expense (IPO)		0	19 386
EBITDA (recurrent)		**190 346**	**212 346**

Consolidated Statement of Financial Position (years ending as at 31 December) (in thousands of CZK)

	note	2013	2014
Assets			
Property, plant & equipment	7.1	937 611	884 614
Goodwill and other intangible assets	7.2	301 305	259 093
Other investments and receivables	7.3	69 305	23 242
Deferred tax assets	7.4	12 493	15 634
Total non-current assets		**1 320 714**	**1 182 583**
Inventories	7.5	184 781	176 806
Trade and other receivables	7.6	378 386	327 074
Prepayments and accrued income	7.7	84 640	94 742
Cash and cash equivalents	7.8	44 122	49 051
Total current assets		**691 929**	**647 673**
Total assets		**2 012 643**	**1 830 256**
Equity	7.17		
Share capital		2 000	1 870 000
Reserves and other equity operations		-204 287	36 251
Accumulated losses from previous years		-550 618	-613 949
Net Loss of the period		-73 781	-49 131
Equity attribuable to equity holders		**-826 686**	**1 243 171**
Non-controlling interests		67 103	28 291
Total equity		**-759 583**	**1 271 463**
Liabilities			
Loans and borrowings	7.14	1 805 022	181 060
Deferred tax liabilities	7.15	34 283	33 850
Other liabilities	7.16	1 792	1 79
Total non-current liabilities		**1 841 097**	**216 702**
Borrowings and overdrafts	7.9	288 818	105 677
Provisions	7.10	14 555	13 622
Trade and other payables	7.11	551 960	164 159
Tax liabilities	7.12	75 399	57 520
Accrued expenses	7.13	397	1 113
Total current liabilities		**931 129**	**342 090**
Total liabilities		**2 772 226**	**558 793**
Total equity and liabilities		**2 012 643**	**1 830 256**

Consolidated Statement of Changes in Equity (years ending as at 31 December)** (in thousands of CZK)

	2013	change	2014
Equity Without Minority	**-826 686**	**2 069 857**	**1 243 171**
Registered Capital	**2 000**	*1 868 000*	**1 870 000**
Changes in Registered Capital	**0**	*0*	**0**
Capital Funds	**-213 118**	*258 560*	**45 442**
Other Capital Funds	2 452	*258 560*	261 012
Valuation Differences of Assets and Liabilities	-102	*-412*	-514
Impairments and other equity operations	-215 468	*412*	-215 056
Reserve Funds, Indivisible Fund and Other Funds from Profit	**8 831**	*-18 022*	**-9 191**
Legal Reserve Fund/Indivisible Fund	9 056	*-18 022*	-8 966
Statutory and Other Funds	-225	*0*	-225
Profit or Loss from Previous Years	**-550 618**	*-63 331*	**-613 949**
Retained Earnings	174 534	*-45 538*	128 996
Accumulated Losses	-722 997	*-19 948*	-742 945
Other results from previous years	-2 155	*2 155*	0
Profit or Loss of the Period Without Minority Interests	**-73 781**	*24 650*	**-49 131**
Minority Equity	**67 103**	***-38 812***	**28 291**
Minority Registered Capital	**6 051**	*-6 000*	**51**
Minority Capital Funds	**0**	*0*	**0**
Other Minority Funds including Retained Earnings and Accumulated Losses	**56 991**	*-33 376*	**23 615**
Minority Profit or Loss of the Period	**4 061**	*564*	**4 625**
TOTAL EQUITY	**-759 583**	*2 031 046*	**1 271 463**

** Major items of Consolidated Statement of Changes in Equity are commented in the part 7.17. Equity

Consolidated Statement of Cash Flows (years ending as at 31 December)*** (in thousands of CZK)

	2013	2014
Opening balance of cash and cash equivalents	**57 875**	**44 122**
Operating activities:		
Loss before income tax	-54 680	-31 434
Non cash adjustments	253 507	218 819
Depreceations and amortizations except for residual value of assets sold	180 326	205 850
Impairments and change in provisions	4 461	-18 078
Results from sale of non-current assets	-35 995	376
Interests	92 698	42 424
Other non-cash operations and adjustments	12 017	-11 753
Cash flow from operating activities before tax, changes in working capital and extraordinary items	**198 827**	**187 385**
Trade receivables and accrued income	-57 967	-20 103
Trade payables and accrued expenses	231 974	-405 715
Inventories	-10 601	-10 632
Interests paid	-105 820	-47 488
Interests received	13 122	5 064
Tax paid on operating activities	-12 361	-11 159
Extraordinary accounting activities	-11 308	0
Net cash flow from operating activities	**245 866**	**-302 648**
Investing activities:		
Purchase of non-current assets	-388 681	-193 887
Proceeds from sale of non-current assets	59 884	45 804
Cash flow from acquisition of subsidiaries or its parts	0	0
Net cash flow from investing activities	**-328 797**	**-148 083**
Financial activities:		
Non-current liabilities and short-term funding	69 177	455 660
Net cash flow from financial activities	**69 177**	**455 660**
Net increase or decrease in cash flow	**-13 754**	**4 929**
Closing balance of cash and cash equivalents	**44 122**	**49 051**

***Major items of Consolidated Statement of Cash Flows is commented in the part 9. Explanatory notes to Consolidated Statement of Cash Flows

2. Reporting entity

Pivovary Lobkowicz Group, a.s. (the 'Company') is a company domiciled in the Czech Republic. The address of the Company's registered office is Hvězdova 1716/2b, 140 78 Praha 4, registration number (IČ) is 27258611. The consolidated financial statements of the Company as at 31 December 2013 comprise the Company and its subsidiaries.

The consolidation group of entities (the 'Group') defines as follows:

Pivovary Lobkowicz Group, a.s.

100%	Pivovary Lobkowicz, a.s.	100%	TRACER s.r.o.
100%	K Brewery Management, s.r.o.		
100%	Pivovar Uherský Brod, a.s.		
100%	Pivovar Jihlava, a.s.		
100%	Pivovar Protivín, a.s.		
100%	Pivovar Klášter, a.s.	100%	MAJESTIC, spol. s r.o.
100%	Pivovar Vysoký Chlumec, a.s.		
100%	Pivovar Černá Hora, a.s.	50%	MORAVAMALT s.r.o.
100%	Pivovar Rychtář, a.s.		

There were changes in controlling interests in the period from 1 January 2014 through 31 December 2014. The share in the company Rychtář was increased from 70% to 100% as at 26.11.2014. The Company sold shares (100%) in the Platan and Lobkowický pivovar in 2014.

The Group´s core activities are brewing and selling of beer.

The consolidation group of entities (the 'Group') defines as at 31 December 2013

Pivovary Lobkowicz Group, a.s.

100%	Pivovary Lobkowicz, a.s.	100%	TRACER s.r.o.
100%	K Brewery Management, s.r.o.		
100%	Pivovar Platan, a.s.		
100%	Lobkowiczký pivovar, a.s.		
100%	Pivovar Uherský Brod, a.s.		
100%	Pivovar Jihlava, a.s.		
100%	Pivovar Protivín, a.s.		
100%	Pivovar Klášter, a.s.	100%	MAJESTIC, spol. s r.o.
100%	Pivovar Rychtář, s.r.o.		
100%	Pivovar Vysokáý Chlumec, a.s.		
100%	Pivovar Černá Hora, a.s.	50%	MORAVAMALT s.r.o.

3. Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU.

The consolidated financial statements have been prepared on the historical cost basis unless otherwise indicated.

These consolidated financial statements are presented in CZK, which is the Company's functional currency. All financial information presented in CZK has been rounded to the nearest thousand unless stated otherwise.

Financial statements in accordance with IFRSs covering yearly period from 1 January 2014 through 31 December 2014 were prepared as restatement and adjustment of audited consolidated financial statements in accordance with CZ GAAP.

The preparation of consolidated financial statements in conformity with IFRSs requires making judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Information about the most significant estimates and underlying assumptions are described further in these notes.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

4.1. Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred less the net recognized amount of the identifiable assets acquired and liabilities assumed. Differences arising from acquisitions of non-controlling interests after the acquisition date are not recognized as goodwill and are settled in equity.

Acquisitions of non-controlling interests

No goodwill is recognized as a result of acquisitions of non-controlling interests.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Accounting policies of subsidiaries have been reviewed to ensure consistency of policies adopted for consolidated accounts.

Other forms of investment

No other forms of investment requiring adoption of particular accounting policies, such as Special Purpose Entities, associates, joint ventures or others, are identified.

