

**Pivovary Lobkowicz Group, a.s.**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

**Pivovary Lobkowicz Group, a.s.**  
**ANNUAL REPORT 2015**  
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# **I. General Part**

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## 1. About the Company

Pivovary Lobkowicz Group a.s. („PLG“ or the “Company” or the “Group”) and its group (the “Group”) is the Czech no. 4 brewing group by local sales and no. 5 by total production (2015). 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 ales lagers, it offers a range of beer specialties – from semi-dark and higher-alcohol-content beers to dark lagers and non-alcoholic beer.

As of 31 December 2015, the Group had 596 employees.

The shares issued by the Company were listed in the Prime Market of the Prague Stock Exchange in May 2014. Following the sale of the majority stake in September 2015, the largest shareholders is company LAPASAN s.r.o. with 79.4 % stake, rest is free float and the management.

## 2. 2015 Key Events

### *March 2015*

Mr Otakar Binder resigned from the post of the Commercial Director. Effective 31 March 2015, he also terminated his assignments in all statutory bodies of PLG Group.

### *April 2015*

Mr Pavel Herman was appointed Executive Director and Vice-chairman of the Board of Directors. Mr Petr Blažek became the third member of the Board of Directors, following the resignation of Mrs Kropová.

Pivovary Lobkowicz Group, a.s. announced that the negotiations between the main shareholders of PLG and a fund managed by Enterprise Investors as a potential buyer of a stake in the Company had been terminated.

### *May 2015*

Pivovary Lobkowicz presented their beers during the Prague Food Festival, biggest gastronomy event in the Czech Republic held in the Prague Castle area. The festival was attended by more 17,000 people and Pivovary Lobkowicz presented beer degustation and beer tapping exhibition and tapped over 10 thousand beers of various Lobkowicz brands.

### *June 2015*

Pivovary Lobkowicz Group, a.s. announced that majority shareholders Palace Capital, a.s. and GO Solar s.r.o. executed the Sale Purchase Agreement on the basis of which they would transfer all their shares in PLG to the company Lobkowiczský pivovar, a.s., a company 100% owned by Mr Zdeněk Radil, the CEO and Chairman of the Board of Directors of PLG. Should the transaction materializes, Lobkowiczský pivovar, a.s. would acquire a 79.4% stake in PLG for a total consideration of CZK 1.9 billion.

### *July 2015*

Lobkowicz beer became a partner of the 50th International Film Festival in Karlovy Vary. The PLG held a number of events directly in the site of the film festival.

### *August 2015*

PLG announced its financial results for the first half of 2015.

### *September 2015*

PLG announced that the sale of the majority 79.4% stake in PLG owned by Palace Capital, a.s. and GO Solar s.r.o. has been settled. The majority stake was purchased by LAPASAN s.r.o.

As a result of the sale of majority stake, the composition of the Board of Directors have been changed to Mr Zdeněk Radil as the Chairman of the Board of Directors and CEO, Mr LI Xiaokun nominated by CEFC and Mr Jiří Uvíra nominated by J&T Private Equity Group.

As a result of the sale of majority stake, the members of the PLG supervisory board Mr Grzegorz Hóta and Mr Martin Burda resigned from their positions.

*December 2015*

On 4 December 2015, the offer was announced for the Mandatory Tender Buyout for shares issued by Pivovary Lobkowicz Group, a.s. The offer was made by LAPASAN s.r.o. which acquired a majority 79.4% stake on 14 September 2015.

The General Meeting of shareholders appointed new members of the Supervisory Board and the Audit Committee of PLG. Mr Herman has been appointed member of Board of directors after resignation of Mr. Uvíra.

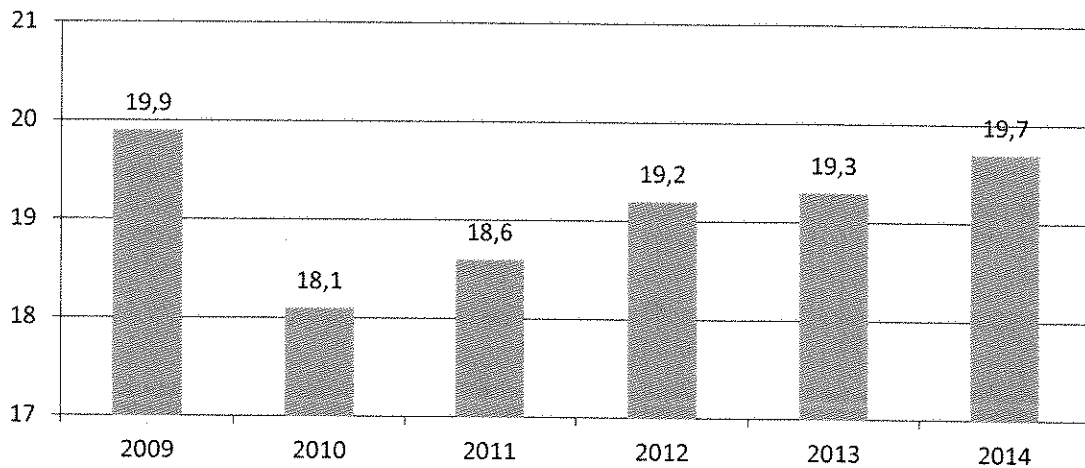


### 3. Management Board Report

#### 3.1. 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 more than 19 million hl in 2014.

##### Beer production for the Czech market (2009-2014, in millions of hectoliters)

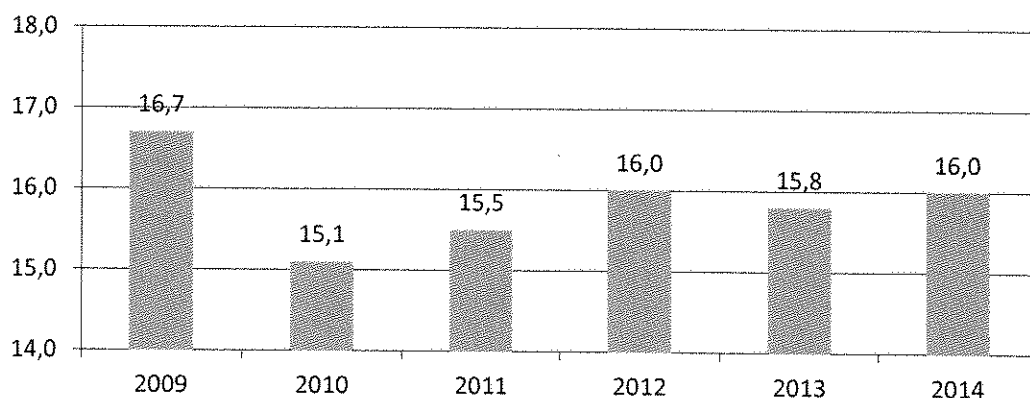


Source: ČSPS Report on the State of Czech Brewing and Malting 2014

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 2.2%. 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. 5.0%.

Czech beer production for the domestic market recorded a 2.3% y-o-y increase in 2014. According to ČSPS export grew by 8.0% y-o-y, import into the Czech Republic fell by 42% in 2014.

##### Czech beer production (2009-2014, millions of hectoliters)

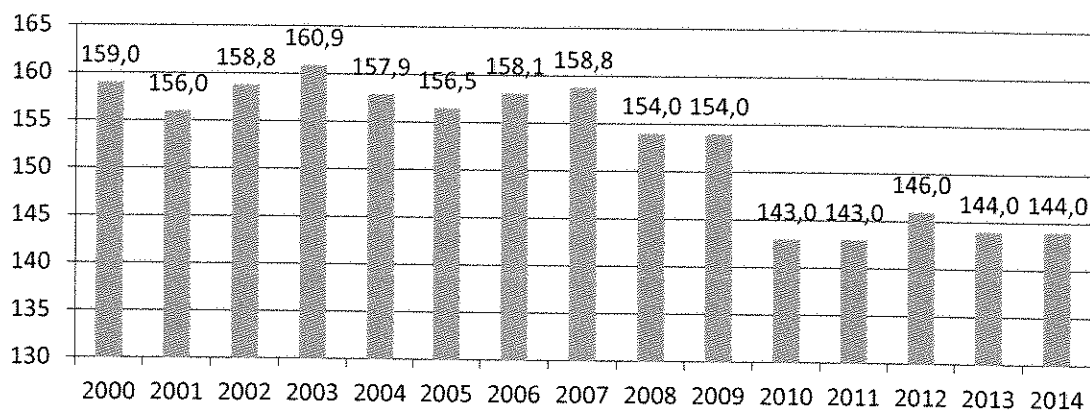


Source: ČSPS Report on the State of Czech Brewing and Malting 2014

Taking into consideration only Czech beer production for the domestic market, the Group estimates its market share at approx. 5.0%. In its home market, the Group is ranked number four before heavily export-driven Budějovický Budvar.

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.

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



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

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.

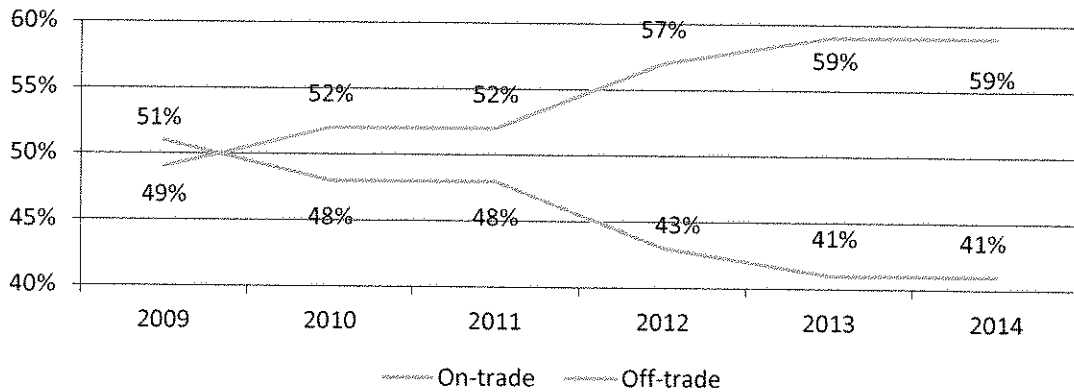
Until recently, the Czech beer market focused almost exclusively on production of traditional light Pilsner type beers. Currently, there is a clear shift in customer preferences towards regional lagers, higher degree and special beers, including traditional Czech beers in unfiltered or yeast variants. 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.

Increasing popularity of special beers can also be evidenced by a number of micro-breweries (production under 10,000 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 280. 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.

#### 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.

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

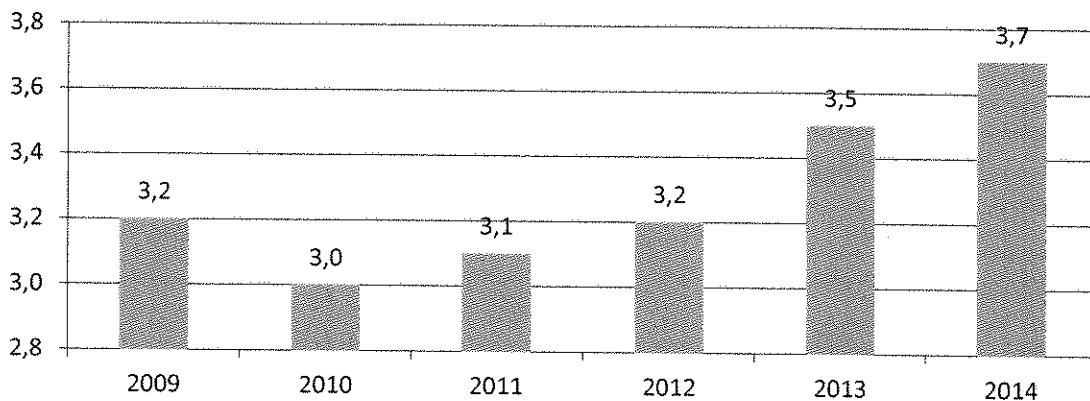


Source: ČSPS Report on the State of Czech Brewing and Malting 2014

In spite of market developments, the Group maintained a strong 55% share of on-trade segment sales. 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 2014, lagers export declined 1% y-o-y and special beers export grew 48% y-o-y in 2014. Light beers export grew 38% y-o-y in 2014.

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 17 Czech breweries use this PGI for more than 80 brands.

## 3.2. 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 in terms of volume (hl). The Group is able to maintain a significantly higher share of on-trade sales on total sales than market average. In 2015, on-trade sales accounted for 55% of total beer sales of the Group, including private labels. Excluding private label production, the Group realised 70% sales in the on-trade segment in 2015.

In 2015, more than 5 600 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	2015
Supplied directly	5,273	5,306	5,572	5,622
Supplied via third party	1,176	1,058	936	903
<b>Total</b>	<b>6,449</b>	<b>6,364</b>	<b>6,508</b>	<b>6,525</b>

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 down payments 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 5 years. To minimise dubious receivables, acquisitions (new contract signings) in the on-trade segment are evaluated by a profitability model and specially evaluated workload. Cases exceeding certain minimum value are also evaluated by an external credit scoring agency. In 2015, 109 contracts have been acquired with contractual purchases totaling 21 thousand hl per annum.

### *New outlet concept ŠNYT in on-trade*

Pivovary Lobkowicz have introduced new concept of design restaurants called ŠNYT. In 2015, five restaurants have been opened in Prague, Ústí nad Orlicí, Olomouc, Brno and Prostějov. Apart from interesting design and quality service, the customers will have the opportunity to extend its beer knowledge and taste a number of beer specialities produced by all Group breweries. The plan is to expand this restaurant concept to all major locations in the Czech Republic.

Off-trade segment goods are delivered to 61 wholesale warehouses and distribution centres of Czech and international retail chains. The proportion between wholesale and direct distribution is ca. 42:58 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 international retail chains operating in the Czech Republic and also with Czech retail alliance COOP and with other local independent retail chains - most privately owned Czech retail / franchise chains.

Focus is currently on increasing deliveries to international retail chains operating outside the Czech Republic – exports.

The Group's brewery Protivín is the first IFS-certified ("International Food Standard") brewery in the Czech Republic. Lidl and other International chains require this certificate from suppliers who supply the private label goods them.

### 3.3. Product Portfolio

In 2015 the Company began to focus more on consumers. In summer was a massive outdoor advertising campaign on a regional brand that reflects their unique position in the regions. In the autumn followed by business support on the premises. These activities have led to an increase in knowledge of regional brands in the relevant regions. In accordance with the greater emphasis on consumers began intensive work on new propositions all brands group, which will culminate in 2016, a new visual identity for all brands. The exception is a nationwide brand Lobkowicz. New propositions and the brand identity were completely ready in 2015 and the brand is already intensively communicated to consumers since autumn 2015.

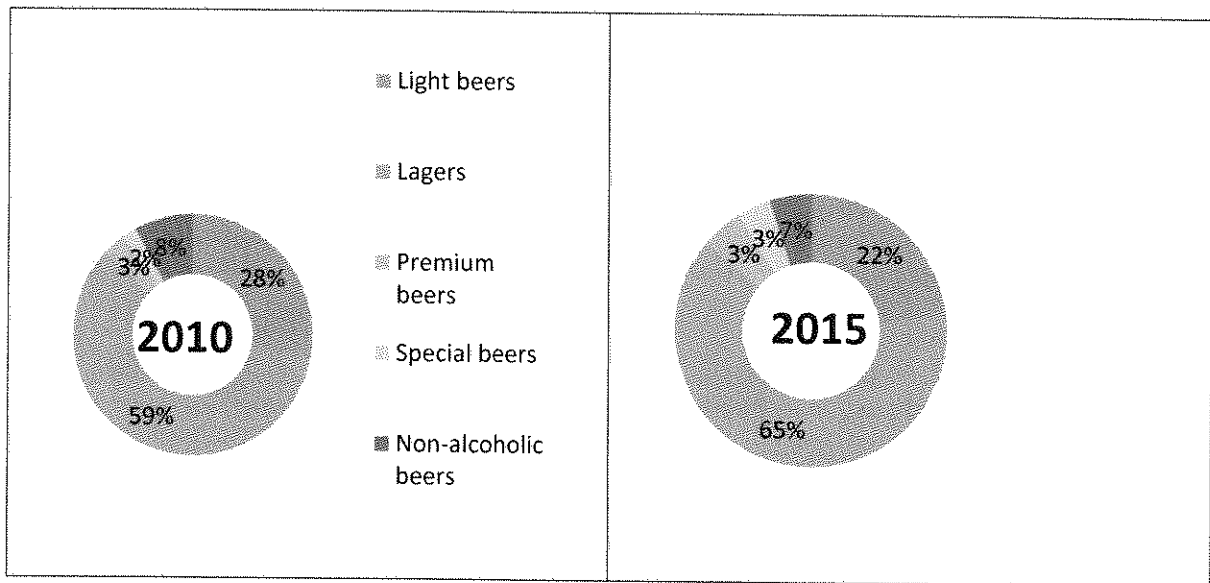
The Group offers customers a wide portfolio of beer brands, differentiated by type, taste and price, and an assortment of soft drinks and table water. Currently, the brand portfolio comprises 70 beer brands, which is unique on the Czech market, as well as three flavoured soft drinks, two kinds of water 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. After that the Group came with dark lager. 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.

Besides traditional beer types such as light 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/ 2015, 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	Klášteř	Uherský Brod	Jihlava	Vysoký Chlumec	Černá Hora
PREMIUM	Premium lager	Lobkowicz Premium Lager, Lobkowicz Premium Yeast						
	Premium dark lager	Lobkowicz Premium Black						
	Premium wheat						Lobkowicz Premium Wheat	
	Premium ALE						Lobkowicz Premium ALE	
	Premium non-alcoholic	Lobkowicz Premium Nealko						
	Light beers	Platan 10	Rychtář Fojt	Klášteř	Perun, Dukát	Ježek 10	Max X.	Tas
	Lagers	Platan 11, Platan Premium	Rychtář Premium, Rychtář Rataj, Rychtář Grunt	Klášteř ležák 11, Klášteř Premium	Patriot, Premium	Ježek 11	Vévoda	Páter, Ležák, Matouš
	Non-alcoholic beers	Platan Nealko						Forman polotmavý
SPECIAL BEERS	Light Special beers		Rychtář Speciál		Comenius			Kvasar
	Semi-dark and dark beers	Protivínský Granát			Respekt	Ježek 12	Démon	Granát
	Yeast and unfiltered beers	Platan kvasnicový	Rychtář Natur, Rychtář Fojt nefiltrovaný	Klášteř kvasnicový	Patriot nefiltrovaný	Ježek kvasnicový		Páter nefiltrovaný, Sklepní
	Wheat beers						Chlumecký Vít	Velen
	Flavoured beers							Borůvka (blueberry)
	"World beers"				Kounic (Vienna lager)		IPA Flying Cloud	
	Radlers ("Refresh brand")							Handmade mix beer & limo
	Special occasion beers	numerous brands						

Annually Group offers specialty beers ready for different occasions, such as Carnival, Easter, St. Nicholas Day, etc. The production of such beers expands the product portfolio of the Group 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.

The Group came in 2015, also with a new range of premium beers, which include in **Lobkowicz Premium Yeast, Lobkowicz Premium Wheat, Lobkowicz Premium ALE and Lobkowicz Premium Black**.

Pivovar Jihlava launched a new brand of beer named **Ježek 12**. The new beer is 12% semi-dark beer, which boasts distinctive bitterness and fullness of its taste. The unusual combination of specialty malts in the production of this beer delivers exceptional personal character.

#### **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.

<b>Brand</b>	<b>Description</b>	<b>Produced in</b>
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
Kombajnéřka	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

### 3.4. 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):

Brewery	Annual production capacity*		Acquired in
	Beers	Soft drinks	
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
<b>Total</b>	<b>1 585</b>	<b>50</b>	-

Source: PLG

\* without seasonality

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 Protivín

The first written mention of the brewery in Protivín dates back to 1540. It has always been one of the foremost breweries in the Czech lands. Traces of its amazing history can be found in its unique brewhouse, which is still used today.

The Platan brand has been brewed in Protivín for more than forty years. The name was inspired by the breathtakingly beautiful three lines of plane trees along the road to the brewery.

Today, the Protivín Brewery makes eleven types of beers.

South Bohemian water from our own wells, traditional brewing practice and the warm heart of the local people have been the essential constituents of Platan beer for decades. Brewed with pride, local ingredients and, above all, in the calm and peaceful landscape of South Bohemia, this excellent beer will win the praise of true beer connoisseurs. The outstanding taste of Platan beer revives the warmest memories and brings new and enjoyable experiences.

### Pivovar Černá Hora

The first mention of beer from Černá Hora dates from 1298. The local brewery itself was mentioned for the first time in 1530.