Loss of control

Should the control be lost, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

4.2. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into CZK, which is the functional currency of the Group. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency on basis of fix exchange rate published by the Czech National Bank.

Foreign operations

There are no foreign operations identified.

4.3. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Derivative financial instruments

The Group might use derivatives in the ordinary course of business in order to manage market risks. Generally this concerns the effects of foreign currency, interest rate or commodity price fluctuations in profit or loss.

Derivative financial instruments are recognized initially at fair value, with attributable transaction costs recognized in profit or loss as incurred.

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged.

4.4. Share capital

Shares

Ordinary shares are classified as equity.

No share capital repurchase is identified.

Dividends

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

4.5. Property, plant and equipment

Owned assets

Property, plants and equipment are measured at cost less government grants received, accumulated depreciation and accumulated impairment losses.

Cost comprises the initial purchase price increased with expenditures that are directly attributable to the acquisition of the asset (like transports and non-recoverable taxes). The cost of self-constructed assets includes the cost of materials and direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Major components having different useful lives are accounted for as separate items.

Returnable kegs and other returnable packing material (except for returnable bottles) and promotional items are recorded within owned assets and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for returnable items are reflected in the consolidated statement of financial position within current liabilities.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plants and equipment, acquired by way of finance lease, is initially recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease. Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in Group's statement of financial position. Payments made under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Depreciation of property, plants and equipment

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Land is not depreciated as it is deemed to have an infinite life.

Depreciation on other property, plants and equipment is charged to profit or loss on a straight-line basis over the estimated useful lives of respective items.

Assets under construction are not depreciated. Leased assets are depreciated over their useful lives (it is generally assumed that the right of ownership is transferred to the lessee after the end of the leasing period).

The estimated useful lives for the current and comparative years are as follows:

- Buildings 30–50 years
- Plant and equipment 15–50 years
- Other fixed assets 3–25 years

The depreciation methods, residual value as well as the useful lives are reassessed, and adjusted if appropriate, at each financial year-end.

Gains and losses on sale of property, plants and equipment

Net gains or losses on sale of items of property, plants and equipment are presented in profit or loss as difference between revenues from sale of fixed assets and materials (other income) and net book value of fixed assets and materials sold (amortization, depreciation and impairments).

4.6. Intangible assets

Goodwill

Goodwill arises on the acquisition of controlling interests of subsidiaries and represents the excess of the cost of the acquisition over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire.

Goodwill on acquisitions of controlling interests of subsidiaries is included in 'intangible assets'. In respect of transferring of accounts from CZ GAAP to IFRS with transition date as at 1 January 2011, goodwill on acquisitions of controlling interests of subsidiaries prior to this opening date is included on the basis of deemed cost, being the amount recorded under CZ GAAP. Recorded goodwill arising from acquisitions of non-controlling interests from 10 February 2010 is settled in equity.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to individual cash-generating units (CGUs) for the purpose of impairment testing. Should the negative goodwill be identified, it is directly recognized in profit or loss as other income.

Brands

Brands acquired are capitalized if they meet the definition of an intangible asset.

Brands are amortized on an individual basis over the estimated useful life of each respective brand. In this respect, long term strategic brands and other brands are distinguished.

Customer-related and contract-based intangibles

Customer-related and contract-based intangibles are capitalized if they meet the definition of an intangible asset.

Customer-related, contract-based intangibles are amortized over the remaining useful life of the customer relationships or the period of the contractual arrangements.

Software, research and development and other intangible assets

Purchased software is measured at cost less accumulated amortization and impairment losses. Expenditure on internally developed software is capitalized when the expenditure qualifies as development activities, otherwise it is recognized in profit or loss when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products, software and processes. Development expenditure is recognized in profit or loss when incurred.

Other intangible assets that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortization.

Expenditure on internally generated goodwill is recognized in profit or loss when incurred.

Amortization

Amortization is calculated over the cost of the asset less its residual value. Intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives, other than goodwill, from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

- Strategic Brands 30–50 years
- Other brands 6-15 years
- Customer-related and contract-based intangibles 6–15 years
- Software 3–7 years

Amortization methods, useful lives and residual values are reviewed at each reporting date.

Gains and losses on sale

Net gains or losses on sale of intangible assets are presented in profit or loss as difference between revenues from sale of fixed assets and materials (other income) and net book value of fixed assets and materials sold (amortization, depreciation and impairments).

4.7. Inventories

General

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Finished products and work in progress

Finished products and work in progress are measured at manufacturing cost based on weighted averages and takes into account the production stage reached. Costs include an appropriate share of direct production overheads based on normal operating capacity.

Other inventories and spare parts

The cost of other inventories is based on weighted averages. Spare parts are valued at the lower of cost and net realizable value. Value reductions and usage of parts are charged to profit or loss. Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are initially capitalized and depreciated as part of the equipment.

Returnable bottles are recorded within inventories. Deposits paid by customers are registered as other income. Once bottles are returned, a credit note is accounted to decrease other income.

4.8. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

4.9. Employee benefits

No material employee benefits are identified. According to internal guidelines, some employees can use company cars, mobile phones and notebooks for their personal purposes. These benefits are duly taxed according to Czech regulations.

4.10. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures to be expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as part of the net finance expenses.

Provisions consist mainly of surety and guarantees, litigation and claims.

4.11. Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of transaction costs incurred.

Loans and borrowings for which the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, are classified as long-term liabilities.

4.12. Revenue and other income

Revenues

Revenues from merchandise and own products in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of sales tax, excise duties, returns, customer discounts and other sales-related discounts. Revenue from the sale of products is recognized in profit or loss when the amount of revenue can be measured reliably, the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, and there is no continuing management involvement with the products.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Revenues from services and other revenues are proceeds from rental income, pub management services and technical services to third parties, net of sales tax. Rental income, pub management, services and technical services are recognized in profit or loss when the services have been delivered.

Other income

Other income are revenues from sale of plant, property and equipment, intangible assets and (interests in) subsidiaries, net of sales tax. They are recognized in profit or loss when ownership has been transferred to the buyer.

4.13. Changes in inventory and assets in progress

Changes in inventory and assets in progress are capitalized costs of production for sale or capitalized costs of assets under construction for Company´s use.

4.14. Expenses

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. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of the lease.

Finance lease payments

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense 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.

4.15. Government grants

Government grants are recognized at their fair value when it is reasonably assured that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants relating to property, plant and equipment are deducted from the carrying amount of the asset.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4.16. Interest income, interest expenses and other net finance income and expenses

Interest income and expenses are recognized as they accrue in profit or loss, using the effective interest method unless collectability is in doubt.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Other net finance income and expenses are recognized in profit or loss.

Foreign currency gains and losses are reported on a net basis in the other net finance income and expenses.

4.17. Income tax

Current tax

Current tax is the expected income tax payable or receivable in respect of taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.18. Cash flow statement

The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows such as translation differences, fair value changes, equity-settled share-based payments and other non-cash items, have been eliminated for the purpose of preparing this statement.

5. Reconciliations between CZ GAAP and IFRS

Adjustments to Consolidated Statements of Comprehensive Income

	CZ GAAP 2013	adjust 2013	IFRS 2013	CZ GAAP 2014	adjust 2014	IFRS 2014
Revenue	**1 159 135**	**0**	**1 159 135**	**1 201 850**	**0**	**1 201 850**
Other income	**159 168**	**0**	**159 168**	**123 815**	**0**	**123 815**
Changes in inventory and assets in progress	**103 354**	**0**	**103 354**	**69 485**	**-270**	**69 215**
Raw materials, consumables and services	-790 962	8 139	-782 823	-783 509	2 870	-780 639
Personnel expenses	-284 875	0	-284 875	-286 479	0	-286 479
Taxes and fees	-4 853	0	-4 853	-3 928	0	-3 928
Amortization, depreciation and impairments	-189 707	-2 996	-192 704	-230 039	24 189	-205 850
Other operating costs	-115 638	0	-115 638	-94 175	0	-94 175
Total expenses	**-1 386 035**	**5 143**	**-1 380 893**	**-1 398 130**	**27 059**	**-1 371 071**
Results from operating activities	**35 622**	**5 143**	**40 764**	**-2 980**	**26 789**	**23 809**
Interest income	13 122	0	13 122	5 064	0	5 064
Interest expenses	-105 820	0	-105 820	-47 488	0	-47 488
Other finance income/(expenses)	-2 298	-448	-2 747	-12 819	0	-12 819
Net finance expenses	**-94 996**	**-448**	**-95 445**	**-55 243**	**0**	**-55 243**
Loss before income tax	**-59 374**	**4 694**	**-54 681**	**-58 223**	**26 789**	**-31 434**
Income tax expense	-14 239	-806	-15 041	-13 026	-45	-13 071
Loss of current accounting period	**-73 613**	**3 888**	**-69 722**	**-71 249**	**26 744**	**-44 505**
Profit attribuable to non-controlling interests	4 056	0	4 059	4 625	0	4 625
Net loss of the period (attribuable to equity holders)	**-77 669**	**3 888**	**-73 781**	**-75 874**	**26 744**	**-49 131**

Adjustments arising from depreciation of consolidated difference recorded in CZ GAAP. Depreciation of the consolidated difference recorded in CZ GAAP are eliminated in IFRS (goodwill in IFRS is not depreciated) and adjustment from financial leases generally improve yearly key performance indicators (results from operating activities and net result of the period), given positive differences between the terms of leasing and the terms of economic use of leased assets. Other adjustments do not significantly affect the key performance indicators.

Adjustments to Consolidated Statements of Financial Position

	CZ GAAP 2013	adjust 2013	IFRS 2013	CZ GAAP 2014	adjust 2014	IFRS 2014
Assets						
Property, plant & equipment	977 385	-39 774	937 611	927 384	-42 770	884 614
Goodwill and other intangible assets	515 169	-213 864	301 305	446 021	-186 928	259 093
Other investments and receivables	69 305	0	69 305	23 244	0	23 244
Deferred tax assets	747	11 746	12 493	3 805	11 829	15 634
Total non-current assets	**1 562 606**	**-241 892**	**1 320 714**	**1 400 454**	**-217 869**	**1 182 585**
Inventories	184 781	0	184 781	176 806	0	176 806
Trade and other receivables	378 386	0	378 386	327 074	0	327 074
Prepayments and accrued income	84 985	-345	84 640	94 777	-35	94 742
Cash and cash equivalents	44 122	0	44 122	49 051	0	49 051
Total current assets	**692 274**	**-345**	**691 929**	**647 708**	**-35**	**647 671**
Total assets	**2 254 880**	**-242 237**	**2 012 643**	**2 048 162**	**-217 904**	**1 830 256**
Equity						
Share capital	2 000	0	2 000	1 870 000	0	1 870 000
Reserves and other equity operations	9 577	-213 864	-204 287	250 115	-213 864	36 251
Accumulated losses from prev. years	-511 120	-39 498	-550 618	-578 753	-35 196	-613 949
Net Loss of the period	-77 669	3 888	-73 781	-75 874	26 744	-49 131
Equity attribuable to equity holders	**-577 212**	**-249 474**	**-826 686**	**1 465 488**	**-222 316**	**1 243 171**
Non-controlling interests	67 103	0	67 103	28 291	0	28 291
Total equity	**-510 109**	**-249 474**	**-759 583**	**1 493 779**	**-222 316**	**1 271 462**
Liabilities						
Loans and borrowings	1 801 689	3 333	1 805 022	180 176	884	181 060
Deferred tax liabilities	30 379	3 904	34 283	30 322	3 528	33 850
Other liabilities	1 792	0	1 792	1 792	0	1 792
Total non-current liabilities	**1 833 860**	**7 237**	**1 841 097**	**212 290**	**4 412**	**216 702**
Borrowings and overdrafts	288 818	0	288 818	105 677	0	105 677
Provisions	14 555	0	14 555	13 622	0	13 622
Trade and other payables	551 960	0	551 960	164 158	0	164 161
Tax liabilities	75 399	0	75 399	57 520	0	57 520
Accrued expenses	397	0	397	1 113	0	1 111
Total current liabilities	**931 129**	**0**	**931 129**	**342 090**	**0**	**342 091**
Total liabilities	**2 764 989**	**7 237**	**2 772 226**	**554 380**	**4 412**	**558 794**
Total equity and liabilities	**2 254 880**	**-242 237**	**2 012 643**	**2 048 159**	**-217 904**	**1 830 256**

Goodwill and other intangible assets are adjusted due to settlement in equity of differences arising from acquisitions of non-controlling interests. The share in the company Rychtář was increased from 70% to 100% as at 26.11.2014. The Company sold shares (100%) in Platan and Lobkowiczký pivovar in 2014.

Adjustments to deffered tax are due to above mentioned impairment losses and settlements recognized according to IFRS.

Prepayments and accrued incomes linked to financial leases are neutralized while loans and borrowings are increased as a result of recalculation of the overall debt from financial leases.

Deffered tax liabilities are due to recognition of financial leases resulting from difference between the contractual terms of leases and the real economic useful lives of respective of leased assets.

The adjustments made to equity reflect the abovementioned operations, i.e. impairment losses, equity operations due to settlement of non-controlling interests and differences from financial leases.

6. Explanatory notes to Statement of Comprehensive Income

6.1. Revenue

The overall revenues continued to slightly increase compared to past years, in spite of the general decrease in the market. As for sales of beer, the growth is driven by bottled beer and multipacks, thanks also to the development of cooperation with the chain Lidl. Thanks to the efficient strategy of differentiation and emphasizing of local brands, the sales of the keg beer remained almost stable in the past 3 years, in spite of significant decrease registered by big players[1] in this segment. The sales of the soft drinks decreased slightly, while retail sales of spirits (obtained as waste in production of alcohol free beer) was cancelled due to newly adopted restrictions in legislation (i.e. spirits are only sold very marginally in the wholesale market to specialized producers and distributors of spirits).

Evolution of sales per segment (in thousands of CZK)

segment	2013	2014
beer total	**1 075 942**	**1 124 858**
spirits	58	0
soft drinks	32 311	29 547
malt and others	50 824	47 445
others total	**83 193**	**76 992**
TOTAL	**1 159 135**	**1 201 850**

6.2. Other income

The Issuer continually optimizes his asset structure in line with the adopted strategy and market developments. As a result, significant sales of non-current assets were undertaken in the past 3 years. The main item of other operating revenues is revenue from sale of receivables for CZK 54, 5 million which is compensated in other operating costs. Other income is also affected by the recurrent sales of the returnable bottles to retail chains.

Split of other income (in thousands of CZK)

period	2013	2014
Revenues from sale of fixed assets and materials	57 007	45 804
Other operating revenues	101 905	77 776
Extraordinary revenues	256	235
TOTAL	**159 168**	**123 815**

6.3. Changes in inventory and assets in progress

Changes in inventories (for around CZK -4 million in 2014) involve generally semi-finished products registered along the process of the production of the beer. The inventories are accrued at calculated average annual costs. There was a significant increase in semi-finished products in 2013 compared to 2014 (amounting to CZK 37 million), due to preparations for key campaigns in retail chains in the beginning of 2014.

Changes in assets in progress (for around CZK 74 million in 2014) are mostly tapping technologies implemented in partner restaurants. These technologies enter into the non-current assets and are depreciated along their useful lives.

Split of changes in inventory and assets in progress
(in thousands of CZK)

period	2013	2014
Changes in inventory of own products	31 838	-4 440
Capitalisation of assets in progress	71 516	73 925
TOTAL	**103 354**	**69 485**

6.4. Raw materials, consumables and services

These yearly costs include mostly raw materials for production of beer, such as malt (for CZK 10-20 million) excluding malt from Moravamalt, purchase of malting barley (for around 118 million), hops (for around CZK 27 million), packaging material (for more than CZK 80 million). Other material costs include cleaning material, additives and others such as consumer Point of Sales material (for more than 30 million).

As for services, the most significant item is represented by transport costs (for around CZK 109 million), followed by costs of energy (mostly gas and electricity for more than CZK 90 million). Waste water costs represent substantial item (around CZK 10 million).

Services also include maintenance costs of property and equipment (for more than CZK 16 million), car rentals (for around CZK 18 million), buildings and stores (for around CZK 9 million). The most significant marketing costs are represented by fees paid to chains, such as marketing bonuses, placement of products, etc. (for around CZK 18 million).

The structure of costs of raw materials, consumables and services doesn´t change significantly from year to year. Yearly amounts depend mostly on the volume of sales.

Split of changes in raw materials, consumables and services (in thousands of CZK)

period	2013	2014
Material and energy consumption	-480 811	-476 425
Services	-302 012	-304 214
TOTAL	**-782 823**	**-780 639**

6.5. Personnel expenses

In 2014, the cost of personnel increased compared to 2013, namely because higher production in Breweries Protivín and Klašter. Second reason is higher focus on On – Trade support mainly technical support and support in point of sales.