The brewers in picturesque Černá Hora, a stone's throw from the Moravian Karst protected landscape area, make thirteen different types of beer on a regular basis. They rely on traditional brewing methods and prime-quality ingredients from the local unspoiled countryside. While they follow time-tested brewing procedures, they also keep innovating the beers made in Černá Hora. The range of products includes traditional beers, as well as the latest styles.



A beer session with the excellent brands from Černá Hora means a great atmosphere with an appreciation of diversity: a fantastic occasion for meeting friends. Beers from Černá Hora are fun as they turn beer connoisseurs into friends and friends into true beer connoisseurs.

### **Pivovar Jihlava**

The history of malting in Jihlava dates back to the 14th century. In 1748, Empress Maria Theresa decreed that the final number of houses with a brewing license in the town of Jihlava would be 123. In 1859, all holders of a brewing license in Jihlava vested their rights in a joint undertaking: the Jihlava Brewery. However, the year of origin according to the brewery itself was 1860, when it began to operate as a properly-established business.

By returning to the original recipes, today's Ježek beer has become synonymous with the tough but respectable life in the Bohemian-Moravian Highlands. Balanced, with pleasantly distinct bitterness, extraordinary hop nose and refreshing carbonation, it faithfully reflects the temperament of local beer connoisseurs. To this end, Ježek and Jihlava are inseparably intertwined.

### **Pivovar Klášter**

The Klášter brewery owes its name to a Cistercian monastery which had been founded on the site of today's brewery as early as in the 12th century.

Beer brewing is confirmed to have taken place here since 1570.

The Klášter brewery only makes traditional unpasteurized beers. Their excellent quality is imparted by the unique natural conditions and the historical cellars hewn out of a rock massif.

The beers fermented and matured here in rock cellars by using traditional procedures will be appreciated by true beer connoisseurs. The method and the place Klášter beer is brewed provide it not only with a unique taste but also a nearly mystical flavour. With every gulp of Klášter beer, the history that stands behind it makes us ponder and respect the tradition.

### **Pivovar Rychtář**

The brewery in Hlinsko v Čechách was established in 1913. The Rychtář brand brewed in Hlinsko comprises seven traditional Czech beer types. Thanks to the exclusively traditional brewing procedure, they boast excellent flavours which make Rychtář so popular.

The brewery is one of only a few in the Czech Republic to use, in addition to carefully selected domestic ingredients, natural Saaz whole hops.

The name Rychtář means a medieval Czech chief magistrate, a guarantor of honesty, peace and prosperity, much like the brewery itself. Traditional Czech villages and towns headed by a rychtář are flourishing and bring us peace and quiet, as well as confidence.

The beers which are brewed with such skill and respect for this age-old craft will be appreciated mainly by true beer connoisseurs.

### **Pivovar Uherský Brod**

Brewing in the royal town of Uherský Brod has a long tradition stretching back to medieval times. The first jointly-established brewery which succeeded the houses with brewing licences was built by the burghers of Uherský Brod in 1614. Today's brewery building was erected in 1895 by the brewmaster František B. Janáček.

The Uherský Brod Brewery brings you fine-crafted unpasteurized beer from the harsh landscape at the foot of the White Carpathians. As the people in the Uherský Brod region keep local traditions alive and remain connected to the countryside, so our beer is brewed using traditional procedures and exquisite ingredients.

### **Pivovar Vysoký Chlumeč**

The Vysoký Chlumeč estate, located near the town of Sedlčany, has long been connected with the noble Czech Lobkowicz family, which owned the castle soaring above today's brewery from the mid-15th century. The first mention of beer brewing on this estate dates back as far as 1466. The oldest preserved description of the brewery is from 1611.

The rich history of the Vysoký Chlumeč Brewery and the emphasis on tradition are reflected in the high quality of the beer. The brewery makes six types of beer on a regular basis alongside a number of specials and top fermented beers. You can thus enjoy seasonal offers of Chlumecký Vít wheat beer and top fermented ALE and IPA.

## 3.5. 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 2015 there introduced premium beers Lobkowicz Premium ALE, Lobkowicz Premium Yeast, Lobkowicz Premium Wheat and Lobkowicz Premium Black.

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. In 2015, there were seven new brands of beer introduced during the festival. Visitors were able to enjoy beers which represented a wide variety of beer styles and have been recently successful on a number of tasting competitions.

## 3.6. 2015 Operational & Financial Review

### *Revenues*

In 2015, PLG recorded total revenues of CZK 1,141.3 million, down 0.4% yoy. These revenues are less of cost of contracts closed with restaurants and marketing costs with retail chains such as promotion materials (leaflets) and secondary placement. Out of this, total revenues from sales of Beer and soft drinks were CZK 1,119.8 million, a 0.3% yoy decrease. The revenues declined despite higher sold volumes and higher prices, partially impacted by a shift from on-trade segment to off-trade segment. Other revenues which include mainly revenues from sales of raw material, wage, lease of restaurants and other services amounting to CZK 21.5 million, a 7.6% decline over 2014.

The revenues from beer and soft drinks sales in the Czech domestic market went up 4.8% yoy to CZK 927.6 million. This growth was supported by both higher volumes and the higher average price. In 2015, the Company supported its brands in the local regions which, together with a good weather conditions, resulted in record high sales in the summer months.

In the contrary, the revenues from export went down. The major part of the sales decline has occurred in the key customers segment, primarily in Poland where the Company terminated deliveries of low margins cartoon packaging. With respect to on-trade export, the revenues also declined due to lower deliveries to the Russian market. Total amount of sales to the Russian Federation declined in 2015 by almost 50%. In Slovakia, the Company changed its main export partner in 2015 which had a moderate negative impact on sales. The biggest export markets remain Slovakia and Germany.

### *Raw materials and consumables used*

In 2015, total costs of raw material and consumables used amounted to CZK 693 million which is 0.9% decrease compared with 2014. This increase is mainly caused by increase in hectolitres sold and shift of sales from On Trade to Off Trade. The raw materials are the most costly part of this category, amounting to CZK 195 million. The malt and hop are the most important raw material in Beer business. The transport services are another category exceeding CZK 110 million. Cost of packaging material exceeded CZK 73 million in 2015. Costs of gas and electricity was nearly CZK 63 million.

### *Employee benefits expense*

Employee benefits expense reached value of CZK 285 million which is 2.8% increase compared to 2014. This increase is caused by severance payments related to the restructuring of the Company.

### *Net profit/loss*

The total Net profit/loss figure in 2015 was significantly impacted by the creation of provisions for obsolete inventory in the amount of CZK 8.1 million, the provision for outstanding vacation of CZK 6.3 million, provision for bad debts from customer's contracts of CZK 6,1million and provision for damaged beer of CZK 2.1 million. Another major influences are increases in Employee benefits expense caused by severance payments related to the Company restructuring and increase of raw material and services consumption. and positively influenced by lower income Tax expense, lower Depreciation and Interest on shareholder loans which were repaid in 2014.

### *Functional currency*

The functional currency of the Group is CZK. Transactions in currencies other than the entity's functional currency (foreign currencies) are recalculated by the fixed rate derived from the Czech National Bank at the beginning of the period.

### Marketing & Brands

During 2015, Pivovary Lobkowicz beer obtained a number of awards and quality certificates:

- Zlatá pivní pečeť 2015 (Golden Beer Seal 2014) – Beer fest Tábor  
1st place semi-dark beer Démon. 2nd place dark lager Merlin (2nd / 3rd place). 3rd place lager special beer Prácheňská Perla and lager premium beer 12% Lobkowicz Premium.

- Beer of the Czech Republic 2015

#### *1st place:*

Lager Klášter Ležák 11 %, dark lager Lobkowicz Premium Černý, semi-dark Protivínský Granát, alcohol free beer Lobkowicz Premium Nealkoholický

#### *2nd place:*

Lager Rychtář Fojt, „journalist award“ Lobkowicz Premium Ležák

#### *3rd place:*

Lager Premium (12 %) Rychtář Premium, „Absolute Winner“ Rychtář Premium, „Journalist award“ Ježek 11 %

- Craft Beer Award 2015

*1st place:*

Wheat beer Velen, dark beer Czech style Merlin

*2nd place:*

Lager Czech style Lobkowicz Premium and Rychtář Premium

- Award from Pivo, Bier & Ale magazine –2015  
Best new IPA Czech beer 2015 – Lobkowicz Premium Ale Pivovar Vysoký Chlumec

Most impressive collection of original glasses 2015– Collection Lobkowicz Premium

and many others.

#### On-trade segment development

In 2015, the sales in the on-trade segment in the Czech Republic were positively affected by the good weather in summer. Next positive factors were extensive marketing campaigns such as „Every fifth been on us“ and a consumer targeted billboard campaign.

The beer brand Klášter recorded the most significant increase in the domestic on-trade market, primarily in its local region. The second biggest revenue increase has been recorded by the Lobkowicz Premium Beer which continued to grow mainly in Prague. In 2015, the premium Lobkowicz brand was extended by Lobkowicz wheat beer, Lobkowicz ALE and Lobkowicz Dark beer. In the contrary, the sales declined in brands by Černá Hora.

In autumn 2015, the Jihlava brewery introduced new semi-dark 12 beer which has shown during a short time a promising potential.

In 2015, new concept pubs „ŠNYT“ have been opened, more specifically in Ústí nad Orlicí, Prague, Prostějov, Olomouc and Brno.

#### Off- trade segment development

In 2015, PLG successfully continued to cooperate with key retail chains operating in the domestic market. In this market there is a significant segmentation and a variable demand for a different types of beer. Pivovary Lobkowicz Group is able to offer a wide product range from premium beers to low budget products under private labels of retail chains. In terms of own brands, the most significant growth was recorded by Rychtář Grunt beer which successfully replaced Rychtář Standard and also Klášter 12° and Rychtář Premium. During 2015, deliveries of products with low profitability have been limited and terminated. These were mainly deliveries to some export customers and hand-packed products. The decreased in those sales should be replaced by beer sales in a standard packaging in the domestic market which positively affected profitability of this segment.

## Exports

In terms of exports in 2015, the sales declined. The decrease was driven by a managed decline of deliveries to foreign retail chains in order to optimize profitability. The most significant decline was recorded in deliveries to Poland. On-trade deliveries also declined, mainly to Russia due to depreciation of the Russian Ruble in 2014 and 2015. The drop in the Russian market was partially compensated by higher sales to Hungary, Poland, Sweden or Germany. The aim of PLG is to develop a quality network of distributors in each country which are able support a long term development. From this reason, there was a change of the main distribution partner in Slovakia.

## Co-operation in China

CEFC as the key owner of Pivovary Lobkowicz Group brings new possibilities thanks to its strong business contacts on the domestic Chinese market. New distribution and sales opportunities are under development with the strong Chinese company Ershang, whose subsidiaries distribute alcohol drinks in China. The pilot project is in the preparation. The intention is to take advantage from the rising demand for a craft beer in China. The high quality beer will be produced in the Czech Republic and distributor in China via distribution network of Ershang company.

## 3.7. 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. Main Focus is on China market.

### *Outlook for 2016*

In 2016, Pivovary Lobkowicz Group will continue to strengthen its position in domestic regions with a focus on on-trade sales. In exports, it will continue to develop a quality network and cooperation with business partners with a long term growth potential and ability to provide a complex support to brands. In the area of new markets, the main focus will be given to the Chinese market. That's why was created new team, China desk, with the goal to dynamically develop export to the biggest beer market over the world.

## 3.8. Capital Resources

There were no extraordinary changes in Capital Resources during the year 2015. The movement in Capital Resources represents the loss of current year and revaluation of Assets and Liabilities. For details see consolidated statement of financial position.

## 3.9. 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 license. Pivovar Černá Hora pays license fees for the use of this license, amounting to several hundred thousand CZK a year.

### **Trademarks**

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



### 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 (such as Carnival, Easter, St. Nicholas Day, etc.) 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 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.

### 3.10. Property, Plants & Equipment

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., and Pivovar Vysoký Chlumeč, a.s.

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.

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. and PPF banka, a.s.

Buildings and adjacent plots in the sole ownership of Pivovar Vysoký Chlumeč, a.s. which form brewery complex with the following major encumbrances - Mortgage in favour of Sberbank CZ, a.s. and PPF bank 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 Chlumeč, 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.

### 3.11. 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.)	2013	2014	2015
PM	12,628	11,592	11,148
TT	14,119	11,100	18,518
Packaging	20,329	16,275	18,541
Production	78,702	47,366	48,333
Acquisition of 50% share in Pivovar Vysoký Chlumeč, a.s.	250,000	0	0
Acquisition of 30% share in Pivovar Rychtář, a.s.		43,631	0
<b>Total</b>	<b>375,779</b>	<b>129,964</b>	<b>96,541</b>

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 remains the owner.

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

The most significant production investments in 2015 were control system of filtration in Protivín Brewery, Storages facilities in Brewery Uherský Brod and Cooling system in Vysoký Chlumec Brewery.

In 2015 all have been financed by company's own resources.

### 3.12. Material Contracts

PLG and its subsidiaries are party to various types of agreements such as advisory, bank, insurance, leasing, license, retail, software, raw material, packaging material, energy, production investments and transport agreements.

No material contracts were closed during 2015 except the extension of existing banking overdraft facilities and extension and updating raw material and energy contracts. Material contracts closed before May 2014 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.

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

Major part of the accounting services within the Group is realized by Shared Services Centre of Pivovary Lobkowicz Group a.s. The accounting is kept in the Enterprise Resource Planning System (ERP) Infos which is maintained and developed by Pivovary Lobkowicz Group.

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 electronically through the Infos approvals. 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.

## 5. 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, malt, hops, glass and aluminum 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 behavior 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 affect 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, 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.

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

### *Number of employees*

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

PLG	2013	2014	2015
Management	23	24	20
Manufacturing	287	283	288
Trade	99	96	125
Logistics	161	153	141
Others	103	77	38
In total	673	633	612

Source: the Company

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

## 7. Investor Information and Shares

### *Shareholding Structure*

Shareholders as of 31 December 2015:

LAPASAN s.r.o.	79.4%
Free float and management	20.6%

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.

### *Shares Structure*

As of 31 December 2015, the issued and paid-up share capital of PLG amounted to CZK 1,870,000 thousand 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 2015*

In 2015, PLG shares were traded on the Prague Stock Exchange. The lowest trading prices during the year was CZK 175,5 and the highest was CZK 207,4 on the Prague Stock Exchange.

The closing prices on 30 December 2015 was CZK 207 on the Prague Stock Exchange and the market capitalisation of PLG came to CZK 2.4 billion.



### *Dividend Policy*

The management does not plan to pay any dividends for the year 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.

### *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 2016

18 May 2016	Interim Management Statement for the Period Starting 1 January 2016
30 August 2016	Half Year Report 2016 incl. First Half 2016 Financial Results
15 November 2016	Interim Management Statement for the Period Starting 1 July 2016

### **Ownership Changes in 2015**

In June 2015 the existing majority shareholders Palace Capital, a.s. and GO Solar s.r.o. executed the Sale Purchase Agreement on the basis of which they would transfer all their shares in PLG to the company Lobkowiczký pivovar, a.s. Lobkowiczký pivovar, a.s. is a company 100% owned by Mr Zdeněk Radil, the CEO and Chairman of the Board of Directors of PLG. After the transaction, Lobkowiczký pivovar, a.s. would acquire a 79.4% stake in PLG for a total consideration of CZK 1.9 billion.

In September 2015 the existing shareholders of PLG - Palace Capital, a.s. and GO Solar s.r.o. sold the majority 79.4% stake in PLG and the transaction has been settled.

The majority stake was purchased by LAPASAN s.r.o. with the following shareholding structure as of 31 December 2015:

- 77.78% China International Group Corporation Limited, a subsidiary of Chinese company CEFC,
- 22.22% J&T Group, whereas the final owner should be J&T Private Equity Group,
- Less than 0.01% Zdeněk Radil, CEO and Chairman of the Board of Directors of PLG.

Total value of the transaction was CZK 1.9 billion (rounded) which corresponded to CZK 208 per share. After acquisition of the majority stake, LAPASAN s.r.o. had to make a mandatory takeover bid to all other PLG shareholders.

On 4 December 2015, the offer was announced for the Mandatory Tender Buyout for shares issued by Pivovary Lobkowicz Group, a.s. The offer was made by LAPASAN s.r.o. which acquired a majority 79.4% stake.

The offer was valid until 15 January 2016 and the offer price was CZK 208 per share. The settlement agent for the buyout was J&T Banka which collects the accepted bids, settles the shares and pays out proceeds.

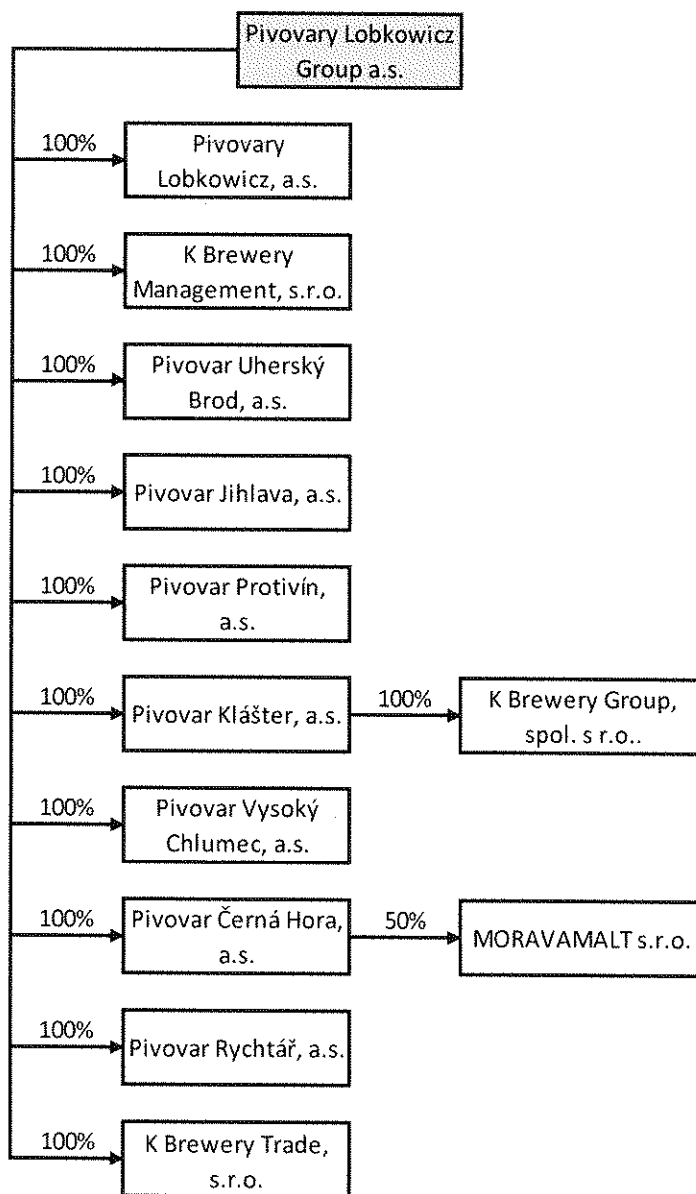
## 8. Governing Bodies of the Issuer

### 8.1. Group Structure

PLG is the sole owner or co-owner of ten principal companies (the subsidiaries) identified below (PLG and the subsidiaries jointly as the Group). PLG controls the subsidiaries through the ownership interests in them.

The Group does't have any branch abroad.

The chart below presents the Group structure as of 31 December 2015. 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:



### Changes to the Group Structure in 2015:

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 K Brewery Group, spol. s r.o. effective 29 January 2015.

The General Meeting of PLG held on 15 December 2015 approved the contract on the facility transfer of Pivovary Lobkowicz, a.s., a 100% subsidiary of Pivovary Lobkowicz Group, a.s. By the facility transfer of Pivovary Lobkowicz, a.s. all business activities will be transferred to the mother company Pivovary Lobkowicz Group a.s.

The purchase price was determined by the expert opinion prepared by AP Appraisal, s.r.o. as of 31 December 2015. The final purchase price was determined at CZK 275, 061, 000.

This transfer has a purely organizational nature and has no material impact on the Group consolidation or its current course of business.

## 8.2. Supervisory Bodies and Management

### 8.2.1. General Meeting

#### 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](http://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 be 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.