Split of personnel expenses (in thousands of CZK)

period	2013	2014
Wages and salaries	-212 752	-214 382
Social security expenses and health insurance	-71 591	-71 621
Social expenses	-532	-476
TOTAL	**-284 875**	**-286 479**

6.6. Taxes and fees

These costs are represented by indirect taxes and fees to Authorities.

6.7. Amortization, depreciation and impairments

In 2014, amortization, depreciation concerned notably equipment (for around CZK 40 million), buildings and structures (for around CZK 16 million), tapping technologies and other items easing distribution (for around CZK 48 million), packaging material (for around CZK 30 million), intangible assets and goodwill (for around CZK 23 million), vehicles (for around CZK 2 million), leased assets (for around CZK 4 million) and others.

The structure and the amount of these costs do not differ significantly in 2014 compared to 2013.

Residual values of materiel and impairments for bad debts sold also appear in this line (see the schedule hereunder).

Split of amortization, depreciation and impairments (in thousands of CZK)

period	2013	2014
Depreciations and amortizations	-185 062	-168 775
Changes in impairments	13 885	9 105
Net book value of assets and materials sold	-21 526	-46 180
TOTAL	**-192 703**	**-205 850**

6.8. Other operating costs

These costs involve residual values of claimed trade receivables sold and disposals of unused inventories. Amount in 2014 was affected by the settlement arising from internal cession of receivable for CZK 65,7 million.

Split of other operating costs (in thousands of CZK)

period	2013	2014
Other operating costs	-104 074	-87 880
Extraordinary expenses	-11 564	-6 295
TOTAL	**-115 638**	**-94 175**

6.9. Interest income

These incomes arise from interest bearing trade receivables with customers.

6.10. Interest expense

Interest expense involves notably interest paid on loans from shareholders (for CZK 33,8 million in 2014), interests paid on bank loans and other 3rd parties.

6.11. Income tax expense

The current income tax in 2014 amounts to CZK 13 million. The remaining booked amount corresponds to deferred tax.

6.12. Other finance income/(expense)

This expense involves insurance costs, bank fees and minor exchange rate impacts.

6.13. Net Loss of Current accounting period

In Net Result of Current accounting period is recorded loss for TCZK 300 from sale of 100 % shares in Lobkowiczký pivovar and pivovar Platan.

7. Explanatory notes to Statement of Financial Position

7.1. Property, plant &equipment

PLG continuously invests into Property, plant & equipment in order to meet the demanding criteria of quality standards. In accordance with IFRS, these items include also leased assets.

In 2014 there was slightly decrease compared to 2013 when major investments were carried out, benefiting significantly from the possibility to draw EU subsidies. The possibility to draw subsidies changes in time and depends on current government policy and EU programs. These investments led to increased booked value of assets as at the closing date in 2013.

Split of booked Property, plant & equipment (in thousands of CZK)

	2013 Brutto	*correction*	2013 Netto	2014 Brutto	*correction*	2014 Netto
Land	13 930	0	13 930	14 055		14 055
Structures	646 492	-300 871	345 621	681 866	-344 185	338 500
Equipment	1 302 388	-779 787	522 601	1 336 769	-844 989	491 780
Perrenial crops	0	0	0	0		0
Tangible fixed assets in progress	13 508	0	13 508	7 575		7 575
Advance payments for assets	10 378	0	10 378	4 311		4 311
Adjustment to aquired assets (+/-)	49 823	-18 249	31 574	49 823	-21 430	28 393
Property, plant & eguipment	**2 036 519**	**-1 098 908**	**937 611**	**2 094 399**	**-1 210 604**	**884 614**

7.2. Goodwill and other intangible assets

Goodwill arises on acquisition of controlling interests in subsidiaries and is subject to impairments. Other intangible assets include valuable rights, software and others.

Split of booked goodwill and other intangible assets (in thousands of CZK)

	2013 Brutto	*correction*	2013 Netto	2014 Brutto	*correction*	2014 Netto
Software	9 272	-4 689	4 583	11 154	-6 186	4 968
Valuable rights	48 066	-36 745	11 321	53 796	-39 680	14 116
Goodwill (+/-)	437 107	-155 615	281 492	412 287	-174 421	237 866
Other fixed intangible assets	0	0	0	1 859	0	1 859
Intangible fixed assets in progress	3 909	0	3 909	284	0	284
Goodwill and other intangible assets	498 354	-197 049	301 305	479 380	-220 287	259 093

7.3. Other investments and receivables

Other investments and receivables include interest bearing loans to customers and partners and other prepayments.

Split of other investments and receivables (in thousands of CZK)

	2013 Brutto	*correction*	2013 Netto	2014 Brutto	*correction*	2014 Netto
Other securities and interests	1 004	0	1 004	1 004	0	1 004
Receivables - controlling corp.	0	0	0	0	0	0
Receivables - major influence	0	0	0	0	0	0
Long-term advance payments	3 017	0	3 017	3 641	0	3 641
Other receivables	65 284	0	65 284	18 599	0	18 599
Other investments and receivables	**69 305**	**0**	**69 305**	**23 244**	**0**	**23 244**

7.4. Deferred tax assets

Deferred tax assets are booked on basis of identified temporary differences between applicable tax bases and real economic results of each individual company of the Group. A deferred tax asset is only accrued when its recoverability is not in doubt because of poor performance.

7.5. Inventories

Inventories as at the end of 2014 include products and goods for sale (for around CZK 49 million), semi-finished products (for around CZK 32 million), raw materials and packaging materials (for around CZK 46 million), tapping technologies + promotional items (for around CZK 33 million), returnable bottles (for around CZK 15 million).

Split of inventories (in thousands of CZK)

	2013 Brutto	*correction*	2013 Netto	2014 Brutto	*correction*	2014 Netto
Material	104 599	-2 993	101 606	96 215	-336	95 879
Work in progress and semi-products	38 715	0	38 715	31 718	0	31 718
Products	41 417	0	41 417	47 138	0	47 138
Goods	3 043	0	3 043	2 071	0	2 071
Inventories	**187 774**	**-2 993**	**184 781**	**177 142**	**-336**	**176 806**

7.6. Trade and other receivables

Trade and other receivables as at the end of 2014 include trade receivables (for around CZK 125 million), advance payments for packaging material (for around CZK 42 million), receivables with authorities (for around CZK 14 million). Other receivables are mainly receivables from loans provided by the company to 3rd parties.

Split of trade and other receivables (in thousands of CZK)

	2013 Brutto	*correction*	2013 Netto	2014 Brutto	*correction*	2014 Netto
Trade receivables	164 820	-40 068	124 752	151 545	-26 046	125 499
Receivables - controlling corp.	0	0	0	0	0	0
State - tax receivables	16 834	0	16 834	14 599	0	14 599
Short-term advance payments paid	74 650	-762	73 888	43 199	-1 177	42 022
Estimated accounts - assets	7 814	0	7 814	4 469	0	4 469
Other receivables	156 057	-959	155 098	142 649	-2 164	140 485
Trade and other receivables	**420 175**	**-41 789**	**378 386**	**356 461**	**-29 387**	**327 074**

Aging of trade receivables as at 31 December 2014 (in thousands of CZK)

before due date	73 505
0-90	33 322
91-180	13 373
181-360	10 483
over 360	20 861
impairments	-26 045
	125 499

7.7. Prepayments and accrued income

This item comprises prepayments made to partner restaurants being amortized over usually 5 years´ contracts, according to fulfillment of sales criteria. Prepayments are settled each year and must be paid back to the issuer for its totality in case agreed volumes of sales are not met.

Split of prepayments and accrued income (in thousands of CZK)

	2013 Brutto	*correction*	2013 Netto	2014 Brutto	*correction*	2014 Netto
Deferred costs	84 411	0	84 411	94 714	0	94 714
Complex deferred costs	0	0	0	0	0	0
Accrued income	229	0	229	28	0	28
Prepayments and accrued income	**84 640**	**0**	**84 640**	**94 742**	**0**	**94 742**

7.8. Cash and cash equivalents

This item represents consolidated situation of the issuer at the end of the year. Cash situation generally tends to improve by the end of the year due to slowed activity and doesn´t show the general picture of the yearly periods.

Split of cash and cash equivalents (in thousands of CZK)

	2013 Brutto	*correction*	2013 Netto	2014 Brutto	*correction*	2014 Netto
Cash	8 358	0	8 358	8 744	0	8 744
Bank accounts	35 764	0	35 764	40 305	0	40 305
Cash and cash equivalents	**44 122**	**0**	**44 122**	**49 049**	**0**	**49 049**

7.9. Borrowings and overdrafts

This item represents short-term facilities provided by banks. The bank facilities are provided to company at the arm´s length and are subject to pledges and collaterals provided by the company.

Split of borrowings and overdrafts (in thousands of CZK)

period	2013	2014
Short-term bank loans	267 461	96 271
Short-term bank accommodations	21 357	9 406
TOTAL	**288 818**	**105 677**

7.10. Provisions

This item includes as at the end of 2014 a provision for due income tax (for around CZK 2 million) and provision for statistically recurrent steals in stores (for around CZK 11 million).

Split of provisions (in thousands of CZK)

period	2013	2014
Income tax provision	10 886	2 258
Other provisions	3 669	11 364
TOTAL	**14 555**	**13 622**

7.11. Trade and other payables

This item includes as at the end of 2014 trade payables (for around CZK 45 million), advance payments received for lent packaging material (for around CZK 94 million), liabilities to employees (for around CZK 14 million), and others (for around CZK 1 million). Suppliers´ invoices are generally due within 30 days.

Significant decrease in trade and other liabilities is due to the purchase of non-controlling interests in the subsidiary Vysoký Chlumec in 2013. In 2014 the purchase of non-controlling interests in subsidiary Rychtář.

Split of trade and other payables (in thousands of CZK)

period	2013	2014
Trade liabilities	112 041	44 885
Liabilities to partners	447	447
Liabilities to employees	13 492	13 654
Short-term advance payments received	141 879	93 509
Estimated accounts - liabilities	8 324	9 891
Other liabilities	275 777	1 772
TOTAL	**551 960**	**164 158**

7.12. Tax liabilities

This item recurrently includes liabilities linked to excise duties and VAT.

Split of tax liabilities (in thousands of CZK)

period	2013	2014
Liabilities under social security and health insurance	7 567	7 673
State – tax liabilities and grants	67 832	49 847
TOTAL	**75 399**	**57 520**

7.13. Accrued expenses

This item includes expenses whose timing or amount is uncertain by virtue of the fact that an invoice has not yet been received.

7.14. Loans and borrowings (non-current)

Non-current loans and borrowings consist for their majority of long-term shareholders´ loans. These loans and borrowings are provided at the arm´s length.

Long-term bank loans are provided to company at the arm´s length and are subject to pledges and collaterals provided by the company.

The major change in the balance was the significant decrease of Long-term shareholders´ loans due to the capitalization of shareholders´ loans.

Split of loans and borrowings (in thousands of CZK)

period	2013	2014
Long-term bank loans	259 925	176 356
Long-term shareholders´ loans	1 486 500	0
Long-term liabilities from financial leases	3 333	884
Other long-term facilities	55 264	3 820
TOTAL	**1 805 022**	**181 060**

7.15. Deferred tax liabilities

Deferred tax liabilities are booked on basis of identified temporary differences between applicable tax bases and real economic results of each individual company of the Group. A deferred tax liability is accrued in any case.

7.16. Other liabilities

This item recurrently includes long-term advance payments received.

7.17. Equity

Total equity as at the end of 2014 (CZK 1 270 million) splits into the equity attributable to equity holders of the issuer (CZK 1 242 million) and the equity attributable to minority interests (CZK 28 million), accumulated losses (CZK -663 million including year 2014). The major change in the balance was the increase of the share capital due to the capitalization of shareholders´ loans, in the opposite, there was a decline of the debt in liabilities.

The share capital splits into 11 687 501 shares issued and fully paid, with their nominal value of CZK 160 per one share.

8. Explanatory notes to Consolidated Statement of Cash Flows

Given the positive recurrent EBITDA, the company is steadily able to pay due interests and generate cash for new investments.

From EBITDA calculation we have to except unrepeated costs IPO for CZK 19 million.

For the purposes of the reporting of the Consolidated Statement of Cash Flow, cash and cash equivalents include cash in cash and bank accounts. The balance of cash equivalents at end of the reported period is as follows:

(in CZK thous.)	**2014**
Cash	8 746
Bank accounts	40 305
TOTAL	**49 051**

Principal expenses from investment activities are described under Investments, Financing activities are affected by the reduction in liabilities and the increase in the share capital of PLG, described under the Capital Resources.

9. Legal and arbitration proceedings

The issuer has a centralized system of management of its legal and arbitration proceedings managed by an external law office. The major part of its agenda consists in dealing with trade receivables, i.e. with cases where the issuer is the claiming party. There are altogether around 700 active files at different levels of legal proceedings. The probability and the amounts expected to be recovered are assessed regularly and impairments are made in the accounts if appropriate.

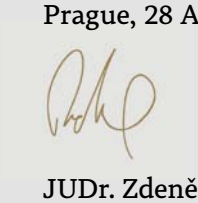
The most important current legal proceeding with the company Bayerische Flaschen-Glashüttenwerke Wiegand & Söhne GmbH & Co. KG concerns delivery of defective glass bottles. The claimed amount reaches 3.939 thousands of CZK.

10. Final information

Financial statements in accordance with IFRSs covering yearly periods from 1 January 2014 through 31 December 2014 were prepared as restatement and adjustment of audited consolidated financial statements in accordance with CZ GAAP. We therefore refer to web pages of the Czech Trade Register, where these reports, which represent the key part of the underlying information, can be found in the Czech language:

https://or.justice.cz/ias/ui/rejstrik-firma.vysledky?subjektId=316500&typ=UPLNY

Prague, 28 April 2015



JUDr. Zdeněk Radil
Statutory body

Finaudit Třinec, s.r.o.
Auditing and consultancy company registrated by Chamber of Auditors CR, Certification No. 100
Registered office : 738 01 Frýdek-Místek, Zámecké nám. 1263

AUDITOR´S REPORT

for verification of the Financial Statements

Pivovary Lobkowicz Group, a.s.

2014

INDEPENDENT AUDITOR´S REPORT

For partners company

Pivovary Lobkowicz Group, a.s.

registered office: Praha 4, Hvězdova 1716/2b, PSČ 140 78

ID No. 272 58 611

Report on the Financial Statements

We have audited the accompanying financial statements of Pivovary Lobkowicz Group, a.s., which comprise the balance sheet as of 31 December 2014, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. Information about Pivovary Lobkowicz Group, a.s. is presented in these financial statements.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body of Pivovary Lobkowicz Group, a.s. is responsible for the preparation of financial statements that give a true an and fair view in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Finaudit Třinec,s.r.o.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of *Pivovary Lobkowicz Group, a.s.* as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

In Frýdek - Místek 19 January 2016

Audit firm:
Finaudit Třinec, s.r.o.
738 01 Frýdek-Místek, Zámecké náměstí 1263
Certificate KA ČR No. 100.

FINAUDIT TŘINEC, s.r.o. KA ČR Oprávnění č. 100

Authorised auditor(2369)
Ing. Lumír Ivánek
Executive Manager

Finaudit Třinec,s.r.o.

The auditor's report was issued in the Czech language. The English translation is for information only.

Non-consolidated Financial Statements of Pivovary Lobkowicz Group, a.s. in accordance with IFRS

covering yearly period from 1 January 2014 through 31 December 2014

Summary

1. Financial Statements

Statement of Comprehensive Income (years ending as at 31 December)

in thousands of CZK	note	2013	2014
Revenue	6.1	**0**	**1 528**
Other income	6.2	**179**	**234**
Changes in inventory and assets in progress		**0**	**0**
Raw materials, consumables and services	6.3	-1 367	-6 867
Personnel expenses	6.4	0	-1 407
Taxes and fees		0	-24
Amortization, depreciation and impairments		0	0
Other operating costs	6.5	-798	-687
Total expenses		**-2 165**	**-8 985**
Results from operating activities		**-1 986**	**-7 223**
Interest income	6.6	23 965	15 387
Interest expenses	6.7	-98 893	-42 803
Other finance income/(expenses)	6.8	3 081	-8 639
Net finance expenses		**-71 847**	**-36 055**
Loss before income tax		**-73 833**	**-43 278**
Income tax expense		0	0
Loss of current accounting period		**-73 833**	**-43 278**
Loss attributable securities and interests sold	6.9	0	-300
Net loss of the period (attributable to equity holders)		**-73 833**	**-43 578**