### 8.2.2. 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 in 2015 of following members:

Name	Position	Office term in 2015	Business address
Zdeněk Radil	Chairman	1 January – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
LI Xiaokun	Member	14 September – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Pavel Herman	Member	16 December – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Pavel Herman	Vice Chairman	1 April – 14 September	Prague 4, Hvězdova 1716/2b, postal code 140 78
Petr Blažek	Member	1 April – 14 September	Černá Hora, Nám. U Pivovaru 3, postal code 679 21
Jiří Uvíra	Member	14 September – 15 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Otakar Binder	Member	1 January – 31 March	Černá Hora, Nám. U Pivovaru 3, postal code 679 21
Eva Kropová	Vice Chairman	1 January – 31 March	Černá Hora, Nám. U Pivovaru 3, postal code 679 21



## **Zdeněk Radil**

Mr Radil has served as the chairman of the Board of Directors for the past 11 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 Chlumeč, a.s.; Pivovar Černá Hora, a.s.; Pivovar Rychtář, a.s.; Pivovar Platan, a.s.; Lobkowiczský 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: Hotel Černá Hora, a.s. – member of the board of directors (2007-2010); 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); BGS Biogas, a.s. – member of supervisory board (from 2014); Colosseum, a.s. – Chairman of the supervisory board (from 2003); Energy produkt Plus s.r.o. – member of Supervisory Board (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. – vice chairman of the supervisory board (from 2009); LAPASAN s.r.o. – director; 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.

## **LI Xiaokun**

Mr. Li was nominated as Member of Board of Directors of Pivovary Lobkowicz Group in 2015. Before that, he established and worked as the General Manager of the China Branch for Czech China Chamber of Collaboration. Since 2012 he worked for PPF and Home Credit in China and held various managerial positions such as Government & Diplomatic Affairs Manager and Project Manager for President of PPF China etc. He started his professional career in Corporate Banking at UniCredit Bank. Mr Li obtained his master degree from University of Economics in Prague.

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

## **Pavel Herman**

Mr Pavel Herman, after his graduation at the Prague School of Economics in 1994, he 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 Coor where he was responsible for post-acquisition integration of Central and South European businesses into the European business unit.

Mr Herman's directorships in the last five year include:

HERO CZECH s.r.o. (2004-2011), director

PH PROFIT, s.r.o. (2010 - now), director

COLAS RAIL LIMITED Czech branch (2011 -2013), director

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

### **Changes in the composition of the Board of Directors in 2015**

Mr Pavel Herman was appointed as the Executive Director of PLG with the effect of 1 April 2015. He served as the Vice-Chairman of the Board of Directors of PLG from 1 April 2015 until September 2015. On December 2015, he was elected again as the member of the Board of Directors of PLG.

Mr Jiří Uvíra appointed as the member of the Board of Directors of PLG from September 2015 and he resigned at the General Meeting of Shareholders of PLG held on 15 December 2015.

Mr Petr Blažek, the current CFO and CIO of PLG, was a member of the Board of Directors between April 2015 and September 2015. 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).

Effective 31 March 2015, Mr Otakar Binder and Mrs Eva Kropová resigned from the position as member of the Board of Directors of PLG.

### *Office terms*

The term of office of the members of the Board of Directors 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.

### 8.2.3. 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.

The Supervisory Board comprised in 2015 of following members:

Name	Position	Office Term in 2015	Business address
Radek Placanda	Chairman	15 December – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Miloš Badida	Vice Chairman	15 December – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Jaroslav Tvrdík	Member	15 December – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Martin Burda	Chairman	1 January – 14 September	Prague 4, Hvězdova 1716/2b, postal code 140 78
Grzegorz Hóta	Member	1 January – 14 September	Prague 4, Hvězdova 1716/2b, postal code 140 78
Eva Kropová	Member	1 April- 14 September	Prague 4, Hvězdova 1716/2b, postal code 140 78
Petr Bič	Member	1 January – 31 March	Prague 4, Hvězdova 1716/2b, postal code 140 78

#### **Radek Placanda**

Radek Placanda was nominated as member of the Supervisory Board of Pivovary Lobkowicz Group, a.s. in December 2015. Professional career he started in the Ministry of Defense, later he worked as General Manager in Vojenské lesy a statky (2001-2004), project manager in J&T Finance Group (2005 – 2010), Chairman of the Board of Directors in Euroclinicum (2011-2012), CFO in Czech China Chamber of Collaboration and manager in CEFC Investment (Europe) Company. Radek Placanda has graduated from University of Defence and strategic management in the program MBA at Nottingham Trent University.

Mr Placanda's current directorship in other companies in the past five years include:

LABORATOŘE LÉKAŘSKÉ MIKROBIOLOGIE, s.r.o. (2007- 2010), director

HEBILAB s.r.o. (2008 – 2010), director

ÚSTECKÁ POLIKLINIKA, s.r.o. (2010-2011), director

Nemocnice ATLAS, a.s. (2010-2011), member of the Board of Directors

EUC a.s. (2010-2011), Chairman of the Board of Directors

Mikrobiologická laboratoř s.r.o. (2008-2010), director

Přeloučská poliklinika a.s. (2010-2011), Chairman of the Board of Directors

LABOREX, s.r.o. (2007-2010), director

TOPLAB, s.r.o. (2007-2010), director

EUC Laboratoře s.r.o. (2010-2011), director

ALIATROS spol. s r.o. (2010-2011), director

Příkopy Property Development, a.s. (2015 – now), member Board of Directors

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

#### **Miloš Badida**

Mr Badida was appointed a member of the Supervisory Board of PLG at the General Meeting of Shareholders in December 2015.

Mr. Badida is a graduate of the University of Pavol Jozef Safarik in Kosice, where he earned a Master's degree (Mgr.) in "Mathematics - Mathematical optimization". Since April 2005, he was Chief Financial Officer of J&T Group (management of large projects, cash-flow management within the Group, creating organizational structures, etc.). Since December 2013, Mr. Badida acting as a director at J&T PRIVATE EQUITY GROUP LIMITED. Managerial expertise and experience of Mr Milos Badida can specify the following points: management of mergers and acquisitions, financial management, business planning, specialized financing. Mr. Badida uses his managerial expertise and experience in the following companies.

Mr Badida's current directorship in other companies in the past five years include: EP Energy, a.s. - member of supervisory board (from 2013); J&T Investment Pool – I- CZK, a.s. – member of the board of directors (from 2015); Omelyron s.r.o. - director and partner (from 2011); Energetický a průmyslový holding – member of supervisory board (from 2009); EP Industries – chairman of supervisory board (from 2011); Kruh rodiny o.p.s. chairman of supervisory board (from 2013); Produkce a.s. – member of supervisory board (from 2014); J&T Private Equity Group Limited, odštěpný závod – director (from 2014); MABAD s.r.o. – Director; ); J&T Investment Pool – I- SKK, a.s. – member of Board of Directors; RDT a.s. – member of supervisory board.

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

#### **Jaroslav Tvrdík**

Mr Tvrdík was appointed a member of the Supervisory Board of PLG at the General Meeting of Shareholders in December 2015.

Mr. Tvrdík is currently a Member of the Board of Directors of the CEFC Group (Europe) Company a.s. and the President of the Czech-Chinese Chamber of Collaboration.

Mr. Tvrdík started his professional work experience in 1991 in Foreign Relations Section at the Ministry of Defence of the Czech Republic. During 1993-1995 he worked as Department Head at the Foreign Relations Section of the Ministry of Defence. In 2000, he was appointed to be the Economic Deputy Minister of Defence and one year later, he became the Minister of Defence of the Czech Republic and held this position until 2003. During 2002-2003 he was voted as Member of the Chamber of Deputies. After finishing this mandate, Mr. Tvrdík became the Chairman of Board of Directors and President of Czech Airlines, for 2003-2006. Between 2006-2010 he worked as the chief of advisor team to the

Chairman of the Czech Social Democratic Party (ČSSD), and in parallel, as the manager of the Party election team. In 2012 Mr. Tvrđík founded the Czech China Chamber of Collaboration to enhance the bilateral relations between China and Czech Republic.

He was born on 11th September 1968 and attained Master's degree in the Military Academy.

Mr Tvrđík (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 Tvrđík 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 15 December 2015 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.

#### *Changes in the composition of the Supervisory Board in 2015*

Mr Petr Bič served as the member of the Supervisory Board from 1 January 2015 till 31 March 2015. Mrs Eva Kropová served as member of the Supervisory Board from 1 April 2015 till 14 September 2015.

Following the purchase of the 79.4% majority stake in the Company by LAPASAN s.r.o., the members of the PLG supervisory board Mr. Grzegorz Hóta and Mr. Martin Burda resigned from their positions.

The General Meeting of Shareholders held on 15 December 2015 appointed new members of the Supervisory Board Mr Badida, Mr Tvrđík and Mr Placanda.

#### *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.

The General Meeting held on 15 December 2015 elected Mr Miloš Badida as a member of the Audit Committee effective 15 December 2015.

The General Meeting held on 15 December 2015 elected Mr Radek Placanda as a member of the Audit Committee effective 15 December 2015.

The General Meeting held on 15 December 2015 elected Mr Jakub Kovář as a member of the Audit Committee effective 15 December 2015.

#### 8.2.4. 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 currently comprises:

Name	Position	Business address
Zdeněk Radil	CEO	Prague 4, Hvězdova 1716/2b, postal code 140 78
Pavel Herman	Executive Director	Prague 4, Hvězdova 1716/2b, postal code 140 78
Petr Blažek	CFO and CIO	Černá Hora, Nám. U Pivovaru 3, postal code 679 21
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.

##### **Pavel Herman**

Information on Mr Herman 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 is also a member of the Board of Directors in the following subsidiaries: 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 Uherský Brod, a.s. and Pivovary Lobkowicz, a.s.

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.



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 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 a PLG's shareholder and he also holds two shares in LAPASAN s.r.o., the majority shareholder of PLG

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

As of 31 December 2015, 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%

Mr Zdeněk Radil also holds a 2 shares in LAPASAN s.r.o., a majority shareholder of Pivovary Lobkowicz Group a.s. and is the Company's majority shareholder. As of 31 December 2015, no other members of the Board of Directors held shares issued by the Company.

As of 31 December 2015, no members of the Supervisory Board held shares issued by the Company. As of 31 December 2015, no members of the Senior management held shares issued by the Company. In 2015 the Company didn't adopt any stock option plan for its management or employees.

### 8.3.1. Remuneration and Benefits

CZK thousands		Remuneration (2015)		TOTAL
		Pivovary Lobkowicz Group a.s.	Other Group Companies	
<b>Members of the Board of Directors</b>	Board Remuneration	1,096	-	<b>1,096</b>
	Salaries and other similar income	-	8,044	<b>8,044</b>
	Management Bonus	-	-	-
	Other (compensation)	4,565	-	<b>4,565</b>
	<b>TOTAL</b>	<b>5,662</b>	<b>8,044</b>	<b>13,706</b>
<b>Members of the Supervisory Board</b>	Board Remuneration	1,910	-	<b>1,910</b>
	Salaries and other similar income	-	0,194	<b>0,194</b>
	Management Bonus	-	-	-
	<b>TOTAL</b>	<b>1,910</b>	<b>0,194</b>	<b>2,104</b>
<b>Senior Management of the Company</b>	Salaries and other similar income	-	18,745	<b>18,745</b>
	Management Bonus	-	-	-
	Board Remuneration (incl. Supervisory board of Group companies)	-	-	-
	<b>TOTAL</b>	-	<b>18,745</b>	<b>18,745</b>
<b>TOTAL</b>		<b>7,571</b>	<b>26,983</b>	<b>34,554</b>

#### *Members of the Board of Directors and the Supervisory Board*

The remuneration of the members of the Board of Directors in 2015 was CZK 1,096 thousand for the performance of the member of the Board of Directors duties, paid by Pivovary Lobkowicz Group, a.s. and CZK 8,044 thousand 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, Mr Pavel Herman, Mr Petr Blažek and Mr Otakar Binder received a salary from group companies.

The remuneration of the members of the Supervisory Board in 2014 was CZK 1,910 thousand for the performance of the member of the Supervisory Board duties, paid by Pivovary Lobkowicz Group, a.s. and CZK 194 thousand 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 18,745 thousand in total for the last full financial year 2015 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 2015 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 2015, the CEO was provided a company car owned by PLG. The car vehicle was used till May 2015 and the book value was CZK 783 thousand as of 31 May 2015. The members of the senior management were provided with company cars leased from a third party. The value of the leasing expense for those company cars was CZK 1,772 thousand in 2015.

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 concluded for 6 months for all members of senior management.

## 9. 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.

## 10. Other Information Required by the Act Capital Market Undertakings

### 10.1. Expenses and Fees paid to External Auditors

In 2015, the Group paid to external auditing firms following fees and expenses:

In CZK thous.	Pivovary Lobkowicz Group, a.s.	Other Group companies included in the consolidation
Mandatory Audit of the consolidated annual financial statements	760,000	2,040,000
Other verification services	-	2,826,000
Tax consultancy	-	-
Other non-auditing services	-	-
<b>TOTAL</b>	<b>760,000</b>	<b>4,866,000</b>

*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 9.3 „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

## 11. Material Subsequent Events

### **Changes in the statutory bodies and top management after 31 December 2015**

On 29 February 2016, the offer was announced for the additional offer for shares issued by Pivovary Lobkowicz Group, a.s. The offer was made by LAPASAN s.r.o. based on the previous Mandatory Offer for shares which ended on 15 January 2016 acquired approximately 98% stake, which triggered obligation of PLG to make the additional offer.

The offer is valid until 30 May 2016 and the offer price is CZK 208 per share. The settlement agent for the additional offer is J&T Banka which collects the accepted bids, settles the shares and pays out proceeds.

In April 2016, Pivovary Lobkowicz Group, a.s. obtained a request from its majority shareholder LAPASAN s.r.o. („LAPASAN“), based on § 375 of the Law No. 90/2012 Coll. on commercial companies and cooperatives, for convening of the General Meeting of the Company which shall decide on the transfer of all shares issued by the Company to LAPASAN (minority shareholders squeeze out). LAPASAN confirmed by the record from the central registrar of the securities that it owns shares in a total nominal value of more than 90% of issued capital by the Company and of attached voting rights to the shares. LAPASAN also confirmed that it received a consent from the Czech National Bank for the adoption of the resolution of the General Meeting concerning the transfer of all shares issued by the Company. In line with the current legislation, LAPASAN offers a consideration of CZK 208 per share.

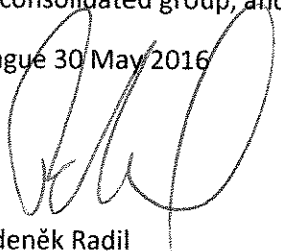
Apart from the events stated above, the Company is not aware of any other material events which occurred after the balance sheet date of 31 December 2015.

## 12. Declaration of Responsible Persons

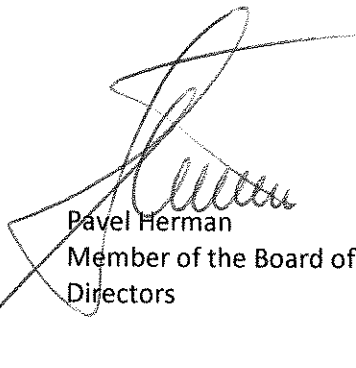
### *Statutory Declaration*

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 2015 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.

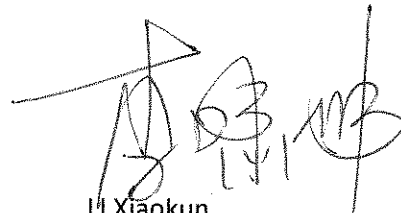
Prague 30 May 2016



Zdeněk Radil  
Chairman of the Board of  
Directors



Pavel Herman  
Member of the Board of  
Directors



Li Xiaokun  
Member of the Board of  
Directors

## 13. 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 272 58 611
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:	<a href="mailto:info@pivovary-lobkowicz.cz">info@pivovary-lobkowicz.cz</a>
Web site:	<a href="http://www.pivovary-lobkowicz-group.com">www.pivovary-lobkowicz-group.com</a>

### *Selected Subsidiaries*

**Pivovary Lobkowicz, a.s.**, a joint-stock company established and existing under the laws of the Czech Republic, with its registered office Prague 4, Hvězdova 1716/2b, postal code 140 78, Identification number: 284 89 411, registered in the Commercial Register maintained by the Regional 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 Security of property and persons Accounting consulting, bookkeeping, tax records
Share capital	CZK 2,000,000
Shares	100 ordinary name registered shares in the nominal value of each share CZK 20,000 Shares are transferable only with the prior consent of the Supervisory Board
Shareholder	PLG as a sole shareholder owns 100 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: Pavel Herman 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 tons motor road vehicle transport – cargo domestic operated by the vehicles with maximum permitted weight over the 3,5 tons
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 Shares are transferable only with the prior consent of the Supervisory Board
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: Pavel Herman 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 Shares are transferable only with the prior consent of the Supervisory Board
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: Pavel Herman 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 Shares are transferable only with the prior consent of the Supervisory Board
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: Pavel Herman 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 2,000,000
Shares	200 ordinary bearer shares in the nominal value of each share CZK 10,000 Shares are transferable only with the prior consent of the Supervisory Board
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: Pavel Herman Member of the board: Petr Blažek
Supervisory Board	Member of the supervisory board: Eva Kropová

**Pivovar Vysoký Chlumeč, a.s.**, a joint-stock company established and existing under the laws of the Czech Republic, with its registered office at Vysoký Chlumeč 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	80 ordinary shares in documentary form with a nominal value of 1 000 000, - CZK. Transferable of shares is limited. Shares are transferable only with the prior consent of the Supervisory Board.
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: Pavel Herman 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 Shares are transferable only with the prior consent of the Supervisory Board.
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: Pavel Herman 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
Share capital	CZK 20,000,000
Shares	20 ordinary registered shares with a nominal value of each share CZK 1,000,000 Shares are transferable only with the prior consent of the Supervisory Board
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: Pavel Herman Member of the board: Petr Blažek
Supervisory Board	Member of the supervisory board: Eva Kropová

**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	The entity is joint venture of PLG 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

**K Brewery Trade, s.r.o.** a limited liability 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: 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%
Director	Pavel Herman Vilém Štěpánek

**K Brewery Group, 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%
Director	Petr Bič

## **II. Report on Related Party Transactions**

## Related party Transactions

This report has been compiled by company 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“)

PLG is the controlling person of a business group - holding, which includes a number of business subjects specializing in brewing, i.e. production. After purchasing of the plant of Pivovary Lobkowicz a.s., at the end of the year 2015, PLG provides sales, marketing, logistic, central purchasing, financial and IT functions of the group.

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 was controlling person till 14.9.2015 . On 14 September 2015 company was sold and new controlling person became company LAPASAN s.r.o., CRN 03311384, with the Registered Office in Praha, Pobřežní no. 297/14, Post Code 186 00, recorded in the Commercial Register kept by the RC in Praha, section C, file no. 230057. LAPASAN s.r.o. owned in the period from 14 September 2015 to 31 December 2015 a total of 79.4% of the shares of the Company.

- 1) Listed below are the companies (related parties), with which the Company during the past financial year entered into business relations:
  - a) **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.
  - b) **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.
  - c) **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.
  - d) **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.
  - e) **Pivovar Vysoký Chlumeč, a.s.**, a joint-stock company established and existing under the laws of the Czech Republic, with its registered office at Vysoký Chlumeč 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.
  - f) **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.

- g) **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.
  - h) **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.
  - i) **K Brewery Trade, s.r.o.** a limited liability 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: 253 20 840, registered in the Commercial Register maintained by the Regional Court in Brno, File C, Insert 25401.
  - j) **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
  - k) **K Brewery Group, 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
  - l) **Pivovary Lobkowicz, a.s.**, a joint-stock company established and existing under the laws of the Czech Republic, with its registered office Prague 4, Hvězdova 1716/2b, postal code 140 78, Identification number: 284 89 411, registered in the Commercial Register maintained by the Regional Court in Prague, File B, Insert 14838
- 2) Overview of mutual agreements concluded in the last accounting period between the Company and the controlling person or persons controlled closed in 2015
- a) The Amendment to the contract between The Company (Amendment to the Mandate contract concluded on 1 March 2009) concluded between the Company (mandatory) and Pivovar Protivín, a.s. (mandator) signed on 31 December 2015
  - b) The Amendment to the contract between The Company (Amendment to the Mandate contract concluded on 1 March 2009) concluded between the Company (mandatory) and Pivovar Jihlava, a.s. (mandator) signed on 31 December 2015
  - c) The Amendment to the contract between The Company (Amendment to the Mandate contract concluded on 1 March 2009) concluded between the Company (mandatory) and Pivovar Rychtář, a.s. (mandator) signed on 31 December 2015
  - d) The Amendment to the contract between The Company (Amendment to the Mandate contract concluded on 1 March 2009) concluded between the Company (mandatory) and Pivovar Uherský Brod, a.s. (mandator) signed on 31 December 2015
  - e) The Amendment to the contract between The Company (Amendment to the Mandate contract concluded on 1 March 2009) concluded between the Company (mandatory) and Pivovar Vysoký Chlumec, a.s. (mandator) signed on 31 December 2015
  - f) The Amendment to the contract between The Company (Amendment to the Mandate contract concluded on 1 March 2009) concluded between the Company (mandatory) and Pivovar Klášter, a.s. (mandator) signed on 31 December 2015
  - g) The Amendment to the contract between The Company (Amendment to the Mandate contract concluded on 1 April 2010) concluded between the Company (mandatory) and Pivovar Černá Hora, a.s. (mandator) signed on 31 December 2015

- h) Amendment to the contract between the company (Amendment to the contract for storage concluded on 1 March 2009), between the Company (the depositor) and Pivovar Protivín, a.s. (Composer) concluded on 31 December 2015
- i) Amendment to the contract between the company (Amendment to the contract for storage concluded on 1 March 2009), between the Company (the depositor) and Pivovar Jihlava, a.s. (Composer) concluded on 31 December 2015
- j) Amendment to the contract between the company (Amendment to the contract for storage concluded on 1 March 2009), between the Company (the depositor) and Pivovar Uherský Brod, a.s. (Composer) concluded on 31 December 2015
- k) A for the Purchase of Plant, between the company and (buyer) and Pivovar Lobkowicz, a.s. (seller) concluded on 23 December 2015

Contract values are not published due to competitive reasons.