Statement of Financial Position (years ending as at 31 December)

in thousands of CZK	note	2013	2014
Assets			
Property, plant & equipment		0	0
Goodwill and other intangible assets	7.1	2 084	2 084
Investments and receivables	7.2	1 572 431	1 588 921
Deferred tax assets		0	0
Total non-current assets		**1 574 515**	**1 591 005**
Inventories		0	0
Trade and other receivables	7.3	553 891	765 593
Prepayments and accrued income	7.4	179	0
Cash and cash equivalents	7.5	2 786	1 978
Total current assets		**556 855**	**767 570**
Total assets		**2 131 371**	**2 358 576**
Equity	7.8		
Share capital		2 000	1 870 000
Reserves and other equity operations		400	258 436
Accumulated losses from previous years		88 779	14 767
Net Loss of the period		-73 833	-43 578
Equity attributable to equity holders		**17 346**	**2 099 625**
Liabilities			
Loans and borrowings	7.7	183 300	133 900
Deferred tax liabilities		0	0
Other liabilities		1 532 191	0
Total non-current liabilities		**1 715 491**	**133 900**
Borrowings and overdrafts	7.9	80 839	74 497
Provisions		0	0
Trade and other payables	7.6	317 693	50 555
Tax liabilities		0	0
Accrued expenses		3	0
Total current liabilities		**398 535**	**125 052**
Total liabilities		**2 114 026**	**258 952**
Total equity and liabilities		**2 131 372**	**2 358 577**

Statement of Changes in Equity (years ending as at 31 December)**

in thousands of CZK	2013	change	2014
Equity	**17 346**	2 082 279	**2 099 625**
Registered Capital	**2 000**	1 868 000	**1 870 000**
Changes in Registered Capital	**0**	0	**0**
Capital Funds	**0**	258 036	**258 436**
Other Capital Funds	400	258 036	258 436
Valuation Differences of Assets and Liabilities	0	0	0
Impairments and other equity operations	0	0	0
Reserve Funds, Indivisible Fund and Other Funds from Profit	**0**	0	**0**
Legal Reserve Fund/Indivisible Fund	0	0	0
Statutory and Other Funds	0	0	0
Profit or Loss from Previous Years	**88 779**	-74 012	**14 767**
Retained Earnings	88 779	0	14 767
Accumulated Losses	0	0	0
Other results from previous years	0	0	0
Profit or Loss of the Period	**-73 833**	30 255	**-43 578**

** Major items of Statement of Changes in Equity are commented in the part 7.8. Equity

Statement of Cash Flows (years ending as at 31 December)

in thousands of CZK	2013	2014
Opening balance of cash and cash equivalents	**3 230**	**2 786**
Operating activities:		
Loss before income tax	-73 833	-43 578
Non cash adjustments	74 928	27 416
Depreciations and amortizations except for residual value of assets sold	0	0
Impairments and change in provisions	0	0
Results from sale of non-current assets	0	0
Interests	74 928	27 416
Other non-cash operations and adjustments	0	0
Cash flow from operating activities before tax, changes in working capital and extraordinary items	**351 269**	**-501 168**
Trade receivables and accrued income	81 026	-211 523
Trade payables and accrued expenses	269 148	-273 483
Inventories	0	0
Interests paid	-98 893	-42 803
Interests received	23 965	15 387
Tax paid on operating activities	0	0
Extraordinary accounting activities	0	0
Net cash flow from operating activities	**276 341**	**-528 584**
Investing activities:		
Purchase of non-current assets	-251 854	-16 490
Proceeds from sale of non-current assets	0	0
Cash flow from acquisition of subsidiaries or its parts	0	0
Net cash flow from investing activities	**-251 854**	**-16 490**
Financial activities:		
Non-current liabilities and short-term funding	-24 931	544 266
Net cash flow from financial activities	**-24 931**	**544 266**
Net increase or decrease in cash flow	**-444**	**-808**
Closing balance of cash and cash equivalents	**2 786**	**1 978**

2. Basic information

Pivovary Lobkowicz Group, a.s. (the 'Company') is a company domiciled in the Czech Republic. The address of the Company's registered office is Hvězdova 1716/2b, 140 78 Praha 4, registration number (IČ) is 27258611. The Company is listed and registered on the Prague Stock Exchange.

The group of entities (the 'Group') defines as follows:

Pivovary Lobkowicz Group, a.s.

- 100% Pivovary Lobkowicz, a.s.
  - 100% TRACER s.r.o.
- 100% K Brewery Management, s.r.o.
- 100% Pivovar Uherský Brod, a.s.
- 100% Pivovar Jihlava, a.s.
- 100% Pivovar Protivín, a.s.
- 100% Pivovar Klášter, a.s.
  - 100% MAJESTIC, spol. s r.o.
- 100% Pivovar Vysoký Chlumec, a.s.
- 100% Pivovar Černá Hora, a.s.
  - 50% MORAVAMALT s.r.o.
- 100% Pivovar Rychtář, s.r.o.

There were changes in controlling interests in the period from 1 January 2014 through 31 December 2014. The share in the company Rychtář was increased from 70% to 100% as at 26.11.2014. The Company sold shares (100%) in the Platan and Lobkowický pivovar in 2014.

The Group´s core activities are brewing and selling of beer.

3. Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU.
The financial statements have been prepared on the historical cost basis unless otherwise indicated.

These financial statements are presented in CZK, which is the Company's functional currency.
All financial information presented in CZK has been rounded to the nearest thousand unless stated otherwise.

Financial statements in accordance with IFRSs covering yearly period from 1 January 2014 through 31 December 2014 were prepared as restatement and adjustment of audited financial statements in accordance with CZ GAAP.

The preparation of financial statements in conformity with IFRSs requires making judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Information about the most significant estimates and underlying assumptions are described further in these notes.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred less the net recognized amount of the identifiable assets acquired and liabilities assumed. Differences arising from acquisitions of non-controlling interests after the acquisition date are not recognized as goodwill and are settled in equity.

Acquisitions of non-controlling interests

No goodwill is recognized as a result of acquisitions of non-controlling interests.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Accounting policies of subsidiaries have been reviewed to ensure consistency of policies adopted for consolidated accounts.

Other forms of investment

No other forms of investment requiring adoption of particular accounting policies, such as Special Purpose Entities, associates, joint ventures or others, are identified.

Loss of control

Should the control be lost, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

4.1. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into CZK, which is the functional currency of the Group. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency on basis of fix exchange rate published by the Czech National Bank.

Foreign operations

There are no foreign operations identified.

4.2. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Derivative financial instruments

The Group might use derivatives in the ordinary course of business in order to manage market risks. Generally this concerns the effects of foreign currency, interest rate or commodity price fluctuations in profit or loss.

Derivative financial instruments are recognized initially at fair value, with attributable transaction costs recognized in profit or loss as incurred.

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged.

4.3. Share capital

Shares

Ordinary shares are classified as equity.

No share capital repurchase is identified.

Dividends

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

4.4. Property, plant and equipment

Owned assets

Property, plants and equipment are measured at cost less government grants received accumulated depreciation and accumulated impairment losses.

Cost comprises the initial purchase price increased with expenditures that are directly attributable to the acquisition of the asset (like transports and non-recoverable taxes). The cost of self-constructed assets includes the cost of materials and direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Major components having different useful lives are accounted for as separate items.

Returnable kegs and other returnable packing material (except for returnable bottles) and promotional items are recorded within owned assets and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for returnable items are reflected in the consolidated statement of financial position within current liabilities.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plants and equipment, acquired by way of finance lease, is initially recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease. Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in Group's statement of financial position. Payments made under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Depreciation of property, plants and equipment

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Land is not depreciated as it is deemed to have an infinite life.

Depreciation on other property, plants and equipment is charged to profit or loss on a straight-line basis over the estimated useful lives of respective items.

Assets under construction are not depreciated. Leased assets are depreciated over their useful lives (it is generally assumed that the right of ownership is transferred to the lessee after the end of the leasing period).

The estimated useful lives for the current and comparative years are as follows:

- Buildings 30–50 years
- Plant and equipment 15–50 years
- Other fixed assets 3–25 years

The depreciation methods, residual value as well as the useful lives are reassessed, and adjusted if appropriate, at each financial year-end.

Gains and losses on sale of property, plants and equipment

Net gains or losses on sale of items of property, plants and equipment are presented in profit or loss as difference between revenues from sale of fixed assets and materials (other income) and net book value of fixed assets and materials sold (amortization, depreciation and impairments).

4.5. Intangible assets

Goodwill

Goodwill arises on the acquisition of controlling interests of subsidiaries and represents the excess of the cost of the acquisition over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to individual cash-generating units (CGUs) for the purpose of impairment testing. Should the negative goodwill be identified, it is directly recognized in profit or loss as other income.

Brands

Brands acquired are capitalized if they meet the definition of an intangible asset.

Brands are amortized on an individual basis over the estimated useful life of each respective brand. In this respect, long term strategic brands and other brands are distinguished.