Persons acting in concern:

Chairman of Board of Directos is Mr. Zdeněk Radil, date of birth: 31 January 1975.

Ms. Eva Kropová, date of birth 14 July 1959 was vice-chairman of the Board of the Directors till 31 March 2015. Mr. Pavel Herman, date of birth 29 April 1971 was vice-chairman of the Board of the Directors from 1 April 2015 till 14 September 2015.

Mr. Otakar Binder, date of birth 30 July 1950 was member of the Board of the Directors till 30 April 2015. Mr. Petr Blažek, date of birth 16 July 1972 was member of the Board of the Directors from 1 April 2015 till 14 September 2015. Mr. Li Xiaokun, date of birth 20 August 1986 is member of the Board of the Directors from 14 September 2015. Mr. Jiří Uvíra, date of birth 19 January 1974 was member of the Board of the Directors from 14 September 2015 till 15 December 2015. Mr. Pavel Herman, date of birth 29 April 1971 is member of the Board of the Directors from 16 December 2015.

Mr. Martin Burda, date of birth 18 January 1974 was Chairman of Supervisory Board till 14 October 2015. Mr Radek Placanda, date of birth 18 November 1965 is Chairman of Supervisory Board from 16 December 2015. Mr. Miloš Badida, date of birth 22 October 1971 is vice-chairman of supervisory board from 16 December 2015. Mr. Grzegorz Hóta, date of birth 15 July 1977 was member of supervisory board till 14 October 2015. Mr. Petr Bič, date of birth 8 September 1980 was member of supervisory board till 31 March 2015. Ms. Eva Kropová, date of birth 14 July 1959 was member of supervisory board from 1 April 2015 till 14 October 2015. Mr. Jaroslav Tvrđík, date of birth 11 September 1968 is member of supervisory board from 15 December 2015.

The Company is not aware of any behavior done by controlling person causing any harm to the Entity. The Company believes that transactions among members of the business group were conducted as a separate and independent negotiations, not as matters arising in the interest or at the instigation of the controlling entity or entities controlled by it.

The Company believes that the benefits of relationships among members of the business group outweigh the potential disadvantages.

The Company is not aware of the business risks that would have resulted from her membership in the business group.

The Related party Transactions was compiled on March 31, 2016.

## **III. AUDIT REPORT**



## INDEPENDENT AUDITOR'S REPORT To the Shareholders of Pivovary Lobkowicz Group, a.s.

Having its registered office at: Hvězdova 1716/2b, 140 78 Praha 4  
Identification number: 272 58 611

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Pivovary Lobkowicz Group, a.s. and subsidiaries prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of 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 standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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.

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 consolidated financial statements give a true and fair view of the financial position of Pivovary Lobkowicz Group, a.s. and subsidiaries as at 31 December 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### Emphasis of Matter

We draw attention to Note 4.3. to the consolidated financial statements which describes restatements made in accordance with IAS 8 by the management to correct misstatements in the consolidated financial statements of the Company as at 31 December 2014 and 1 January 2014. Our opinion is not modified in respect of this matter.

#### Other Matter

The consolidated financial statements of Pivovary Lobkowicz Group, a.s. for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 28 April 2015. As part of our audit of the 2015 consolidated financial statements, we also audited the adjustments described in Note 4.3. that were applied to amend the prior period's financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 consolidated financial statements taken as a whole. As such, the corresponding figures for the year ended 31 December 2014 are not audited by us.

#### Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated financial statements of Pivovary Lobkowicz Group, a.s. prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of 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 unconsolidated 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 about 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.

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 unconsolidated financial statements give a true and fair view of the financial position of Pivovary Lobkowicz Group, a.s. as at 31 December 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Emphasis of Matter

We draw attention to Note 4.2. to the unconsolidated financial statements which describes restatements made in accordance with IAS 8 by the management to correct misstatements in the consolidated financial statements and unconsolidated financial statements of the Company as at 31 December 2014 and 1 January 2014. Our opinion is not modified in respect of this matter.

#### Other Matter

The unconsolidated financial statements of Pivovary Lobkowicz Group, a.s. for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 19 January 2016. As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note 4.2. that were applied to amend the prior period's financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 unconsolidated financial statements of the company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 unconsolidated financial statements taken as a whole. As such, the corresponding figures for the year ended 31 December 2014 are not audited by us.

### Other Information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated and unconsolidated financial statements does not cover the other information and we do not express any form of opinion thereon. However, in connection with our audit of the consolidated and unconsolidated financial statements, our responsibility is to read the other information and consider whether the other information in the annual report is not materially inconsistent with the financial statements or our knowledge obtained in the audit, the annual report has been prepared in accordance with the applicable legal requirements, or the other information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that the above is not true, we are required to report such facts.

Based on the work we have performed, we have nothing to report in this regard.

In Prague on 30 May 2016

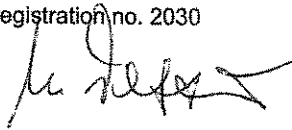
Audit firm:

Deloitte Audit s.r.o.  
registration no. 079



Statutory auditor:

Martin Tesař  
registration no. 2030



**IV. Unconsolidated Financial  
Statements of Pivovary Lobkowicz  
Group, a.s.**

**Pivovary Lobkowicz Group, a.s.**

**IFRS unconsolidated financial statements 2015**

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**Pivovary Lobkowicz Group, a.s.**
**Statement of profit or loss  
for the year ended 31 December 2015**

	Notes	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Revenue		0	0
Other income		5	234
Raw materials and consumables used	5	- 5 434	-853
Employee benefits expense	6	-7 571	-1 407
Other operating costs	7	-74 279	-45 247
<b>Operating profit/loss</b>		<b>-87 279</b>	<b>-47 272</b>
Finance income	8	13 712	40 478
Finance costs	9	-9 714	-43 549
<b>Net finance costs</b>		<b>3 998</b>	<b>-3 071</b>
Profit before tax		-83 281	-50 343
Income tax expense	10	0	0
<b>LOSS FOR THE YEAR</b>		<b>-83 281</b>	<b>-50 343</b>
Attributable to:			
Owners of the Company		-83 281	-50 343
Non-controlling interests		0	0
		<b>-83 281</b>	<b>-50 343</b>
Earnings per share			
Basic (CZK per share)	11	-7,12	-4,31



**Pivovary Lobkowicz Group, a.s.**
**Statement of financial position  
at 31 December 2015**

	Notes	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	01/01/14 CZK'000 (restated)
<b>Assets</b>				
<i>Non-current assets</i>				
Property, plant and equipment	12	181 233	0	0
Other intangible assets	13	12 156	225	225
Other financial assets	14	1 142 833	1 142 833	1 103 202
Other assets	18	48 712	0	0
Total non-current assets		<u>1 384 934</u>	<u>1 143 058</u>	<u>1 103 427</u>
<i>Current assets</i>				
Inventories	15	39 423	0	0
Trade and other receivables	16	315 956	19 511	18 998
Other assets	18	251 052	374 322	206 168
Cash and bank balances	19	52 682	1 982	2 786
Total current assets		<u>659 113</u>	<u>395 815</u>	<u>227 952</u>
Total assets		<u>2 044 047</u>	<u>1 538 873</u>	<u>1 331 379</u>

**Pivovary Lobkowicz Group, a.s.**
**Statement of financial position  
at 31 December 2015 – continued**

	Notes	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	01/01/14 CZK'000 (restated)
<b>Equity and liabilities</b>				
<i>Capital and reserves</i>				
Share capital	20	1 870 000	1 870 000	2 000
Other reserves	21	245 486	245 486	400
Retained losses*		-1 223 600	-835 568	-785 046
<b>Total equity</b>		<b>891 886</b>	<b>1 279 918</b>	<b>-782 646</b>
<i>Non-current liabilities</i>				
Borrowings	22	118 775	84 500	133 900
Provisions	23	419	0	0
Other liabilities	24	275 061	0	0
<b>Total non-current liabilities</b>		<b>394 255</b>	<b>84 500</b>	<b>133 900</b>
<i>Current liabilities</i>				
Trade and other payables	25	594 304	267	97
Borrowings	22	160 579	173 540	1 709 581
Other liabilities	24	1 671	648	270 447
Provisions	23	1 352	0	0
<b>Total current liabilities</b>		<b>757 906</b>	<b>174 455</b>	<b>1 980 125</b>
<b>Total liabilities</b>		<b>1 152 161</b>	<b>258 955</b>	<b>2 114 025</b>
<b>Total equity and liabilities</b>		<b>2 044 047</b>	<b>1 538 873</b>	<b>1 331 379</b>

\* in retained losses included also result for stated year

**Pivovary Lobkowicz Group, a.s.**
**Statement of financial position  
at 31 December 2015 – continued**

	Share capital	Legal reserve fund	Other capital funds	Retained earnings/ losses	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
<b>Balance at 1 January 2014 (as previously reported)</b>	2 000	400	0	14 946	17 346
Adjustments for restatements	0	0	0	-799 992	-799 992
<b>Balance at 1 January 2014 (restated)</b>	2 000	400	0	-785 046	-782 646
Movements for the year:					
Legal reserve fund release	0	-400	0	400	0
Capitalization of loans	0	0	258 436	0	258 436
Initial public offering costs	0	0	-12 950	0	-12 950
Subscriptions of own shares	1 868 000	0	0	0	1 868 000
Profit/loss for the year restated	0	0	0	-50 343	-50 343
Others	0	0	0	-579	-579
<b>Balance at 31 December 2014 (restated)</b>	1 870 000	0	245 486	-835 568	1 279 918
Effect of purchase of the part of the Enterprise Pivovary Lobkowicz, a.s.	0	0	0	-304 751	-304 751
Profit/loss for the year	0	0	0	-83 281	-83 281
Others	0	0	0	0	0
<b>Balance at 31 December 2015</b>	1 870 000	0	245 486	-1 223 600	891 886

## Pivovary Lobkowicz Group, a.s.

**Statement of cash flows  
for the year ended 31 December 2015**

Notes	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
<b>Cash flows from operating activities</b>		
Loss for the year	-83 281	-50 343
Adjustments for:		
Gain on disposal of property, plant and equipment	225	300
Impairment loss recognised on loans and trade receivables	74 101	44 595
Financial interest expense	8 591	42 803
Financial interest income	-13 712	-15 387
Provision net	-1 772	0
Other	0	-179
Operating cash flows before working capital changes	-15 848	21 789
Movements in working capital: Net foreign exchange (gain)/loss		
Decrease/(Increase) in trade and other receivables	-93 430	-512
Increase/(decrease) in other liabilities	940	-269 799
Increase/(decrease) in trade and other payables	90 764	170
	<hr/>	<hr/>
Cash generated from operations		
Net cash generated by operating activities	-17 574	-248 352
Income taxes paid	0	0
	<hr/>	<hr/>
Net cash generated by operating activities	<b>-17 574</b>	<b>-248 352</b>
<b>Cash flows from investing activities</b>		
Payments to acquire financial assets	0	-43 631
Interest received	6 433	4 045
Decrease/(increase) in loans and advances	117 478	-201 408
Proceeds from disposal of property, plant and equipment	0	3 700
Cash received from purchase of enterprise	36 926	0
	<hr/>	<hr/>
Net cash (used in)/generated by investing activities	<b>160 837</b>	<b>-237 294</b>
<b>Cash flows from financing activities</b>		
Increase of share capital	0	368 000
Repayment of bank loans	-83 972	-49 400
Repayment of other loans	-2 977	206 067
Financial interest expense paid	-5 614	-39 825
	<hr/>	<hr/>
Net cash used in financing activities	<b>-92 563</b>	<b>484 842</b>
Net (decrease)/increase in cash and cash equivalents	<b>50 700</b>	<b>-804</b>
Cash and cash equivalents at the beginning of the year	<b>1 982</b>	<b>2 786</b>
Cash and cash equivalents at the end of the year	<b>52 682</b>	<b>1 982</b>

**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued****1. General information**

Pivovary Lobkowicz Group, a.s. (the Company) is a limited company incorporated in the Czech Republic. Its parent and ultimate holding company is Lapasan s.r.o. and ultimate controlling party is China International Company Corporation Limited. The address of Company's registered office is Hvězdova 1716/2b, 140 78 Praha 4. Registration number (IČ) is 27258611. The principal activities of the Company and its subsidiaries (the Company) is beer production.

**1.1 The structure of the Board of Directors and Supervisory Board as of 31 December 2015**

<b>Board of Directors</b>	Chairman	ZDENĚK RADIL
	Member	XIAOKUN LI
	Member	PAVEL HERMAN
<b>Supervisory Board</b>	Chairman	RADEK PLACANDA
	Vice-Chairman	MILOŠ BADIDA
	Member	JAROSLAV TVRDÍK

During the year 2015 were these changes in Boards:

<b>Name</b>	<b>Position</b>	<b>Office term in 2015</b>	<b>Business address</b>
Zdeněk Radil	Chairman	1 January – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
LI Xiaokun	Member	14 September – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Pavel Herman	Member	16 December – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Pavel Herman	Vice Chairman	1 April – 14 September	Prague 4, Hvězdova 1716/2b, postal code 140 78
Petr Blažek	Member	1 April – 14 September	Černá Hora, Nám. U Pivovaru 3, postal code 679 21
Jiří Uvíra	Member	14 September – 15 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Otakar Binder	Member	1 January – 31 March	Černá Hora, Nám. U Pivovaru 3, postal code 679 21
Eva Kropová	Vice Chairman	1 January – 31 March	Černá Hora, Nám. U Pivovaru 3, postal code 679 21

**Pivovary Lobkowicz Group, a.s.**

**Notes to the financial statements  
for the year ended 31 December 2015 – continued**

**2. Application of new and revised International Financial Reporting Standards (IFRSs) as adopted by the EU**

**2.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year**

In the current year, the Company has applied the amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in EU for an accounting period that begins on or after 1 January 2015.

**Annual Improvements to IFRSs 2011 – 2013 Cycle**

The Company has applied the amendments to IFRSs included in the *Annual Improvements to IFRSs 2011 – 2013 Cycle* for the first time in the current year. The *Annual Improvements to IFRSs 2011-2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to **IFRS 3** clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to **IFRS 13** clarify that the scope of the portfolio exception for measuring the fair value of a Company of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to **IAS 40** clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3.

The application of these amendments has had no impact on the disclosures or amounts recognised in the Company's financial statements.

**IFRIC 21 Levies**

The Company has applied IFRIC 21 *Levies* for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

**Notes to the financial statements  
for the year ended 31 December 2015 – continued**

**2.2 New and revised IFRSs adopted by the EU in issue but not yet effective**

The Company has not applied the following amendments to IFRSs that have been issued and adopted by the EU but are not yet effective in the EU:

- Amendments to IAS 19 *Defined Benefit plan: Employee Contributions*<sup>1</sup>
- *Annual Improvements to IFRSs 2010 – 2012 Cycle*<sup>1</sup>
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*<sup>2</sup>
- Amendments to IAS 1 *Disclosure Initiative*<sup>2</sup>
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*<sup>2</sup>
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*<sup>2</sup>
- *Annual Improvements to IFRSs 2012 – 2014 Cycle*<sup>2</sup>.

<sup>1</sup> Effective in the EU for annual periods beginning on or after 1 February 2015

<sup>2</sup> Effective in the EU for annual periods beginning on or after 1 January 2016

The directors of the Company do not anticipate that the application of all above mentioned amendments will have a significant impact on the Company's financial statements.

**2.3 New and revised IFRSs issued by the IASB but not yet adopted by the EU**

The following standards and amendments to the existing standards have not been endorsed for use in EU yet:

- IFRS 9 *Financial Instruments* (issued in July 2014);;
- IFRS 14 *Regulatory Deferral Accounts* (issued in January 2014);
- IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014);
- IFRS 16 *Leases* (issued in January 2016)
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (issued in December 2014);
- Amendments to IAS 7 *Disclosure Initiative* (issued in January 2016);
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued in January 2016).

The directors of the Company do not anticipate that the application of these amendments in the period of their first adoption will have a significant impact on the Company's financial statements, except of the application of the following new standards:

**Notes to the financial statements  
for the year ended 31 December 2015 – continued**

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

**Classification and Measurement** - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

**Impairment** - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

**Hedge accounting** - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

**Own credit** - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

The Directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

**IFRS 16 Leases**

IFRS 16 Leases was issued by IASB on 13 January 2016.

Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The Directors of the Company anticipate that the application of IFRS 16 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Company performs a detailed review.



**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued****3. Significant accounting policies****3.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

**3.2 Basis of preparation**

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

**3.3 Leasing (Company as lessee)**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating leases are not recognized in Company'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.

**Notes to the financial statements  
for the year ended 31 December 2015 – continued**

**3.4 Foreign currencies**

The functional currency of the Company is CZK. Transactions in currencies other than the entity's functional currency (foreign currencies) are recalculated by the fixed rate derived from the Czech National Bank at the beginning of the period. Exchange rate is valid for the whole period. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates published by the Czech National Bank. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

**3.5 Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

**3.6 Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

**3.7 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**3.7.1 Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**3.7.2 Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued**

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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.

**3.7.3 Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**3.8 *Property, plant and equipment***

Property, plants and equipment are stated in the statement of financial position 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), after deducting trade discounts and rebates. 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Generally, property is directly expensed, if the purchase price is below CZK 10 ths. Exemptions are returnable kegs, returnable packing material (except for returnable bottles) and taping technology, which are property in all cases. Promotional items above CZK 500 are recorded within property, plant and equipment at cost net of accumulated depreciation less any impairment loss. Deposits paid by customers for returnable items are reflected in the statement of financial position within current liabilities (obligation to repay the deposit upon return of the item).

Property is directly expensed, if the purchase price is below CZK 10 ths. Property is recognised as "small tangible assets" if the purchase price is from CZK 10 ths to CZK 40 ths. Property is recognised as "tangible assets" if the purchase price is above CZK 40 ths.

**3.8.1 Depreciation of property, plants and equipment**

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land and assets under construction are not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Leased assets are depreciated over their useful lives as there is reasonable certainty that ownership will be transferred to the Company after the end of the leasing period.

**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued**

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

- Buildings 30 – 50 years
- Plant and equipment 4 – 30 years
- Other fixed assets 2 – 25 years
- Returnable containers – 3 – 8 year

**3.8.2 Gains and losses on sale of property, plants and equipment**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**3.9 *Intangible assets*****3.9.1 Intangible assets acquired separately**

Purchased software and other intangible assets that are acquired by the Company and have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Property is directly expensed, if the purchase price is below CZK 15 ths. Property is recognised as “small intangible assets” if the purchase price is from CZK 15 ths to CZK 60 ths. Property is recognised as “intangible assets” if the purchase price is above CZK 60 ths.

**3.9.2 Internally-generated intangible assets**

Expenditure on internally developed software is capitalized when the expenditure qualifies as development activities, otherwise it is recognized in profit or loss when incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**3.9.3 Research and development**

Research and general development expenditure is written off in the period in which it is incurred.

**Notes to the financial statements  
for the year ended 31 December 2015 – continued**

**3.9.4 Brands**

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.

**3.9.5 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:

- Brands 2 – 12 years
- Software 3 – 7 years

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

**3.9.6 Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

**3.10 Impairment of tangible and intangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest Company of cash-generating unit for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Notes to the financial statements  
for the year ended 31 December 2015 – continued****3.11 Inventories**

Inventories are stated at the lower of cost and net realisable 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 realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 (that do not meet the classification criteria for property, plants and equipment) 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.

**3.12 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

**3.13 Financial instruments**

Financial assets and financial liabilities are recognised when a Company entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**Notes to the financial statements  
for the year ended 31 December 2015 – continued**

**3.14 Financial assets**

Company has only financial assets classified in the category 'loans and receivables'.

**3.14.1 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**3.14.2 Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

**3.15 Accounting of subsidiaries**

Investments in subsidiaries or associated companies are recognised on a trade-date basis and carried at cost less impairment charges. Any reduction below cost and any impairment reversal on an individual investment is charged to the income statement.

**Notes to the financial statements  
for the year ended 31 December 2015 – continued**

**3.16 Financial liabilities and equity instruments**

Debt and equity instruments issued by a Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Company has only financial liabilities classified as 'other financial liabilities'.

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**4. Critical accounting judgements, restatements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**4.1 Critical judgements in applying accounting policies**

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Advance payments to customers based on „Agreement on advertising and promotion services“ . Company provides advance payment to its customer to ensure promotion and visibility of own products. Initial payment is classified within other asset and being amortized over contract period. Amortization of these payments decrease revenues. At least once a year, fulfilment of the contract conditions is evaluated. If the contract conditions are breached, amendment to contract is concluded or the proportion part of undelivered service is invoiced.

4.1.2 Tapping equipment is treated within a property, plant and equipment and being depreciated within expected useful life. Company purchase tapping technology primarily to provide it to own customers as a sales support for free, secondary for own puposes (renting to 3<sup>rd</sup> parties, using in beer celebrations in breweries, etc.). Usually, when the cooperation with customer is closed, tapping technology is dismantle and transfer to Company warehouse for next utilization. Tapping technology is put in use and depreciated, when is installed at customer premises or first time rented.

**4.2 Summary of restatements performed to previously issued financial statements**

**Summary of changes**

Company revealed significant misstatements concerning prior periods during preparation financial statement for period ending 31.12.2015. In accordance with IAS 8 was performed restatement of financial statement as of 31.12.2014 and 1.1.2014. Below is quantified effect of restatements per each significantly concerned financial statement row. Consequently, each movement is briefly explained.



**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued**

Comparison initially reported figures to restated figures as of 31.12.2014

Item	Initially reported amount as of 31.12.2014	Restated amount as of 31.12.2014	Difference	Note
Other financial asset LT	1 588 921	1 142 833	-446 088	1,4,5
Trade and other receivables	765 593	19 511	-746 082	1,2,5
Other assets ST	1 978	374 322	372 344	5
Other reserves	-258 436	-245 486	12 950	3
Retained losses	-14 767	785 225	799 992	1,2,4,5
Borrowings LT	-133 900	-84 500	49 400	5
Trade and other payables ST	-50 555	-267	50 288	5
Borrowings ST	-74 497	-173 540	-99 043	5
Raw materials and consumables used	-6 867	-853	6 014	3
Other operating cost	-711	-45 247	-44 536	1
Finance income	15 387	40 478	25 091	4,5
Finance costs	-51 742	-43 549	8 193	3,5
Other financial statement lines	-1 868 270	-1 868 614	-344	5

Comparison initially reported figures to restated figures as of 1.1.2014

Item	Initially reported amount as of 1.1.2014	Restated amount as of 1.1.2014	Difference	Note
Other financial asset LT	1 572 431	1 103 202	-469 229	1,4,5
Trade and other receivables	554 070	18 998	-535 072	1,2,5
Other assets ST	2 786	206 168	203 382	5
Retained losses	-14 946	785 046	799 992	1,2,4,5
Borrowings LT	-183 300	-133 900	49 400	5
Trade and other payables ST	-317 695	-97	317 598	5
Borrowings ST	-80 839	-1 709 581	-1 628 742	5
Other liabilities ST	-1 532 191	-270 447	1 261 744	5
Other financial statement lines	-316	611	927	5

**Notes to the restatements performed****1. Impairment of intercompany assets**

The Company was set-up as a holding company. Main purpose of the Company was financing of the Group. Thus, the Company did not monitor performance of itself and its assets, but only results from the Group point of view. This is the reason why were not booked any provisions or impairments related to intercompany assets (investments, receivables, loans, etc) in prior years. Based on the retrospective impairment analyses performed, there were booked following impairments and allowances. Negative figure means, that amount should be deducted from previously reported version, positive vice versa.

Item	31/12/2014	1/1/2014
Financial investments	-441 957	-441 957
Retained losses	-688 236	-688 236
Other assets (intercompany loans)	-290 814	-246 279
Other operating income	-44 535	0

**Pivovary Lobkowicz Group, a.s.**
**Notes to the financial statements  
for the year ended 31 December 2015 – continued**
**2. Allowances for doubtful debts**

Generally, allowances for doubtful debts is critical judgement area. Management historically set-up rules for monitoring of receivables and put in use policy which determine milestones and percentual rates, when the allowance is book. During the year 2015 management reviewed allowances policy and come to the opinion, that the policy does not reflect current business situation anymore and that the policy should be changed retrospectively to prior years. Negative figure means, that amount should be deducted from previously reported version, positive vice versa.

Item	31/12/2014	1/1/2014
Other assets (other loans)	-124 156	-124 156
Retained losses	-124 156	-124 156

**3. Presentation of IPO cost**

During the year 2014 Pivovary Lobkowicz Group a.s. introduced own shares at Prague Stock Exchange. Cost related to initial public offering were booked into expenses although should decreased equity. Negative figure means, that amount should be deducted from previously reported version, positive vice versa. Impact into financial statements is:

Item	31/12/2014
Raw materials and consumables used	-5 664
Finance costs	-8 464
Other reserves	-14 128

**4. Discount from subsidiarie's purchase price**

Company received discount from initial purchase price of one subsidiary from seller. Price was stated as final if the own equity of investee reach certain level. Consequently, final level of equity was lower than stated in contract and discount claimed. Received discount was originaly booked as a decrease of investment. Based on further investigation done, we believe that original contract contains contingent asset, which souhld be in accordance with general IFRS principles accounted into revenues. Negative figure means, that amount should be deducted from previously reported version, positive vice versa. Correction entry is as follows:

Item	31/12/2014	1/1/2014
Financial investments	37 220	12 400
Retained losses	12 400	12 400
Financial revenues	24 820	

**5. Change of mappings several accounts**

There were performed several changes in financial statements structure. Current year financial statements are fully in accordance with IFRS and best practise of financial reporting. Together with this change, there were also changed allocation key of several accounts.

**Pivovary Lobkowicz Group, a.s.**
**Notes to the financial statements  
for the year ended 31 December 2015 – continued**
**5. Raw materials and consumables used**

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
<b>Services used:</b>		
Professional services	4 570	853
Others	864	0
	<u>5 434</u>	<u>853</u>

**6. Employee benefits expense**

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Wages and salaries	6 139	1 050
Social security expenses and health insurance	1 432	357
Total employee benefits expenses	<u>7 571</u>	<u>1 407</u>

**7. Other operating costs**

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Shortages and damages	0	0
Receivables write off, movement on provisions	74 101	44 596
Gifts	0	0
Other tax	2	24
Sold material	0	0
Penalties	21	0
Other operating costs	155	627
Total other operating expenses	<u>74 279</u>	<u>45 247</u>

**Pivovary Lobkowicz Group, a.s.**
**Notes to the financial statements  
for the year ended 31 December 2015 – continued**
**8. Finance income**

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Interest income:		
Other receivables	12 484	15 387
Bank deposits	1 228	0
Exchange rate gains	0	271
Discounts received from investments in subsidiaries	0	24 820
Total finance income	<u>13 712</u>	<u>40 478</u>

**9. Finance costs**

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Interest on bank overdrafts and loans	8 591	42 803
Insurance costs	410	0
Exchange rate losses	630	397
Sold financial investments	0	300
Others	83	49
Total finance costs	<u>9 714</u>	<u>43 549</u>

**10. Income taxes**

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Profit/loss before tax	<u>-83 281</u>	<u>-50 343</u>
Theoretical Income tax expense calculated at 19% (2014: 19%)	-15 823	-9 565
Effect of income that is exempt from taxation	0	0
Effect of expenses that are not deductible in determining taxable profit	110 095	5 307
Impact of not recognised deferred tax asset	<u>-94 272</u>	<u>4 258</u>

\* The base for calculation are Czech tax returns, that do not reflect restated financial statements for the years 2014 and 2013, hence all adjustments are accounted for in the year 2015.

Adjustments recognised in the current year in relation to the current tax of prior years

0	0
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Income tax expense recognised in profit or loss

<u>0</u>	<u>0</u>
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The tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate of 19% payable by corporate entities in the Czech Republic on taxable profits under tax law in that jurisdiction.

**Pivovary Lobkowicz Group, a.s.**
**Notes to the financial statements  
for the year ended 31 December 2015 – continued**
**11. Earnings per share**
**11.1 Basic and diluted earnings per share**

	Year ended 31/12/15	Year ended 31/12/14
	CZK per share	CZK per share (restated)
Basic earnings per share	<u>-7,12</u>	<u>-4,31</u>

The entity has no convertible securities, therefore no diluted earnings per share calculated.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.

	Year ended 31/12/15	Year ended 31/12/14
	CZK'000	CZK'000 (restated)
Profit/loss for the year attributable to owners of the Company	<u>-83 281</u>	<u>-50 343</u>
	<u>-83 281</u>	<u>-50 343</u>
	Year ended 31/12/15	Year ended 31/12/14
		(restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>11 687 501</u>	<u>11 687 501</u>

**12. Property, plant and equipment**

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
<b>Carrying amounts of:</b>			
Buildings	2 263	0	0
Plant and equipment	170 795	0	0
Equipment under finance lease	1 184	0	0
Properties under construction	<u>6 991</u>	<u>0</u>	<u>0</u>
	<u>181 233</u>	<u>0</u>	<u>0</u>

**Pivovary Lobkowicz Group, a.s.**
**Notes to the financial statements  
for the year ended 31 December 2015 – continued**

	Land CZK'000	Buildings CZK'000	Plant and equipment CZK'000	Equipment under finance lease CZK'000	Total CZK'000
<b>Cost or valuation</b>					
Balance at 1 January 2014	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Balance at 31 December 2014	0	0	0	0	0
Additions*	0	2 263	170 795	1 184	174 242
Disposals	0	0	0	0	0
Balance at 31 December 2015	0	2 263	170 795	1 184	174 242

\* Additions are represented by assets purchased within purchase of part of enterprise purchase of Pivovary Lobkowicz, a.s. as at 31.12.2015

	Land CZK'000	Buildings CZK'000	Plant and equipment CZK'000	Equipment under finance lease CZK'000	Total CZK'000
<b>Accumulated depreciation and impairment</b>					
Balance at 1 January 2014	0	0	0	0	0
Eliminated on disposals of assets	0	0	0	0	0
Depreciation expense	0	0	0	0	0
Others	0	0	0	0	0
Balance at 31 December 2014	0	0	0	0	0
Eliminated on disposals of assets	0	0	0	0	0
Depreciation expense	0	0	0	0	0
Balance at 31 December 2015	0	0	0	0	0

\*All PPE was purchased as at 31.12.2015, therefore no depreciation nor disposal are booked

The following useful lives are used in the calculation of depreciation:

Buildings	30 – 50 years
Plant and equipment	15 – 30 years
Equipment under finance lease	3 – 8 years
Other fixed assets	5 – 25 years
Returnable containers	3 – 8 years

**12.2 Assets pledged as security**

The loans of the company are secured by the assets of its subsidiaries. Apart from that, loans as at 31.12.2015 are secured also by company's returnable containers with a carrying amount of CZK 110 184 ths (in year 2014 CZK 0). The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continued

## 13. Other intangible assets

	31/12/15 CZK'000	31/12/14 (restated) CZK'000	1/1/14 (restated) CZK'000
<b>Carrying amounts of:</b>			
Software	4 926	0	0
Brands	6 946	0	0
Intangible assets under construction	284	0	0
Others	0	225	225
	<u>12 156</u>	<u>225</u>	<u>225</u>

	Software CZK'000	Brands CZK'000	Intangible assets under construction CZK'000	Others CZK'000	Total CZK'000
<b>Cost</b>					
Balance at 1 January 2014	0	0	0	225	225
Additions	0	0	0	0	0
Balance at 31 December 2014	0	0	0	225	225
Additions*	4 926	6 946	284	0	12 156
Disposals	0	0	0	225	225
Balance at 31 December 2015	<u>4 926</u>	<u>6 946</u>	<u>284</u>	<u>0</u>	<u>12 156</u>
<b>Accumulated amortisation and impairment</b>					
Balance at 1 January 2014	0	0	0	0	0
Amortisation expense	0	0	0	0	0
Disposals	0	0	0	0	0
Balance at 31 December 2014	0	0	0	0	0
Amortisation expense	0	0	0	0	0
Disposals	0	0	0	0	0
Balance at 31 December 2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

\* Additions are represented by assets purchased within purchase of part of enterprise purchase of Pivovary Lobkowicz, a.s. as at 31.12.2015. Therefore no depreciation expense nor disposals are booked.

The following useful lives are used in the calculation of amortisation.

Software	3 – 7 years
Strategic brands	2 – 12 years

**Pivovary Lobkowicz Group, a.s.**
**Notes to the financial statements  
for the year ended 31 December 2015 – continued**
**14. Other financial assets**

Details of the entity's material subsidiaries at the end of the reporting period are as follows.

	Purchase price	Impairment	Netto
	CZK'000	CZK'000	CZK'000
K Brewery Trade, s.r.o.	102	102	0
K Brewery Management s.r.o.	440 098	440 098	0
Pivovary Lobkowicz, a.s.	2 000	0	2 000
Pivovar Černá Hora, a.s.	290 000	0	290 000
Pivovar Klášter, a.s.	69 622	0	69 622
Pivovar Vysoký Chlumeč, a.s.	250 174	0	250 174
Pivovar Uherský Brod, a.s.	59 989	0	59 989
Pivovar Rychtář, a.s.	197 623	0	197 623
Pivovar Jihlava, a.s.	38 263	0	38 263
Pivovar Protivín, a.s.	235 162	0	235 162
	<u>1 583 033</u>	<u>440 200</u>	<u>1 142 833</u>

Details of the entity's material subsidiaries as at 31.12.2014 (restated) were as follows.

	Purchase price	Impairment	Netto
	CZK'000	CZK'000	CZK'000
K Brewery Management s.r.o.	440 098	440 098	0
Pivovary Lobkowicz, a.s.	2 000	0	2 000
Pivovar Černá Hora, a.s.	290 000	0	290 000
Pivovar Klášter, a.s.	69 622	0	69 622
Pivovar Vysoký Chlumeč, a.s.	250 174	0	250 174
Pivovar Uherský Brod, a.s.	59 989	00	59 989
Pivovar Rychtář, a.s.	197 623	0	197 623
Pivovar Jihlava, a.s.	38 263	0	38 263
Pivovar Protivín, a.s.	235 162	0	235 162
	<u>1 582 931</u>	<u>440 098</u>	<u>1 142 833</u>



**Pivovary Lobkowicz Group, a.s.**
**Notes to the financial statements  
for the year ended 31 December 2015 – continued**

Details of the entity's material subsidiaries as at 1.1.2014 (restated) were as follows.

	Purchase price	Impairment	Netto
	CZK'000	CZK'000	CZK'000
K Brewery Management s.r.o.	440 098	440 098	0
Pivovary Lobkowicz, a.s.	2 000	0	2 000
Pivovar Černá Hora, a.s.	290 000	0	290 000
Pivovar Klášter, a.s.	69 622	0	69 622
Pivovar Vysoký Chlumeč, a.s.	250 174	0	250 174
Pivovar Uherský Brod, a.s.	59 989	0	59 989
Pivovar Rychtář, a.s.	153 992	0	153 992
Pivovar Jihlava, a.s.	38 263	0	38 263
Pivovar Protivín, a.s.	235 162	0	235 162
Pivovar Plátan, a.s.	2 000	0	2 000
Lobkowiczký pivovar, a.s.	2 000	0	2 000
	<u>1 568 120</u>	<u>440 098</u>	<u>1 103 202</u>

**15. Inventories**

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Goods	13 675	0	0
Packaging materials	2 196	0	0
Promotional items	3 638	0	0
Returnable bottles	17 904	0	0
Other	2 010	0	0
	<u>39 423</u>	<u>0</u>	<u>0</u>

The cost of inventories recognised as an expense during the year was CZK 0 (31 December 2014: CZK 0).

In year 2015 were booked provisions in amount CZK 5 845 ths (in year 2014 CZK 0, in year 2013 CZK 0) which decreased purchase price of inventories to their net realisable value.

There are no inventories expected to be recovered after more than twelve months.

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continued

## 16. Trade and other receivables

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000	CZK'000
		(restated)	(restated)
Trade receivables	250 248	19 349	17 170
Allowance for doubtful debts	-33 633	0	0
	<u>216 615</u>	<u>19 349</u>	<u>17 170</u>
Other receivables			
Advance payments	97 226	162	1 649
Others*	2 413	0	179
Allowance for doubtful other receivables	-298	0	0
	<u>99 341</u>	<u>162</u>	<u>1 828</u>
Trade and other receivables	<u>315 956</u>	<u>19 511</u>	<u>18 998</u>

\* Consists mainly of receivables to employees and estimated receivables

## 17. Trade receivables

The average credit period on sales of products is not calculated due to null revenues generated during the year by the company. Based on the Company policy the Company has recognised an allowance for doubtful debts of 100% against all receivables over 36 months because historical experience has been that receivables that are past due beyond 36 months are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 6 months and 36 months based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Allowances for doubtful debts of 20% against receivables past due 6 - 12 months, 50% against receivables past due 12 – 24 months and 80% against receivables past due 24-36 months are recognised.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Age of receivables that are past due but not impaired

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000	CZK'000
		(restated)	(restated)
Not due	87 814	0	0
0-90 days	27 881	1 821	0
91-180 days	12 966	200	0
Over 180 days	17 070	17 328	17 170
Total	<u>145 731</u>	<u>19 349</u>	<u>17 170</u>

Receivables over 180 days, which are not provisioned represents receivables against intercompanies.

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continuedMovement in the allowance for doubtful debts

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Balance at beginning of the year	0	0
Impairment losses recognised on receivables	0	0
Amounts written off during the year as uncollectible	0	0
Amounts recovered during the year	0	0
Others*	31 775	0
Balance at end of the year	<u>31 775</u>	<u>0</u>

\* Amount of allowances, which were transferred from purchase of the part of enterprise

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Age of impaired trade receivables

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
0-90 days	0	0	0
91-180 days	0	0	0
181 - 360 days	24 285	0	0
Over 360 days	78 076	0	0
Total	<u>102 361</u>	<u>0</u>	<u>0</u>

**18. Other assets**

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Loans	700 459	788 917	576 119
Allowances for doubtful loans	-497 610	-414 970	-370 435
Accrued expenses	6 490	0	0
Prepaid advertisement (SOD)*	24 349	0	0
Other	17 364	375	484
	<u>251 052</u>	<u>374 322</u>	<u>206 168</u>

\*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.

There are also prepayments of advertisement with long term characteristic. Value of such contracts at 31 December 2015 was CZK 48 712 ths. (31 December 2014 CZK 0 ths; 1 January 2014 CZK 0 ths.)

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continued

## 19. Cash and bank balances

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Cash	2 567	1 555	1 555
Bank accounts	50 115	427	1 231
	<u>52 682</u>	<u>1 982</u>	<u>2 786</u>

## 20. Share capital

	31/12/14	31/12/15	1/1/14
	CZK'000	CZK'000	CZK'000
Share capital	<u>1 870 000</u>	<u>1 870 000</u>	<u>2 000</u>

Share capital comprises 11,687,501 fully paid ordinary shares with a nominal value of CZK 160 each. Shares carry one vote per share and carry equal dividend rights. Shares have been issued in the book-entry form. The shares are traded on the Prague Stock Exchange. None of the share is held by PLG or any of its subsidiaries.