Customer-related and contract-based intangibles

Customer-related and contract-based intangibles are capitalized if they meet the definition of an intangible asset.

Customer-related, contract-based intangibles are amortized over the remaining useful life of the customer relationships or the period of the contractual arrangements.

Software, research and development and other intangible assets

Purchased software is measured at cost less accumulated amortization and impairment losses. Expenditure on internally developed software is capitalized when the expenditure qualifies as development activities, otherwise it is recognized in profit or loss when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products, software and processes. Development expenditure is recognized in profit or loss when incurred.

Other intangible assets that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortization.

Expenditure on internally generated goodwill is recognized in profit or loss when incurred.

Amortization

Amortization is calculated over the cost of the asset less its residual value. Intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives, other than goodwill, from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

- Strategic Brands 30–50 years
- Other brands 6–15 years
- Customer-related and contract-based intangibles 6–15 years
- Software 3–7 years

Amortization methods, useful lives and residual values are reviewed at each reporting date.

Gains and losses on sale

Net gains or losses on sale of intangible assets are presented in profit or loss as difference between revenues from sale of fixed assets and materials (other income) and net book value of fixed assets and materials sold (amortization, depreciation and impairments).

4.6. Inventories

General

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Finished products and work in progress

Finished products and work in progress are measured at manufacturing cost based on weighted averages and takes into account the production stage reached. Costs include an appropriate share of direct production overheads based on normal operating capacity.

Other inventories and spare parts

The cost of other inventories is based on weighted averages. Spare parts are valued at the lower of cost and net realizable value. Value reductions and usage of parts are charged to profit or loss. Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are initially capitalized and depreciated as part of the equipment.

Returnable bottles are recorded within inventories. Deposits paid by customers are registered as other income. Once bottles are returned, a credit note is accounted to decrease other income.

4.7. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

4.8. Employee benefits

No material employee benefits are identified. According to internal guidelines, some employees can use company cars, mobile phones and notebooks for their personal purposes. These benefits are duly taxed according to Czech regulations.

4.9. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures to be expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as part of the net finance expenses.

Provisions consist mainly of surety and guarantees, litigation and claims.

4.10. Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of transaction costs incurred.

Loans and borrowings for which the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, are classified as long-term liabilities.

4.11. Revenue and other income

Revenues

Revenues from merchandise and own products in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of sales tax, excise duties, returns, customer discounts and other sales-related discounts. Revenue from the sale of products is recognized in profit or loss when the amount of revenue can be measured reliably, the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, and there is no continuing management involvement with the products.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Revenues from services and other revenues are proceeds from rental income, pub management services and technical services to third parties, net of sales tax. Rental income, pub management, services and technical services are recognized in profit or loss when the services have been delivered.

Other income

Other income are revenues from sale of plant, property and equipment, intangible assets and (interests in) subsidiaries, net of sales tax. They are recognized in profit or loss when ownership has been transferred to the buyer.

4.12. Changes in inventory and assets in progress

Changes in inventory and assets in progress are capitalized costs of production for sale or capitalized costs of assets under construction for Company´s use.

4.13. Expenses

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. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of the lease.

Finance lease payments

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense 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.

4.14. Government grants

Government grants are recognized at their fair value when it is reasonably assured that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants relating to property, plant and equipment are deducted from the carrying amount of the asset.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4.15. Interest income, interest expenses and other net finance income and expenses

Interest income and expenses are recognized as they accrue in profit or loss, using the effective interest method unless collectability is in doubt.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Other net finance income and expenses are recognized in profit or loss.

Foreign currency gains and losses are reported on a net basis in the other net finance income and expenses.

4.16. Income tax

Current tax

Current tax is the expected income tax payable or receivable in respect of taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.17. Cash flow statement

The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows such as translation differences, fair value changes, equity-settled share-based payments and other non-cash items, have been eliminated for the purpose of preparing this statement.

5. Reconciliations between CZ GAAP and IFRS

Adjustments to Statements of Comprehensive Income

	CZ GAAP 2013	adjust 2013	IFRS 2013	CZ GAAP 2014	adjust 2014	IFRS 2014
Revenue	**0**	**0**	**0**	**1 528**	**0**	**1 528**
Other income	**179**	**0**	**179**	**234**	**0**	**234**
Changes in inventory and assets in progress	**0**	**0**	**0**	**0**	**0**	**0**
Raw materials, consumables and services	-1 367	0	-1 367	-6 867	0	-6 867
Personnel expenses	0	0	0	-1 407	0	-1 407
Taxes and fees	0	0	0	-24	0	-24
Amortization, depreciation and impairments	0	0	0	0	0	0
Other operating costs	-798	0	-798	-687	0	-687
Total expenses	**-2 165**	**0**	**-2 165**	**-8 985**	**0**	**-8 985**
Results from operating activities	**-1 986**	**0**	**-1 986**	**-7 223**	**0**	**-7 223**
Interest income	23 965	0	23 965	15 387	0	15 387
Interest expenses	-98 893	0	-98 893	-42 803	0	-42 803
Other finance income/(expenses)	3 081	0	3 081	-8 639	0	-8 639
Net finance expenses	**-71 847**	**0**	**-71 847**	**-36 055**	**0**	**-36 055**
Loss before income tax	**-73 833**	**0**	**-73 833**	**-43 278**	**0**	**-43 278**
Income tax expense	0	0	0	0	0	0
Loss of current accounting period	**-73 833**	**0**	**-73 833**	**-43 278**	**0**	**-43 278**
Loss attributable securities and interests sold	0	0	0	-300	0	-300
Net loss of the period (attributable to equity holders)	**-73 833**	**0**	**-73 833**	**-43 578**	**0**	**-43 578**

In non-consolidated financial statements there are no adjustments arising from depreciation of consolidated difference, no adjustment arising from leased assets in CZ GAAP therefore there is no adjust between CZ GAAP and IFRS is recorded.

Adjustments to Statements of Financial Position

	CZ GAAP 2013	adjust. 2013	IFRS 2013	CZ GAAP 2014	adjust. 2014	IFRS 2014
Assets						
Property, plant & equipment	0	0	0	0	0	0
Goodwill and other intangible assets	2 084	0	2 084	2 084	0	2 084
Investments and receivables	1 572 431	0	1 572 431	1 588 921	0	1 588 921
Deferred tax assets	0	0	0	0	0	0
Total non-current assets	**1 574 515**	**0**	**1 574 515**	**1 591 005**	**0**	**1 591 005**
Inventories	0	0	0	0	0	0
Trade and other receivables	553 891	0	553 891	765 593	0	765 593
Prepayments and accrued income	179	0	179	0	0	0
Cash and cash equivalents	2 786	0	2 786	1 978	0	1 978
Total current assets	**556 855**	**0**	**556 855**	**767 570**	**0**	**767 570**
Total assets	**2 131 371**	**0**	**2 131 371**	**2 358 576**	**0**	**2 358 576**
Equity						
Share capital	2 000	0	2 000	1 870 000	0	1 870 000
Reserves and other equity operations	400	0	400	258 436	0	258 436
Accumulated losses from prev. years	88 779	0	88 779	14 767	0	14 767
Net Loss of the period	-73 833	0	-73 833	-43 578	0	-43 578
Equity attributable to equity holders	**17 346**	**0**	**17 346**	**2 099 625**	**0**	**2 099 625**
Non-controlling interests	0	0	0	0	0	0
Total equity	**17 346**	**0**	**17 346**	**2 099 625**	**0**	**2 099 625**
Liabilities						
Loans and borrowings	183 300	0	183 300	133 900	0	133 900
Deferred tax liabilities	0	0	0	0	0	0
Other liabilities	1 532 191	0	1 532 191	0	0	0
Total non-current liabilities	**1 715 491**	**0**	**1 715 491**	**133 900**	**0**	**133 900**
Borrowings and overdrafts	80 839	0	80 839	74 497	0	74 497
Provisions	0	0	0	0	0	0
Trade and other payables	317 693	0	317 693	50 555	0	50 555
Tax liabilities	0	0	0	0	0	0
Accrued expenses	3	0	3	0	0	0
Total current liabilities	**398 535**	**0**	**398 535**	**125 052**	**0**	**125 052**
Total liabilities	**2 114 026**	**0**	**2 114 026**	**258 952**	**0**	**258 952**
Total equity and liabilities	**2 131 372**	**0**	**2 131 372**	**2 358 577**	**0**	**2 358 577**

In non-consolidated financial statements there were no adjustments arising from depreciation of consolidated difference, no adjustment arising from leased assets therefore there is no adjust between CZ GAAP and IFRS is recorded.