	Number of shares	Share capital CZK'000
Balance at 1 January 2014	1 000 000	2 000
Change of number of shares (23 March 2014) – no effect on share capital (decrease of shares to 12 500)	12 500	2 000
Capitalization of shareholder's loan (23 May 2014)	9 375 001	1 500 000
Newly issued shares - IPO	2 300 000	368 000
Balance at 31 December 2014	<u>11 687 501</u>	<u>1 870 000</u>
Balance at 31 December 2015	<u>11 687 501</u>	<u>1 870 000</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continued

## 21. Other reserves (net of income tax)

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Legal reserve fund	0	0	400
Other capital funds	245 486	245 486	0
Balance at the end of the year	<u>245 486</u>	<u>245 486</u>	<u>400</u>

## 21.1 Legal reserve fund

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)	Year ended 1/1/14 CZK'000 (restated)
Balance at beginning of year	0	400	400
Movements (fund release)	<u>0</u>	<u>-400</u>	<u>0</u>
Balance at end of the year	<u>0</u>	<u>0</u>	<u>400</u>

## 21.2 Other capital funds

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)	Year ended 1/1/14 CZK'000 (restated)
Balance at beginning of year	245 486	0	0
Movements (capitalization of shareholders loans)	0	258 436	0
IPO costs	<u>0</u>	<u>-12 950</u>	<u>0</u>
Balance at end of year	<u>245 486</u>	<u>245 486</u>	<u>0</u>

**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued****22. Borrowings**

	<u>31/12/15</u> CZK'000	<u>31/12/14</u> CZK'000 (restated)	<u>1/1/14</u> CZK'000 (restated)
<b>Unsecured – at amortised cost</b>			
Bank overdrafts	0	0	0
Others - intercompany	177 559	118 626	118 161
	<u>177 559</u>	<u>118 626</u>	<u>118 161</u>
<b>Secured – at amortised cost</b>			
Bank overdrafts	0	0	0
Bank loans (i)	158 350	133 903	183 300
Loans from other entities (ii)	3 350	5 511	1 542 020
Finance lease liabilities (iii)	95	0	0
	<u>161 795</u>	<u>139 414</u>	<u>1 725 320</u>
	<u>279 354</u>	<u>258 040</u>	<u>1 843 481</u>

Current borrowings are in the amount of CZK 160 579 ths (in the year 2014 amount of CZK 173 540, in the year 2013 amount of CZK 1 709 581 ths). Non-current borrowings are in the amount of CZK 220 742 ths (in the year 2014 amount of CZK 84 500 ths, in the year 2013 amount of CZK 133 900 ths)

**22.1 Summary of borrowing arrangements**

- (i) Secured by a mortgage over the Company's freehold land and buildings (including subsidiaries). The weighted average effective interest rate on the bank loans is 2,96% per annum (31 December 2014: 3,30% per annum and 1 January 2013: 3,30% per annum)
- (ii) Loans with other entities a other entities with remaining maturity periods not exceeding 5 years (31 December 2014: 5 years). The weighted average effective interest rate on the loans is 9,07% per annum (31 December 2014: 8,66% per annum and 1 January 2014: 6,00% ).
- (iii) Secured by the assets leased. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding 5 years.

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continued

## 23. Provisions

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Current	1 352	0	0
Non-current	419	0	0
	<u>1 771</u>	<u>0</u>	<u>0</u>

	Provision for returnable containers CZK'000	Loyalty program CZK'000	Other CZK'000	Total CZK'000
Balance at 1 January 2015	0	0	0	0
Additional provisions recognised	0	0	0	0
Reductions arising from payments/other sacrifices of future economic benefits	0	0	0	0
Reductions resulting from re-measurement or settlement without cost	0	0	0	0
Others*	900	452	419	1 771
Balance at 31 December 2015	<u>900</u>	<u>452</u>	<u>419</u>	<u>1 771</u>

\* Amount of provisions, which were transferred from purchase of the part of enterprise.

## 24. Other liabilities

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Liabilities from enterprise purchase	275 061	0	270 000
Others	1 671	648	447
	<u>276 732</u>	<u>648</u>	<u>270 447</u>
Current	1 671	648	270 447
Non-current	275 061	0	0
	<u>276 732</u>	<u>648</u>	<u>270 447</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continued

## 25. Trade and other payables

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Trade payables	472 283	28	0
Liabilities to employees	7 971	0	0
Estimated payables	15 488	0	94
Short-term advance payments received	97 654	0	0
Financial leasing payable	408	0	0
Other	500	239	3
	<u>594 304</u>	<u>267</u>	<u>97</u>

## 26. Obligations under finance leases

## 26.1 Leasing arrangements

The Company leased certain of its equipment under finance leases. The average lease term is 4,5 years (2014: 4,5 years). The Company has options to purchase the equipment for a nominal amount at the end of the lease terms. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 7,23% to 9,73% (2014: 7,23 % to 9,73%) per annum.

## 26.2 Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	31/12/15	31/12/14	31/12/15	31/12/14
	CZK'000	CZK'000 (restated)	CZK'000	CZK'000 (restated)
Not later than one year	430	0	408	0
Later than one year and not later than five years	97	0	95	0
Later than five years	0	0	0	0
Less: future finance charges	24	0	0	0
Present value of minimum lease payments	<u>503</u>	<u>0</u>	<u>503</u>	<u>0</u>
			31/12/15	31/12/14
			CZK'000	CZK'000 (restated)
Included in the financial statements as:			408	0
- current liabilities (note 25)			95	0
- non-current liabilities (note 22)				
			<u>503</u>	<u>0</u>



**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued****27. Financial instruments****27.1 Capital management**

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings as detailed in note 22, offset by cash and bank balances) and equity of the Company (comprising issued capital, reserves and retained earnings/losses as detailed in notes 20 to 21).

The Company is not subject to any externally imposed capital requirements.

**27.1.1 Gearing ratio**

The gearing ratio at end of the reporting period was as follows.

	<u>31/12/15</u>	<u>31/12/14</u>	<u>1/1/14</u>
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Debt (i)	279 354	258 040	1 843 481
Cash and bank balances	<u>52 682</u>	<u>1 982</u>	<u>2 786</u>
Net debt	<u>226 672</u>	<u>256 058</u>	<u>1 840 695</u>
Equity (ii)	<u>891 886</u>	<u>1 279 918</u>	<u>-782 646</u>
Net debt to equity ratio	<u>0,37</u>	<u>0,20</u>	<u>- 2,35</u>

(i) Debt is defined as long- and short-term borrowings, as described in note 22.

(ii) Equity includes all capital and reserves of the Company that are managed as capital.

**27.2 Categories of financial instruments**

	<u>31/12/15</u>	<u>31/12/14</u>	<u>1/1/14</u>
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
<b>Financial assets</b>			
Cash and bank balances	52 682	1 982	2 786
Loans and receivables	567 008	393 833	225 166
<b>Financial liabilities</b>			
Amortised cost	0	0	0

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continued**27.3 Financial risk management**

The Company's Corporate Treasury function provides services to the business, co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimise the effects of these risks. Compliance with policies and exposure limits is reviewed by the controlling department on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**27.4 Market risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see note 27.5 below) and interest rates (see note 27.6 below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

**27.5 Foreign currency risk management**

The Company undertakes sales denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Liabilities		Assets	
	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	31/12/15 CZK'000	31/12/14 CZK'000 (restated)
EUR Currency	32 241	0	35 765	0

	Liabilities	Assets		
	1/1/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)		
EUR Currency	0	0	0	0

**27.5.1 Foreign currency sensitivity analysis**

The Company is mainly exposed to the EUR currency. Transactions in other foreign currencies are rare.

The following table details the Company's sensitivity to a 10% increase and decrease in the CZK against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the CZK strengthens 10% against the relevant currency. For a 10% weakening of the CZK against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued**

	Currency EUR impact		
	2015	2014	2013
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Profit or loss/equity	352	0	0

The Company's sensitivity to foreign currency has increased during the current year mainly due to the higher exposition in EUR currency at year end.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

**27.6 Interest rate risk management**

The Company is exposed to interest rate risk because Company borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

**27.6.1 Interest rate sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2015 would decrease/increase by CZK 593 ths (2014: decrease/increase by CZK 670 ths; 2013 decrease/increase by 917 ths ). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates is similar to last year.

**27.7 Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, mainly in Czech republic. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Concentration of credit risk related to biggest customer did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

**Notes to the financial statements  
for the year ended 31 December 2015 – continued****27.8 Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 27.8.2 below sets out details of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

**27.8.1 Liquidity and interest risk tables**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continued

Financial Liabilities	Weighted average effective interest rate	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
<b>31 December 2015</b>						
Non-interest bearing	0	597 320	0	0	0	597 320
Finance lease liability	7,78	102	306	95	0	503
Variable interest rate instruments	6,54	192 640	28 102	118 680	0	339 422
Fixed interest rate instruments	1,79	0	0	214 898	0	275 061
	<u>2,24</u>	<u>790 080</u>	<u>28 408</u>	<u>333 673</u>	<u>0</u>	<u>1 152 161</u>
<b>31 December 2014</b> <i>(restated)</i>						
Non-interest bearing	0	916	0	0	0	916
Finance lease liability	0	0	0	0	0	0
Variable interest rate instruments	2,34	37 375	136 164	84 500	0	258 039
Fixed interest rate instruments	0	0	0	0	0	0
	<u>2,34</u>	<u>38 291</u>	<u>136 164</u>	<u>84 500</u>	<u>0</u>	<u>258 955</u>
<b>1 January 2014</b> <i>(restated)</i>						
Non-interest bearing	0	270 544	0	0	0	270 544
Finance lease liability	0	0	0	0	0	0
Variable interest rate instruments	5,68	37 168	1 672 413	133 900	0	1 843 481
Fixed interest rate instruments	0	0	0	0	0	0
	<u>4,95</u>	<u>307 712</u>	<u>1 672 413</u>	<u>133 900</u>	<u>0</u>	<u>2 114 025</u>

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continued

Financial Assets	Weighted average effective interest rate	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
<b>31 December 2015</b>						
Non-interest bearing	0	323 533	17 599	47 034	1 678	389 844
Variable interest rate instruments	0	0	0	0	0	0
Fixed interest rate instruments	10,64	182 898	77 592	2 957	5 822	269 269
	5,07	506 431	95 191	49 991	7 500	659 113
<b>31 December 2014 (restated)</b>						
Non-interest bearing	0	335 504	0	0	0	335 504
Variable interest rate instruments	0	0		0	0	0
Fixed interest rate instruments	12,54	27 723	27 867		4 720	60 310
	1,91	363 227	27 867	0	4 720	395 815
<b>1 January 2014 (restated)</b>						
Non-interest bearing	0	172 854	0	0	0	172 854
Variable interest rate instruments	0	0	0	0	0	0
Fixed interest rate instruments	11,43	51 098	0	0	4 000	55 098
Total	2,76	223 952	0	0	4 000	227 952

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The Company has access to financing facilities as described in note 27.9.2 below, of which CZK 168 milion were unused at the end of the reporting period ( in 2014 and 2013 were all financial facilities used). The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

## 27.8.2. Financial facilities

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Secured bank overdraft facility:			
- amount used	158 350	133 900	183 300
- amount unused	166 650	0	0
	325 000	133 900	183 300
Secured bank loan facilities with various maturity dates through to 2016 and which may be extended by mutual agreement:			
- amount used	98 350	0	0
- amount unused	1 650	0	0
	100 000	0	0

**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued****27.9 Fair value measurements**

The directors consider that the carrying amounts of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required) recognised in the financial statements approximate their fair values.

**28. Related party transactions**

Details of transactions between the Company and related parties are disclosed below.

**28.1 Trading transactions****28.1.1 Trade and other receivables**

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Pivovary Lobkowicz, a.s.*	0	1 849	0
Pivovar Protivín, a.s.*	26 119	11 900	11 900
Pivovar Jihlava, a.s.*	4 140	616	595
Pivovar Rychtář, a.s.*	3 620	1 904	1 904
Pivovar Vysoký Chlumeč, a.s.*	2 603	1 782	1 671
Pivovar Klášter, a.s.*	5 867	608	540
Pivovar Černá Hora, a.s.*	61 224	0	0
Lobkowiczský pivovar, a.s.*	1 474	0	0
Energy product plus s.r.o.***	4 591	4 283	2 213
Otakar Binder**	10 981	12 528	11 688
<b>Total</b>	<b>120 619</b>	<b>35 470</b>	<b>30 511</b>

\* Subsidiaries

\*\* Shareholders

\*\*\* Personally related parties

**28.1.2 Trade and other payables**

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Pivovary Lobkowicz, a.s.*	0	29	11 900
Pivovar Protivín, a.s.*	96 094	0	1 671
Pivovar Jihlava, a.s.*	132 760	0	540
Pivovar Rychtář, a.s.*	37 691	0	0
Pivovar Vysoký Chlumeč, a.s.*	75 090	0	0
Pivovar Černá Hora, a.s.*	60 852	0	0
Pivovar Uherský Brod, a.s.*	26 946	0	0
<b>Total</b>	<b>429 433</b>	<b>29</b>	<b>16 610</b>

\* Subsidiaries

**28.2 Loans to related parties**

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Pivovary Lobkowicz, a.s.*	0	172 299	14 330
Pivovar Jihlava, a.s.*	63 174	62 218	60 564
Pivovar Klášter, a.s.*	6 234	5 964	5 650
Pivovar Černá Hora, a.s.*	118 284	112 860	109 436
Pivovar Vysoký Chlumeč, a.s.*	4 938	3 379	0
K Brewery Group, spol.s.r.o.*	0	155	0
<b>Total</b>	<b>192 630</b>	<b>365 875</b>	<b>189 980</b>

\* Subsidiaries

## Pivovary Lobkowicz Group, a.s.

Notes to the financial statements  
for the year ended 31 December 2015 – continued

## 28.3 Loans from related parties

	<u>31/12/15</u>	<u>31/12/14</u>	<u>1/1/2014</u>
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Pivovar Protivín, a.s.*	7 188	0	0
Pivovar Rychtář, a.s.*	99 386	69 090	66 112
Pivovar Vysoký Chlumec, a.s.*	10 986	370	370
Pivovary Lobkowicz, a.s.*	0	49 167	49 679
Lobkowiczský pivovar, a.s.*	0	0	2 000
Palace Capital a.s.**	0	0	1 198 931
MT Absol s.r.o.**	0	0	239 651
Fosston a.s.**	0	0	47 994
Silesia Capital a.s.**	0	0	34 838
Roman Krop***	0	0	955
JUDr. Zdeněk Radil**	0	310	298
Lobkowiczský pivovar, a.s. (formerly Areganite a.s.)*	0	0	2 000
Pivovar Janáček s.r.o. (formerly Cervesia s.r.o.)***	3 349	4 728	8 108
Total	<u>120 909</u>	<u>123 665</u>	<u>1 650 936</u>

\* Subsidiaries  
\*\* Shareholders  
\*\*\* Personally related parties

## 28.4.1 Interests income

	<u>31/12/15</u>	<u>31/12/14</u>
	CZK'000 (restated)	CZK'000 (restated)
Pivovary Lobkowicz, a.s.*	0	3 792
Pivovar Jihlava, a.s.*	1 585	1 855
Pivovar Klášter, a.s.*	270	270
Pivovar Černá Hora, a.s.*	5 424	5 424
Total	<u>7 279</u>	<u>11 341</u>

\* Subsidiaries

## 28.4.2 Interests expense

	<u>31/12/15</u>	<u>31/12/14</u>
	CZK'000 (restated)	CZK'000 (restated)
Pivovar Rychtář, a.s.*	2 977	2 977
Total	<u>2 977</u>	<u>2 977</u>

\* Subsidiaries



**Pivovary Lobkowicz Group, a.s.**
**Notes to the financial statements  
for the year ended 31 December 2015 – continued**
**28.5 Compensation of key management personnel**

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Short-term benefits	7 571	1 407
Other long-term benefits	554	281
	<u>8 125</u>	<u>1688</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued****29. Operating lease arrangements****29.1 The Company as lessee****29.1.1 Leasing arrangements**

Operating leases relate to leases of cars with lease terms of between 3 and 5 years. The Company does not have an option to purchase the leased asset at the expiry of the lease periods.

**29.1.2 Payments recognised as an expense**

	Year ended 31/12/15	Year ended 31/12/14
	CZK'000	CZK'000 (restated)
Minimum lease payments	32 636	0
Contingent rentals	0	0
Sub-lease payments received	0	0
	<u>32 636</u>	<u>0</u>

**29.1.3 Non-cancellable operating lease commitments**

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Not later than 1 year	15 219	0	0
Later than 1 year and not later than 5 years	17 417	0	0
Later than 5 years	0	0	0
	<u>32 636</u>	<u>0</u>	<u>0</u>

**30. Commitments for expenditure**

There are no commitments for the acquisition of property, plant and equipment.

**31. Contingent liabilities and contingent assets**

There are no contingent assets nor liabilities.

**32. Legal and arbitration proceedings**

Group 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 plenty 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.

**Pivovary Lobkowicz Group, a.s.****Notes to the financial statements  
for the year ended 31 December 2015 – continued****33. Events after the reporting period**

Changes in commercial register:

Changes in the statutory bodies and top management after 31 December 2015. On 29 February 2016, the offer was announced for the additional offer for shares issued by Pivovary Lobkowicz Group, a.s. The offer was made by LAPASAN s.r.o. based on the previous Mandatory Offer for shares which ended on 15 January 2016 acquired approximately 98% stake, which triggered obligation of PLG to make the additional offer. The offer is valid until 30 May 2016 and the offer price is CZK 208 per share. The settlement agent for the additional offer is J&T Banka which collects the accepted bids, settles the shares and pays out proceeds. In April 2016, Pivovary Lobkowicz Group, a.s. obtained a request from its majority shareholder LAPASAN s.r.o. („LAPASAN“), based on § 375 of the Law No. 90/2012 Coll. on commercial companies and cooperatives, for convening of the General Meeting of the Company which shall decide on the transfer of all shares issued by the Company to LAPASAN (minority shareholders squeeze out). LAPASAN confirmed by the record from the central registrar of the securities that it owns shares in a total nominal value of more than 90% of issued capital by the Company and of attached voting rights to the shares. LAPASAN also confirmed that it received a consent from the Czech National Bank for the adoption of the resolution of the General Meeting concerning the transfer of all shares issued by the Company. In line with the current legislation, LAPASAN offers a consideration of CZK 208 per share.

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 2015.

**34. Approval of financial statements**

The financial statements were approved by the board of directors and authorised for issue on 30 May 2016.

**V. Consolidated Financial  
Statements of Pivovary Lobkowicz  
Group, a.s.**

**Pivovary Lobkowicz Group, a.s.**

**IFRS consolidated financial statements 2015**

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**Consolidated statement of profit or loss  
for the year ended 31 December 2015**

	Notes	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Revenue	5	1 141 298	1 146 076
Other income	7	6 970	11 235
Changes in inventories of finished goods and work in progress		-14 360	-1 868
Raw materials and consumables used	8	-693 083	-698 931
Depreciation and amortisation expenses	9	-124 634	-126 979
Employee benefits expense	10	-285 699	-277 968
Other operating costs	11	-39 635	-33 049
<b>Operating profit/loss</b>		-9 143	18 516
Finance income	12	11 188	44 366
Finance costs	13	-15 650	-54 512
<b>Net finance costs</b>		-4 462	-10 146
Profit/loss before tax		-13 605	8 370
Income tax expense	14	-7 898	-10 255
<b>LOSS FOR THE YEAR</b>		<b>-21 503</b>	<b>-1 885</b>
Attributable to:			
Owners of the Company		-21 503	-3 663
Non-controlling interests		0	1 778
		<b>-21 503</b>	<b>-1 885</b>
Earnings per share			
Basic (CZK per share)	15	-1,84	-0,31

**Consolidated statement of financial position  
at 31 December 2015**

	Notes	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	01/01/14 CZK'000 (restated)
<b>Assets</b>				
<i>Non-current assets</i>				
Property, plant and equipment	16	860 244	884 839	936 169
Goodwill	17	248 833	248 833	248 833
Other intangible assets	18	15 932	19 370	17 953
Other financial assets	20	31 458	29 294	26 669
Other assets	23	48 712	52 698	37 443
Total non-current assets		<u>1 205 179</u>	<u>1 235 034</u>	<u>1 267 067</u>
<i>Current assets</i>				
Inventories	21	98 503	123 737	127 824
Trade and other receivables	22	218 515	233 559	229 945
Current tax assets	14	4 550	313	0
Other assets	23	58 367	76 740	206 357
Cash and bank balances	24	54 772	44 816	36 419
Total current assets		<u>434 707</u>	<u>479 165</u>	<u>600 545</u>
Total assets		<u>1 639 886</u>	<u>1 714 199</u>	<u>1 867 612</u>



**Consolidated statement of financial position  
at 31 December 2015 – continued**

	Notes	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	01/01/14 CZK'000 (restated)
<b>Equity and liabilities</b>				
<i>Capital and reserves</i>				
Share capital	25	1 870 000	1 870 000	2 000
Other reserves	26	240 999	240 999	1 206
Retained losses*		-1 003 173	-980 868	-977 718
Equity attributable to owners of the Company		1 107 826	1 130 131	-974 512
Non-controlling interests		0	0	41 357
Total equity		1 107 826	1 130 131	-933 155
<i>Non-current liabilities</i>				
Borrowings	27	120 305	126 021	169 723
Deferred tax liabilities	14	32 151	29 646	28 425
Provisions	30	1 803	4 304	3 669
Other liabilities	31	3 250	3 325	4 311
Total non-current liabilities		157 509	163 296	206 128
<i>Current liabilities</i>				
Trade and other payables	32	211 047	257 607	320 006
Borrowings	27	119 101	116 749	1 924 192
Current tax liabilities	14	0	0	2 795
Provisions	30	2 575	0	0
Other liabilities	31	41 828	46 416	347 646
Total current liabilities		374 551	420 772	2 594 639
Total liabilities		532 060	584 068	2 800 767
Total equity and liabilities		1 639 886	1 714 199	1 867 612

\* in retained losses included also result for stated year

**Consolidated statement of financial position  
at 31 December 2015 – continued**

	Share capital	Legal reserve fund	Other capital funds	Retained losses	Attributable to owners of the parent	Non- controlling interests	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
<b>Balance at 1 January 2014 (as previously reported)</b>	2 000	400	-204 287	-624 399	-826 286	67 103	-759 183
Adjustments for restatements	0	0	204 287	-353 319	-149 032	-25 746	-174 778
<b>Balance at 1 January 2014 (restated)</b>	2 000	400	806	-977 718	-974 512	41 357	-933 155
Movements for the year:							
Legal reserve fund release	0	-400	-806	1 206	0	0	0
Impact of the additional purchase of the non-controlling equity investment in Pivovar Rychtář, a.s.	0	0	0	0		-41 357	-41 357
Capitalization of loans	0	0	258 436	0	258 436	0	258 436
Initial public offering costs	0	0	-17 437	0	-17 437	0	-17 437
Subscriptions of own shares	1 868 000	0	0	0	1 868 000	0	1 868 000
Profit/loss for the year restated	0	0	0	-1 885	-1 885	0	-1 885
Others	0	0	0	-2 471	-2 471	0	-2 471
<b>Balance at 31 December 2014 (restated)</b>	<b>1 870 000</b>	<b>0</b>	<b>240 999</b>	<b>-980 868</b>	<b>1 130 131</b>	<b>0</b>	<b>1 130 131</b>
Profit/loss for the year	0	0	0	-21 503	-21 503	0	-21 503
Others	0	0	0	-802	-802	0	-802
<b>Balance at 31 December 2015</b>	<b>1 870 000</b>	<b>0</b>	<b>240 999</b>	<b>-1 003 173</b>	<b>1 107 826</b>	<b>0</b>	<b>1 107 826</b>

**Consolidated statement of cash flows  
for the year ended 31 December 2015**

	Notes	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
<b>Cash flows from operating activities</b>			
Loss for the year		-21 503	-1 885
Adjustments for:			
Income tax expense recognised in profit or loss		7 898	10 255
Finance costs recognised in profit or loss		8 467	51 946
Investment income recognised in profit or loss		-8 850	-41 871
Gain on disposal of property, plant and equipment		-1 289	-354
Impairment loss recognised on trade receivables		5 351	773
Reversal of impairment loss on trade receivables		0	0
Depreciation and amortisation of non-current assets		171 127	193 275
Impairment of inventories		8 119	-2 656
Impairment of non-current assets		3 664	0
Net foreign exchange (gain)/loss		615	71
		<u>195 102</u>	<u>211 439</u>
Movements in working capital:			
Increase in trade and other receivables		9 078	-4 457
(Increase)/decrease in inventories		17 115	6 743
(Increase)/decrease in other assets		18 373	129 617
Decrease in trade and other payables		-46 560	-62 399
Increase/(decrease) in provisions		74	635
Other		-802	-1 266
(Decrease)/increase in other liabilities		-4 662	-270 712
		<u>-7 384</u>	<u>-201 839</u>
Cash generated from operations		166 215	7 715
Interest paid		-8 467	-9 143
Income taxes paid		-9 630	-12 142
		<u>-18 097</u>	<u>-21 285</u>
Net cash generated by operating activities		<u>148 118</u>	<u>-13 570</u>
<b>Cash flows from investing activities</b>			
Dividends received		4 000	2 000
Interest received		2 686	4 315
Payments for property, plant and equipment		-212 850	-165 165
Payments to acquire financial assets		0	-43 631
Proceeds from disposal of property, plant and equipment		67 928	8 320
Proceeds on sale of financial assets		0	3 700
Payments/proceeds for intangible assets		3 438	-1 417
Share capital increase		0	368 000
		<u>-134 798</u>	<u>176 122</u>
Net cash (used in)/generated by investing activities		<u>-134 798</u>	<u>176 122</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-3 364	-154 155
		<u>-3 364</u>	<u>-154 155</u>
Net cash used in financing activities		<u>-3 364</u>	<u>-154 155</u>
Net increase in cash and cash equivalents		9 956	8 397
Cash and cash equivalents at the beginning of the year		44 816	36 419
Effects of exchange rate changes on the balance of cash held in foreign currencies			
		<u>54 772</u>	<u>44 816</u>
Cash and cash equivalents at the end of the year		<u>54 772</u>	<u>44 816</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

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## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 1. General information

Pivovary Lobkowicz Group, a.s. (the Company) is a limited company incorporated in the Czech Republic. Its parent and ultimate holding company is Lapan s.r.o. Its ultimate controlling party is China International Group Corporation Limited. The address of Company's registered office is Hvězdova 1716/2b, 140 78 Praha 4. Registration number (IČ) is 27258611. The principal activities of the Company and its subsidiaries (the Group) is beer production.

## 1.1 The structure of the Board of Directors and Supervisory Board as of 31 December 2015

<b>Board of Directors</b>	Chairman	ZDENĚK RADIL
	Member	XIAOKUN LI
	Member	PAVEL HERMAN
<b>Supervisory Board</b>	Chairman	RADEK PLACANDA
	Vice-Chairman	MILOŠ BADIDA
	Member	JAROSLAV TVRDÍK

During the year 2015 were these changes in Boards:

Name	Position	Office term in 2015	Business address
Zdeněk Radil	Chairman	1 January – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Li Xiaokun	Member	14 September – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Pavel Herman	Member	16 December – 31 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Pavel Herman	Vice Chairman	1 April – 14 September	Prague 4, Hvězdova 1716/2b, postal code 140 78
Petr Blažek	Member	1 April – 14 September	Černá Hora, Nám. U Pivovaru 3, postal code 679 21
Jiří Uvíra	Member	14 September – 15 December	Prague 4, Hvězdova 1716/2b, postal code 140 78
Otakar Binder	Member	1 January – 31 March	Černá Hora, Nám. U Pivovaru 3, postal code 679 21
Eva Kropová	Vice Chairman	1 January – 31 March	Černá Hora, Nám. U Pivovaru 3, postal code 679 21

## 2. Application of new and revised International Financial Reporting Standards (IFRSs) as adopted by the EU

## 2.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied the amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in EU for an accounting period that begins on or after 1 January 2015.

**Annual Improvements to IFRSs 2011 – 2013 Cycle**

The Group has applied the amendments to IFRSs included in the *Annual Improvements to IFRSs 2011 – 2013 Cycle* for the first time in the current year. The *Annual Improvements to IFRSs 2011-2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to **IFRS 3** clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

**Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

The amendments to **IFRS 13** clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to **IAS 40** clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3.

The application of these amendments has had no impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

**IFRIC 21 Levies**

The Group has applied IFRIC 21 *Levies* for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

**2.2 New and revised IFRSs adopted by the EU in issue but not yet effective**

The Group has not applied the following amendments to IFRSs that have been issued and adopted by the EU but are not yet effective in the EU:

- Amendments to IAS 19 *Defined Benefit plan: Employee Contributions*<sup>1</sup>
- *Annual Improvements to IFRSs 2010 – 2012 Cycle*<sup>1</sup>
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*<sup>2</sup>
- Amendments to IAS 1 *Disclosure Initiative*<sup>2</sup>
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*<sup>2</sup>
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*<sup>2</sup>
- *Annual Improvements to IFRSs 2012 – 2014 Cycle*<sup>2</sup>.

<sup>1</sup> Effective in the EU for annual periods beginning on or after 1 February 2015

<sup>2</sup> Effective in the EU for annual periods beginning on or after 1 January 2016

The directors of the Company do not anticipate that the application of all above mentioned amendments will have a significant impact on the Group's consolidated financial statements.

**2.3 New and revised IFRSs issued by the IASB but not yet adopted by the EU**

The following standards and amendments to the existing standards have not been endorsed for use in EU yet:

- IFRS 9 *Financial Instruments* (issued in July 2014);;
- IFRS 14 *Regulatory Deferral Accounts* (issued in January 2014);
- IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014);
- IFRS 16 *Leases* (issued in January 2016)
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (issued in December 2014);
- Amendments to IAS 7 *Disclosure Initiative* (issued in January 2016);
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued in January 2016).

The directors of the Company do not anticipate that the application of these amendments in the period of their first adoption will have a significant impact on the Group's consolidated financial statements, except of the application of the following new standards:

**Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

**IFRS 9 *Financial Instruments***

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

**Classification and Measurement** - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

**Impairment** - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

**Hedge accounting** - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

**Own credit** - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

The Directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

**IFRS 15 *Revenue from Contracts with Customers***

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.



**Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

**IFRS 16 Leases**

IFRS 16 *Leases* was issued by IASB on 13 January 2016.

Under IFRS 16 a **lessee** recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IFRS 16's predecessor, IAS 17, **lessors** classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The Directors of the Company anticipate that the application of IFRS 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group performs a detailed review.

**3. Significant accounting policies**

**3.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

**3.2 Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**Pivovary Lobkowicz Group, a.s.****Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

The principal accounting policies are set out below.

**3.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**3.3.1 Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

### 3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except deferred tax assets or liabilities, recognised and measured in accordance with IAS 12 *Income Taxes*.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

### 3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

**3.6 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

**3.6.1 Sale of goods**

Revenue from merchandise and own products is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**3.6.2 Rendering of services**

Revenue from rendering services is recognised in the accounting periods in which the services are rendered.

**3.6.3 Dividend and interest income**

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**3.7 Leasing (Group as lessee)**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating leases 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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

**3.8 Foreign currencies**

The functional currency of the Group is CZK. Transactions in currencies other than the entity's functional currency (foreign currencies) are recalculated by the fixed rate derived from the Czech National Bank at the beginning of the period. Exchange rate is valid for the whole period. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates published by the Czech National Bank. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

**3.9 Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

**3.10 Government grants**

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are deducted from the carrying amount of the asset.

**3.11 Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

**3.12 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**3.12.1 Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**3.12.2 Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

**3.12.3 Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**3.13 Property, plant and equipment**

Property, plants and equipment are stated in the statement of financial position 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), after deducting trade discounts and rebates. 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Generally, property is directly expensed, if the purchase price is below CZK 10 ths. Exemptions are returnable kegs, returnable packing material (except for returnable bottles) and taping technology, which are property in all cases. Promotional items above CZK 500 are recorded within property, plant and equipment at cost net of accumulated depreciation less any impairment loss. Deposits paid by customers for returnable items are reflected in the statement of financial position within current liabilities (obligation to repay the deposit upon return of the item).

Property is directly expensed, if the purchase price is below CZK 10 ths. Property is recognised as "small tangible assets" if the purchase price is from CZK 10 ths to CZK 40 ths. Property is recognised as "tangible assets" if the purchase price is above CZK 40 ths.

**3.13.1 Depreciation of property, plants and equipment**

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land and assets under construction are not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Leased assets are depreciated over their useful lives as there is reasonable certainty that ownership will be transferred to the Group 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 4 – 30 years
- Other fixed assets 2 – 25 years
- Returnable containers – 3 – 8 year

**Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

**3.13.2 Gains and losses on sale of property, plants and equipment**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**3.14 *Intangible assets***

**3.14.1 Intangible assets acquired separately**

Purchased software and other intangible assets that are acquired by the Group and have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Property is directly expensed, if the purchase price is below CZK 15 ths. Property is recognised as "small intangible assets" if the purchase price is from CZK 15 ths to CZK 60 ths. Property is recognised as "intangible assets" if the purchase price is above CZK 60 ths.

**3.14.2 Internally-generated intangible assets**

Expenditure on internally developed software is capitalized when the expenditure qualifies as development activities, otherwise it is recognized in profit or loss when incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**3.14.3 Research and development**

Research and general development expenditure is written off in the period in which it is incurred.

**3.14.4 Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**3.14.5 Brands**

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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

**3.14.7 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:

- Brands 2 – 12 years
- Software 3 – 7 years

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

**3.14.8 Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

**3.15 Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating unit for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**3.16 Investments in associates and joint ventures**

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the statement of financial position at cost (with exception defined in IFRS1) and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.



**Pivovary Lobkowicz Group, a.s.****Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

**3.17 Inventories**

Inventories are stated at the lower of cost and net realisable 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 realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 (that do not meet the classification criteria for property, plants and equipment) 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.

**3.18 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

**3.19 Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**3.20 Financial assets**

Group has only financial assets classified in the category 'loans and receivables'.

**3.20.1 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

**Pivovary Lobkowicz Group, a.s.****Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**3.20.2 Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

**3.21 Financial liabilities and equity instruments**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Group has only financial liabilities classified as 'other financial liabilities'.

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**4. Critical accounting judgements, restatements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**4.1 Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see note 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

**Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

4.1.1 Advance payments to customers based on „Agreement on advertising and promotion services“ . Group provides advance payment to its customer to ensure promotion and visibility of own products. Initial payment is classified within other asset and being amortized over contract period. Amortization of these payments decrease revenues. At least once a year, fulfilment of the contract conditions is evaluated. If the contract conditions are breached, amendment to contract is concluded or the proportion part of undelivered service is invoiced.

4.1.2 Tapping equipment is treated within a property, plant and equipment and being depreciated within expected useful life. Group purchase tapping technology primarily to provide it to own customers as a sales support for free, secondary for own puposes (renting to 3<sup>rd</sup> parties, using in beer celebrations in breweries, etc.). Usually, when the cooperation with customer is closed, tapping technology is dismantle and transfer to Group warehouse for next utilization. Tapping technology is put in use and depreciated, when is installed at customer premises or first time rented.

**4.2 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**4.2.1 Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2015 was CZK 248 833 ths (31 December 2014: CZK 248 833 ths, 1 January 2014: CZK 248 833 ths) after no impairment loss was recognised during 2015 and 2014.

**4.3. Summary of restatements performed to previously issued financial statements**

**Summary of changes**

Company revealed significant misstatements concerning prior periods during preparation financial statetments for period ending 31.12.2015, In accordance with IAS 8 was performed restatement of financial statements as of 31.12.2014 and 31.12.2013. Below is quantified effect of restatements per each significantly concerned financial statement row. Consequently, each movement is briefly explained.

Comparison intitially reported figures to restated figures as of 31.12.2014.

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

Item – Balance Sheet	Initially reported amount as of 31.12.2014	Restated amount as of 31.12.2014	Difference	Note
Property, plant and equipment	884 614	884 839	-225	1, 6, 9
Goodwill	259 093	248 833	10 260	4, 9
Other intangible assets	0	19 370	-19 370	9
Other financial assets	23 242	29 294	-6 052	8, 9
Other assets LT	0	52 697	-52 697	9
Deferred tax assets	15 634	0	15 634	9
Inventories	176 806	123 737	53 069	1, 6, 9
Trade and other receivables	421 816	233 559	188 257	1, 2, 7, 9
Current tax assets	0	313	-313	1, 9
Other assets ST	0	76 740	-76 740	1, 7, 9
Cash and bank balances	49 051	44 816	4 235	1, 9
Share capital	-1 870 000	-1 870 000	0	
Other reserves	-36 251	-240 999	-204 748	1, 4, 5, 9
Retained losses*	663 080	980 868	317 788	1, 6, 7, 8
Equity attributable to owners of the Company	-1 243 171	-1 130 131	113 040	1, 4, 5, 6, 7, 8
Non-controlling interests	-28 291	0	28 291	1
Borrowings LT	-181 060	-126 021	55 039	1, 9
Deferred tax liabilities	-33 850	-29 646	4 204	9
Provisions LT	0	-4 304	-4 304	9
Other liabilities LT	-1 792	-3 325	-1 533	9
Trade and other payables	-164 159	-257 607	-93 448	1, 2
Borrowings ST	-105 677	-116 749	-11 072	1, 9
Current tax liabilities	-57 520	0	57 520	9
Provisions ST	-13 622	0	13 622	9
Other liabilities ST	-1 113	-46 416	-45 303	1, 9

Item – Profit and Loss	Initially reported amount as of 31.12.2014	Restated amount as of 31.12.2014	Difference	Note
Revenue	1 201 850	1 146 076	55 774	1, 3, 9
Other income	123 815	11 235	112 580	1, 6, 9
Changes in inventories of finished goods and work in progress	69 215	-1 868	71 083	1, 9
Raw materials and consumables used	-780 639	-698 931	-81 708	1, 3, 4, 5, 6, 9
Depreciation and amortisation expenses	-205 850	-126 979	-78 871	1, 4, 6, 9
Employee benefits expense	-286 479	-277 968	-8 511	1, 9
Other operating costs	-98 103	-33 049	-65 054	1, 7, 9
Operating profit/loss	23 809	18 516	5 293	1, 9
Finance income	5 064	44 366	-39 302	1, 8, 9
Finance costs	-31 434	-54 512	23 078	1, 9
Net finance costs	-55 243	-10 146	-45 097	1, 9
Profit/loss before tax	-31 434	8 370	-39 804	1, 8
Income tax expense	-13 071	-10 255	-2 816	1, 9
LOSS FOR THE YEAR	-44 505	-1 885	-42 620	1, 9

Comparison initially reported figures to restated figures as of 1.1.2014.

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

Item – Balance Sheet	Initially reported amount as of 1.1.2014	Restated amount as of 1.1.2014	Difference	Note
Property, plant and equipment	937 611	936 169	1 442	1, 6, 9
Goodwill	301 305	248 833	52 472	4, 9
Other intangible assets	0	17 953	-17 953	9
Other financial assets	69 305	26 669	42 636	8, 9
Other assets LT	0	37 443	-37 443	9
Deferred tax assets	12 493	0	12 493	9
Inventories	184 781	127 824	56 957	1, 6
Trade and other receivables	463 026	229 945	233 081	1, 2, 7, 9
Other assets ST	0	206 357	-206 357	1, 7, 9
Cash and bank balances	44 122	36 419	7 703	1, 9
Share capital	-2 000	-2 000	0	
Other reserves	-204 287	-1 206	-205 493	5, 9
Retained losses*	624 399	977 718	353 319	1, 4, 6, 7, 8
Equity attributable to owners of the Company	826 686	974 512	147 826	1, 4, 5, 6, 7, 8
Non-controlling interests	-67 103	-41 357	25 746	1
Borrowings LT	-1 805 022	-169 723	1 635 299	1, 9
Deferred tax liabilities	-34 283	-28 425	5 858	9
Provisions LT	0	-3 669	-3 669	9
Other liabilities LT	-1 792	-4 311	-2 519	1, 9
Trade and other payables	-551 960	-320 006	231 954	1, 2
Borrowings ST	-288 818	-1 924 192	-1 635 374	1, 9
Current tax liabilities	-75 399	-2 795	72 604	9
Provisions ST	-14 555	0	14 555	9
Other liabilities ST	-397	-347 646	-347 249	1, 9

## 1. Changes in consolidation method for Moravamalt s.r.o.

Group has a share of 50% at Moravamalt s.r.o. (company). At previous years was this Company consolidated by full consolidation method and related Non-controlling interest recognized within Equity. As the Group were not further able to demonstrate, that has a power over the Company, consolidation method was changed retrospectively. Currently is the Company consolidated by Equity method and presented within „Other financial assets“. Impact to the previously reported Financial Statements is summarized below. Negative figure means, that amount should be deducted from previously reported version, positive vice versa.

Assets	31/12/2014	1/1/2014
Property, plant and equipment	-46 964	-52 902
Inventories	-34 694	-36 725
Trade and other receivables	-26 637	-35 383
Current tax asset	691	1 063
Other assets ST	-1 200	343
Cash and bank balances	-4 349	-7 704
<b>Total Assets</b>	<b>-113 153</b>	<b>-131 308</b>
Liability	31/12/2014	1/1/2014
Non-Controlling interests	-28 290	-25 746
Retained losses	-23 040	-25 665
Borrowings LT	0	-12
Trade and other payables ST	-14 807	-23 366
Borrowings ST	-37 927	-51 366
Other liabilities ST	-3 839	-5 153
<b>Total Liabilities and Equity</b>	<b>-107 903</b>	<b>-131 308</b>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

Profit and Loss	31/12/2014
Revenue	-27 971
Other income	-60
Changes in inventories of finished goods and work in progress	6 087
Raw materials and consumables used	-6 336
Depreciation and amortisation expenses	5 938
Employee benefits expense	8 511
Other operating costs	1 075
Finance income	4 232
Finance costs	1 149
Income tax expense	2 125
<b>Total Profit and Loss</b>	<b>-5 250</b>

**2. Reclassification of trade receivables and trade payables**

Group has various trade relationship with customers and suppliers. Each of the partner is primarily classified either within customer or supplier. In certain cases might occur transactions, which turn closing balance (receivable/payable) into negative figure. This balance should be classified based on the closing balance per particular partner either to receivables or payables. Summary of changes in trade receivables/payables is below. Negative figure means, that amount should be deducted from previously reported version, positive vice versa.