6. Explanatory notes to Statement of Comprehensive Income

6.1. Revenue

In 2014 there are revenues from rebilling of services (for TCZK 1 528 in 2014).

6.2. Other income

In 2014 there are other revenues from rebilling of insurance.

Split of other income (in thousands of CZK)

period	2013	2014
Other operating revenues	179	234
TOTAL	**179**	**234**

6.3. Raw materials, consumables and services

Split of changes in raw materials, consumables and services (in thousands of CZK)

period	2013	2014
Services	-1 367	-6 867
TOTAL	**-1 367**	**-6 867**

6.4. Personnel expenses

From June the Company paid remuneration to the board members.

Split of personnel expenses (in thousands of CZK)

period	2013	2014
Compensation of corporate Office (Executive compensation)	0	-1 050
Social security expenses and health insurance	0	-357
TOTAL	**0**	**-1 407**

6.5. Other operating costs

Split of other operating costs (in thousands of CZK)

period	2013	2014
Other operating costs	-798	-687
TOTAL	**-798**	**-687**

6.6. Interest income

These incomes arise from interest bearing trade receivables with customers.

6.7. Interest expense

Interest expense involves notably interest paid on loans from shareholders (for TCZK 42 803 in 2014), interests paid on bank loans.

6.8. Other finance income/(expense)

This expense involves insurance costs, bank fees and minor exchange rate impacts.

6.9 Revenues from sales of securities and equity interests and Securities and equity interest sold

In Revenues from sales of securities and equity interests are recorded revenues for TCZK 3 700 from sale of 100% shares in Lobkowiczký pivovar and pivovar Platan. Securities and equity interests sold in TCZK 3 700.

7. Explanatory notes to Statement of Financial Position

7.1. Goodwill and other intangible assets

Other intangible assets include the logos.

Split of booked goodwill and other intangible assets
(in thousands of CZK)

	2013 Brutto	*correction*	2013 Netto	2014 Brutto	*correction*	2014 Netto
Valuable rights	225	0	225	225	0	225
Intangible fixed assets in progress	1 859	0	1 859	1 859	0	1 859
Goodwill and other intangible assets	**2 084**	**0**	**2 084**	**2 084**	**0**	**2 084**

7.2. Investments and receivables

Non-current financial assets consists of Investments in related parties (table below) and of Lent items and loans – managing and controlling person, significant influence (for TCZK 43 210 in 2014 and for TCZK 41 531 in 2013).

Split of investments (in thousands of CZK) **as at 31 December 2014**

Name of the Company	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Pivovary Lobkowicz, a.s.	Praha 4	2 000	100	-	2 000	-
K Brewery Management, s.r.o.	Praha 4	440 098	100	-	440 098	-
Pivovar Uherský Brod, a.s.	Uherský Brod	60 287	100	-	60 287	-
Pivovar Jihlava, a.s.	Jihlava	37 965	100	-	37 965	-
Pivovar Protivín, a.s.	Protivín	235 162	100	-	235 162	-
Pivovar Klášter, a.s.	Klášter	69 622	100	-	69 622	-
Pivovar Vysoký Chlumec, a.s.	Vysoký Chlumec	250 174	100	-	250 174	-
Pivovar Černá Hora, a.s.	Černá Hora	252 780	100	-	252 780	-
Pivovar Rychtář, a.s.	Hlinsko	197 626	100	-	197 626	-
Total Investments		**1 545 714**	**100**	**-**	**1 545 714**	**-**

Split of investments (in thousands of CZK) **as at 31 December 2013**

Name of the Company	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Pivovary Lobkowicz, a.s.	Praha 4	2 000	100	-	2 000	-
K Brewery Management, s.r.o.	Praha 4	440 098	100	-	440 098	-
Pivovar Uherský Brod, a.s.	Uherský Brod	60 287	100	-	60 287	-
Pivovar Jihlava, a.s.	Jihlava	37 965	100	-	37 965	-
Pivovar Protivín, a.s.	Protivín	235 162	100	-	235 162	-
Pivovar Klášter, a.s.	Klášter	69 622	100	-	69 622	-
Pivovar Vysoký Chlumec, a.s.	Vysoký Chlumec	250 174	100	-	250 174	-
Pivovar Černá Hora, a.s.	Černá Hora	252 780	100	-	252 780	-
Pivovar Rychtář, a.s.	Hlinsko	153 992	100	-	153 992	-
Total Investments		**1 530 900**	**100**	**-**	**1 530 900**	**-**

The Company had equity investments of 1 545 711 CZK thousand as at 31 December 2014 and 1 530 900 31 December 2013 which represent ownership interests in companies that do not have a quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost less any impairment losses. Because of that we had to make a correction to the separate financial statements, we start from the statutory audit for 2014 and taking financial assets such as investments without impairment losses.

7.3. Trade and other receivables

Trade and other receivables as at the end of 2014 include trade receivables (for around TCZK 16 832), advance payments for packaging material (for around TCZK 1 649), receivables with authorities (for around TCZK 34). Other receivables are mainly receivables from loans provided by the company to 3rd parties and intercompany.

Split of trade and other receivables (in thousands of CZK)

	2013 Brutto	*correction*	2013 Netto	2014 Brutto	*correction*	2014 Netto
Trade receivables	16 832	0	16 832	18 801	0	18 801
State – tax receivables	34	0	34	18	0	18
Short-term advance payments paid	1 649	0	1 649	162	0	162
Other receivables	535 376	0	535 376	746 612	0	746 612
Trade and other receivables	**553 891**	**0**	**553 891**	**765 593**	**0**	**765 593**

Other receivables are intercompany receivables mainly from loans interests on those loans and trade receivables. Given that receivables are intercompany, are no overdue. Receivables overdue for more than 5 years the company does not have.

7.4. Cash and cash equivalents

Split of cash and cash equivalents (in thousands of CZK)

	2013 Brutto	*correction*	2013 Netto	2014 Brutto	*correction*	2014 Netto
Cash	1 555	0	1 555	1 555	0	1 555
Bank accounts	1 231	0	1 231	423	0	423
Cash and cash equivalents	**2 786**	**0**	**2 786**	**1 978**	**0**	**1 978**

7.5. Borrowings and overdrafts

This item represents short-term facilities provided by banks. The bank facilities are provided to company at the arm´s length and are subject to pledges and collaterals provided by the company.

Split of borrowings and overdrafts (in thousands of CZK)

period	2013	2014
Short-term bank loans	80 839	74 497
TOTAL	**80 839**	**74 497**

7.6. Trade and other payables

This item includes as at the end of 2014 trade payables (for around TCZK 28), liabilities to partners (for around TCZK 447), and others (for around TCZK 49 840). Suppliers´ invoices are generally due within 30 days.

Significant decrease in trade and other liabilities is due to the purchase of non-controlling interests in the subsidiary Vysoký Chlumec in 2013. In 2014 the purchase of non-controlling interests in subsidiary Rychtář.

Split of trade and other payables (in thousands of CZK)

period	2013	2014
Trade liabilities	-134	28
Liabilities to partners	447	447
Estimated accounts – liabilities	228	239
Other liabilities	317 151	49 840
TOTAL	**317 692**	**50 554**

7.7. Loans and borrowings (non-current)

Long-term bank loans are provided to company at the arm´s length and are subject to pledges and collaterals provided by the company.

The major change in the balance was the significant decrease of loans due to the capitalization of loans.

Split of loans and borrowings (in thousands of CZK)

period	2013	2014
Long-term bank loans	183 300	133 900
TOTAL	**183 300**	**133 900**

7.8. Equity

Total equity as at the end of 2014 (CZK 1 270 million) reserves and other equity operations (TCZK 258 436) and retained earnings prior years (TCZK 14 767). The major change in the balance was the increase of the share capital due to the capitalization of shareholders´ loans, in the opposite, there was a decline of the debt in liabilities.

The share capital splits into 11 687 501 shares issued and fully paid, with their nominal value of CZK 160 per one share.

8. Legal and arbitration proceedings

The Company has no litigation.

9. Final information

Financial statements in accordance with IFRSs covering yearly periods from 1 January 2014 through 31 December 2014 were prepared as restatement and adjustment of audited financial statements in accordance with CZ GAAP. We therefore refer to web pages of the Czech Trade Register, where these reports, which represent the key part of the underlying information, can be found in the Czech language:

https://or.justice.cz/ias/ui/rejstrik-firma.vysledky?subjektId=316500&typ=UPLNY

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Statutory body

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