Item	31/12/2014	1/1/2014
Trade and other receivables	85 045	76 494
Trade and other payables	85 045	76 494

**3. Presentation of revenues**

Group mainly generates revenues from sales of beer. Group provides to customers an incentives for sales stimulation. Incentives have various features and motivate partners for long-term cooperation and promotion company's brands. These costs were previously presented as a marketing cost. Some of that cost were in accordance with IAS 18 reclassified into revenues a thus decreased revenues in previous years. Impact into Profit and loss statement is summarized below. Negative figure means, that amount should be deducted from previously reported version, positive vice versa.

Item	31/12/2014
Revenues	-33 223
Raw materials and consumables used	33 223

**4. Goodwill**

Group applied IFRS 1 for determining goodwill at transition date to IFRS (January 1, 2011). Goodwill arose from business combinations. Opening balance of the goodwill was transferred from local GAAP without any adjustments. Goodwill has never been tested for impairment. There were revealed several misstatements during the preparation of the financial statements for the year 2015. Goodwill was previously presented on the same row as other intangible asset, currently presented on standalone row. Within opening balance was also recognized bargain purchase (negative goodwill) at amount CZK 128 066 ths, which is not allowed under IFRS 1. Part of the goodwill was also depreciated, although it is not allowed under IFRS. Goodwill was tested for impairment retrospectively based on discounted cashflow model. Calculated impairment was amounted CZK 324 838 ths at year 2013. Further impairment was not identified. Summary of above described adjustments is below. Negative figure means, that amount should be deducted from previously reported version, positive vice versa.

Liability	31/12/2014	1/1/2014
Goodwill	9 110	-34 520
Depreciation	-21 987	0
Retained losses	31 097	-34 520

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**5. Presentation of IPO cost**

During the year 2014 Pivovary Lobkowicz Group a.s. introduced own shares at Prague Stock Exchange. Cost related to initial public offering were booked into expenses although should decreased the equity. Negative figure means, that amount should be deducted from previously reported version, positive vice versa. Impact into financial statements is:

Item	31/12/2014
Other reserves	-17 437
Raw materials and consumables used	17 437

**6. Classification of tapping technology**

Tapping technology was not consistently presented and treated as a Property, plant and equipment (PPE) in financial statements in prior years. Initial purchase was booked into inventories, and consequently, after instalation at customer premises, activated into PPE. Withdrawal of PPE back to stock was accounted for as a disposal asset and activation to inventories at fair value. Negative figure means, that amount should be deducted from previously reported version, positive vice versa. Correction entry of above described transaction are as follows:

Item	31/12/2014	1/1/2014
Property, plant, equipment	11 871	11 469
Inventories	-12 964	-12 601
Raw materials and consumables used	37 079	0
Depreciation	13 843	0
Other income	-52 015	0
Retained losses	-2 186	-1 132

**7. Allowances for doubtful debts**

Generally, allowances for doubtful debts is critical judgement area. Management historically set-up rules for monitoring of receivables and put in use policy which determine milestones and percentual rates, when the allowance is book. During the year 2015 management reviewed allowances policy and come to the opinion, that the policy does not reflect current business situation anymore and that the policy should be changed retrospectively to prior years. Negative figure means, that amount should be deducted from previously reported version, positive vice versa. Correction entry of above described transaction are as follows:

Item	31/12/2014	1/1/2014
Trade and other receivables	-14 630	-8 814
Other assets	-124 156	-124 156
Other operating cost	-5 817	0
Retained losses	-132 969	-132 970

**8. Discount from subsidiarie's purchase price**

Company received discount from initial purchase price of one subsidiary from seller. Price was stated as final if the own equity of investee reach certain level. Consequently, final level of equity was lower than stated in contract and discount claimed. Received discount was originally booked as a decrease of investment. Based on further investigation done, we believe that original contract contains contingent asset, which should be in accordance with general IFRS principles accounted into revenues. Negative figure means, that amount should be deducted from previously reported version, positive vice versa. Correction entry of above described transaction are as follows:

Item	31/12/2014	1/1/2014
Other financial assets	37 220	12 400
Retained losses	12 400	12 400
Finance income	24 820	0

**9. Change of mappings several accounts**

There were performed several changes in financial statements structure. Current year financial statements are fully in accordance with IFRS and best practise of financial reporting. Together with this change, there were also changed allocation key of several accounts.

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**5. Revenue**

The following is an analysis of the Group's revenue for the year (excluding other income – see note 7).

	Year ended 31/12/15	Year ended 31/12/14
	CZK'000	CZK'000 (restated)
Revenue from the sale of products	1 119 758	1 122 758
Revenue from the rendering of services:		
Rental income	9 781	12 471
Other services	11 759	10 847
	<u>1 141 298</u>	<u>1 146 076</u>

**6. Segment information****6.1 Products and services from which reportable segments derive their revenues**

Information reported to the management on regular basis for the purposes of resource allocation and assessment of segment performance focuses on the types of products delivered and method of selling. The Group's sales are principally divided into two categories – the more profitable on-trade segment, and the off-trade segment.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

On-trade segment – serving public houses and restaurants (mainly sales of draught drinks)

Off-trade segment - serving retailers (mainly sales of bottled drinks)



## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**6.2 Segment revenues and results**

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment profit / (loss)	
	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
On-trade segment	748 658	750 216	490 443	490 169
Off-trade segment	371 100	372 540	76 016	70 777
Other income and other services*	21 540	23 320	0	0
<b>Total</b>	<b>1 141 298</b>	<b>1 146 076</b>		
Other income			6 970	11 235
Central administration costs and distribution			-590 470	-555 407
Finance income			11 188	44 366
Finance costs			-15 650	-63 025
<b>Profit/loss before tax (continuing operations)</b>			<b>-21 503</b>	<b>-1 885</b>

\* The company is not able to properly allocate the segmental profit to the category Other income and other services

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents gross margin, that means revenues allocated per particular sales streams decreased by total production cost. Segment profit earned by each segment is without allocation of central administration costs and other expenses, other income, other operating costs, as well as finance income and finance costs and corporate tax.

**6.3 Segment assets and liabilities**

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)
<b>Segment assets</b>		
On-trade segment	329 690	340 389
Off-trade segment	331 872	364 755
<b>Total segment assets</b>	<b>661 562</b>	<b>705 144</b>
Unallocated	978 324	1 009 055
<b>Consolidated total assets</b>	<b>1 639 886</b>	<b>1 714 199</b>
<b>Segment liabilities</b>		
On-trade segment	55 847	53 683
Off-trade segment	40 566	36 875
<b>Total segment liabilities</b>	<b>96 413</b>	<b>90 558</b>
Unallocated	1 543 473	1 623 641
<b>Consolidated total liabilities and equity</b>	<b>1 639 886</b>	<b>1 714 199</b>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 6.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	Year ended	Year ended	Year ended	Year ended
	31/12/15	31/12/14	31/12/15	31/12/14
	CZK'000	CZK'000 (restated)	CZK'000	CZK'000 (restated)
On-trade segment	51 816	55 384	47 698	51 332
Off-trade segment	6 534	6 920	9 965	13 017
	<u>58 350</u>	<u>62 304</u>	<u>57 663</u>	<u>64 349</u>

In addition to the depreciation and amortisation reported above, impairment losses of CZK 3 664 (2014: nil) were recognised in respect of property, plant and equipment and goodwill, respectively. These impairment losses were attributable to the following reportable segments.

<i>Impairment losses recognised for the year in respect of property, plant and equipment:</i>	CZK'000
On-trade segment	3 664
Off-trade segment	<u>0</u>
	<u>3 664</u>

## 6.5 Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	Year ended	Year ended
	31/12/15	31/12/14
	CZK'000	CZK'000 (restated)
Beer	1 089 054	1 086 628
Soft drinks and table water	27 960	30 553
Mixed drinks	2 744	5 574
Services	15 291	17 363
Other	6 249	5 958
	<u>1 141 298</u>	<u>1 146 076</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**6.6 Geographical information**

The Group's production activities are concentrated in the Czech Republic (country of domicile). The Group exports its products to 35 countries worldwide. Major export revenues are from sales in Slovakia, Germany, Poland and Russia.

The Group's revenue from external customers by location of sales are detailed below.

	Revenue from external customers	
	Year ended 31/12/15	Year ended 31/12/14
	CZK'000 (restated)	
Czech Republic	949 132	908 442
Slovakia	55 418	62 341
Germany	34 290	34 794
Poland	18 780	39 121
Russia	15 813	30 471
Other	67 865	70 907
	<u>1 141 298</u>	<u>1 146 076</u>

**6.7 Information about major customers**

Included in revenues arising from off-trade segment of CZK 371 million (2014: CZK 373 million) (see note 6.2 above) are revenues of approximately CZK 97,6 million (2014: CZK 78,8 million) which arose from sales to the Group's largest customer. No single customers contributed 10% or more to the Group's revenue for both 2015 and 2014.

**7. Other income**

	Year ended 31/12/15	Year ended 31/12/14
	CZK'000 (restated)	
Capitalisation of assets in progress	1 728	1 720
Net gains from sale of plant, property and equipment	1 289	354
Grants received	1 580	2 560
Penalties charged	928	4 529
Other operating income	1 445	2 072
	<u>6 970</u>	<u>11 235</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 8. Raw materials and consumables used

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
<b>Material consumption:</b>		
Material for production of beer (malt, malting barley, hops)	194 929	210 699
Packaging material	73 177	77 971
Point of Sales material, tapping technology	27 152	24 691
Other (cleaning material, additives, etc.)	20 261	19 970
<b>Energy consumption:</b>		
Gas and electricity	62 988	68 342
Water costs	8 187	7 779
Others	3 534	3 957
<b>Services used:</b>		
Maintenance costs of property and equipment	33 534	27 245
Operating lease rentals of cars	21 101	22 089
Distribution cost	110 032	110 607
Marketing costs	42 098	36 011
Professional services	28 446	7 757
Rent of premises	17 416	18 773
Travel	11 564	13 305
Others	38 664	49 735
	<u>693 083</u>	<u>698 931</u>

## 9. Depreciation, amortisation and impairment expenses

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
<b>Depreciation of property, plant and equipment:</b>		
Equipment	42 784	46 098
Buildings and structures	14 227	14 093
Tapping technologies and similar	17 729	22 640
Packaging material	29 739	30 089
Other	10 882	9 580
<b>Amortisation of intangible assets</b>		
Intangible assets	5 610	4 479
Movement in impairment of PPE and intangible assets	3 663	0
	<u>124 634</u>	<u>126 979</u>

## 10. Employee benefits expense

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Wages and salaries	213 890	208 038
Social security expenses and health insurance	71 266	69 454
Social expenses	543	476
	<u>285 699</u>	<u>277 968</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 11. Other operating costs

	Year ended 31/12/15 <u>CZK'000</u>	Year ended 31/12/14 <u>CZK'000</u>
Shortages and damages	5 678	8 896
Receivables write off, movement on provisions	26 600	12 901
Gifts	20	2 890
Other tax	2 474	3 367
Sold material	1 065	507
Penalties	866	1 122
Other operating costs	<u>2 932</u>	<u>3 366</u>
Total other operating costs	<u>39 635</u>	<u>33 049</u>

## 12. Finance income

	Year ended 31/12/15 <u>CZK'000</u>	Year ended 31/12/14 <u>CZK'000</u> (restated)
Interest income:		
Trade receivables	240	4 316
Bank deposits	2 277	989
Exchange rate gains	2 338	2 495
Revaluation of investee	6 163	4 624
Discount from the purchase price of the investment	0	31 929
Others (aggregate of immaterial items)	<u>170</u>	<u>13</u>
Total finance income	<u>11 188</u>	<u>44 366</u>

## 13. Finance costs

Interest on bank overdrafts and loans	8 467	46 611
Insurance costs	3 406	3 192
Sold shares	0	300
Exchange rate losses	2 953	2 566
Others	<u>824</u>	<u>1 843</u>
Total finance costs	<u>15 650</u>	<u>54 512</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 14. Income taxes

## 14.1 Income tax recognised in profit or loss

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
<b>Current tax</b>		
In respect of the current year	5 432	9 148
In respect of prior years	-39	-114
	<u>5 393</u>	<u>9 034</u>
<b>Deferred tax</b>		
In respect of the current year	2 505	1 221
	<u>2 505</u>	<u>1 221</u>
Total income tax expense recognised in the current year	<u>7 898</u>	<u>10 255</u>

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Profit/loss before tax	<u>-13 605</u>	<u>8 370</u>
Income tax expense calculated at 19% (2014: 19%)	-2 585	1 590
Effect of income that is exempt from taxation	-19 948	-9 210
Effect of expenses that are not deductible in determining taxable profit	124 331	29 513
Impact of not recognised deferred tax asset	-93 900	-11 638
	<u>7 898</u>	<u>10 255</u>

\* The base for calculation are Czech tax returns, that do not reflect restated financial statements for the years 2014 and 2013, hence all adjustments are accounted for in the year 2015.

The tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate of 19% payable by corporate entities in the Czech Republic on taxable profits under tax law in that jurisdiction.

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 14.2 Current tax assets and liabilities

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
<b>Current tax assets / liabilities</b>			
Benefit of tax losses to be carried back to recover taxes paid in prior periods	0	0	
Tax refund receivable / payable	4 550	313	-2 795
	<u>4 550</u>	<u>313</u>	<u>-2 795</u>

## 14.3 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Deferred tax liabilities	<u>32 151</u>	<u>29 646</u>	<u>28 425</u>

	Opening balance	Recognised in PL	Closing balance
	CZK'000	CZK'000	CZK'000
<b>2014</b>			
Property, plant & equipment	-25 403	-1 251	-26 654
Finance leases	-3 585	559	-3 026
Inventories	560	-526	34
Employee benefits	0	0	0
Tax losses	180	-180	0
Others	-177	177	0
	<u>-28 425</u>	<u>-1 221</u>	<u>-29 646</u>
<b>2015</b>			
Property, plant & equipment	-26 654	-4 698	-31 352
Finance leases	-3 026	685	-2 341
Inventories	34	871	906
Employee benefits	0	755	755
Tax losses	0	0	0
Others	0	-118	-119
	<u>-29 646</u>	<u>-2 505</u>	<u>-32 151</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 15. Earnings per share

## 15.1 Basic and diluted earnings per share

	Year ended 31/12/15	Year ended 31/12/14
	CZK per share	CZK per share (restated)
Basic earnings per share	-1,84	-0,31
	<u>-1,84</u>	<u>-0,31</u>

The entity has no convertible securities, therefore no diluted earnings per share calculated.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.

	Year ended 31/12/15	Year ended 31/12/14
	CZK'000	CZK'000 (restated)
Profit/loss for the year attributable to owners of the Company	-21 503	-1 885
	<u>-21 503</u>	<u>-1 885</u>
	Year ended 31/12/15	Year ended 31/12/14 (restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	11 687 501	11 687 501



## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 16. Property, plant and equipment

	31/12/15 CZK'000	31/12/14 CZK'000	01/01/14 CZK'000		
		(restated)	(restated)		
<b>Carrying amounts of:</b>					
Land	13 691	13 707	13 584		
Buildings	369 117	371 869	379 063		
Plant and equipment	443 139	465 123	488 150		
Equipment under finance lease	12 825	17 303	21 852		
Properties under construction	16 764	12 526	23 142		
Advance payments for assets	4 708	4 311	10 378		
	<u>860 244</u>	<u>884 839</u>	<u>936 169</u>		
	Land CZK'000	Buildings CZK'000	Plant and equipment CZK'000	Equipment under finance lease CZK'000	Total CZK'000
<b>Cost</b>					
Balance at 1 January 2014	13 584	601 878	1 212 569	44 132	1 872 163
Additions	123	6 899	88 797	0	95 819
Disposals	0	48	51 628	0	51 676
Construction expenditure capitalised	0	0	0	0	0
Balance at 31 December 2014	13 707	608 729	1 249 738	44 132	1 916 306
Additions	0	16 348	140 127	0	156 475
Disposals	16	964	96 139	0	97 119
Construction expenditure capitalised	0	0	0	0	0
Balance at 31 December 2015	<u>13 691</u>	<u>624 113</u>	<u>1 293 726</u>	<u>44 132</u>	<u>1 975 662</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**Accumulated depreciation and impairment**

	Buildings CZK'000	Plant and equipment CZK'000	Equipment under finance lease CZK'000	Total CZK'000
Balance at 1 January 2014	222 815	724 419	22 280	969 514
Eliminated on disposals of assets	48	43 662	0	43 710
Impairment losses recognised in profit or loss	0	0	0	0
Reversals of impairment losses recognised in profit or loss	0	0	0	0
Depreciation expense	14 093	103 858	4 549	122 500
<b>Balance at 31 December 2014</b>	<b>236 860</b>	<b>784 615</b>	<b>26 829</b>	<b>1 048 304</b>
Eliminated on disposals of assets	234	30 685	0	30 919
Impairment losses recognised in profit or loss	3 664	0	0	3 664
Reversals of impairment losses recognised in profit or loss	0	0	0	0
Depreciation expense	14 706	96 657	4 478	115 841
<b>Balance at 31 December 2015</b>	<b>254 996</b>	<b>850 587</b>	<b>31 307</b>	<b>1 136 890</b>

The following useful lives are used in the calculation of depreciation:

Buildings	30 – 50 years
Plant and equipment	4 – 30 years
Equipment under finance lease	5 – 10 years
Other fixed assets	2 – 25 years
Returnable containers	3 – 8 years

**16.1 Impairment losses recognised in the year**

Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to CZK 3 664 ths. These losses are attributable to rented premises, where the rent agreement will be terminated in upcoming year. Those assets have been impaired in full.

The impairment losses have been included in profit or loss in the "Depreciation, amortisation and impairment expenses" line item.

**16.2 Assets pledged as security**

Freehold land and buildings with a carrying amount of approximately CZK 383 million (in year 2014 CZK 386 million) have been pledged to secure borrowings of the Group (see note 27). The freehold land and buildings have been pledged as security for bank loans under a mortgage. Also pledged movable property and returnable containers in the amount CZK 130 million (in year 2014 CZK 144 million). Moreover company pledged shares of brewery Rychtar, a.s. in the year 2015 as well as in the year 2014. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

In addition, the Group's obligations under finance leases (see note 32) are secured by the lessors' title to the leased assets, which have a carrying amount of CZK 503 ths (in year 2014: CZK 1,4 million)

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 17. Goodwill

	<u>31/12/15</u>	<u>31/12/14</u>	<u>01/01/14</u>
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Cost	573 672	573 672	573 672
Accumulated impairment losses	<u>324 839</u>	<u>324 839</u>	<u>324 839</u>
	<u>248 833</u>	<u>248 833</u>	<u>248 833</u>
		<u>Year ended 31/12/15</u>	<u>Year ended 31/12/14</u>
		CZK'000	CZK'000 (restated)
<b>Cost</b>			
Balance at beginning of year		<u>573 672</u>	<u>573 672</u>
Balance at end of year		<u>573 672</u>	<u>573 672</u>
<b>Accumulated impairment losses</b>			
Balance at beginning of year		324 839	324 839
Impairment losses recognised in the year		<u>0</u>	<u>0</u>
Balance at end of year		<u>324 839</u>	<u>324 839</u>

## 17.1 Allocation of goodwill to cash-generating unit

Goodwill has been allocated for impairment testing purposes to only one cash-generating unit, whole Group. Reason for such approach is business model of the group. All breweries production is sold through Pivovary Lobkowicz Group a.s., in accordance with OECD standards and Czech tax jurisdiction, applied transfer pricing policy (TP) for intercompany transaction. Particular breweries follows instruction given from parent company and based on TP generate adequate profit. Current year loss and prior year losses are cumulated at Pivovary Lobkowicz a.s., K Brewery Management respectively. Based on this arrangement we assume that one cash-generating unit is most relevant.

## 18. Other intangible assets

	<u>31/12/15</u>	<u>31/12/14</u>	<u>01/01/14</u>
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
<b>Carrying amounts of:</b>			
Software	4 926	4 969	4 583
Brands	10 482	14 118	11 320
Intangible assets under construction	<u>524</u>	<u>283</u>	<u>2 050</u>
	<u>15 932</u>	<u>19 370</u>	<u>17 953</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

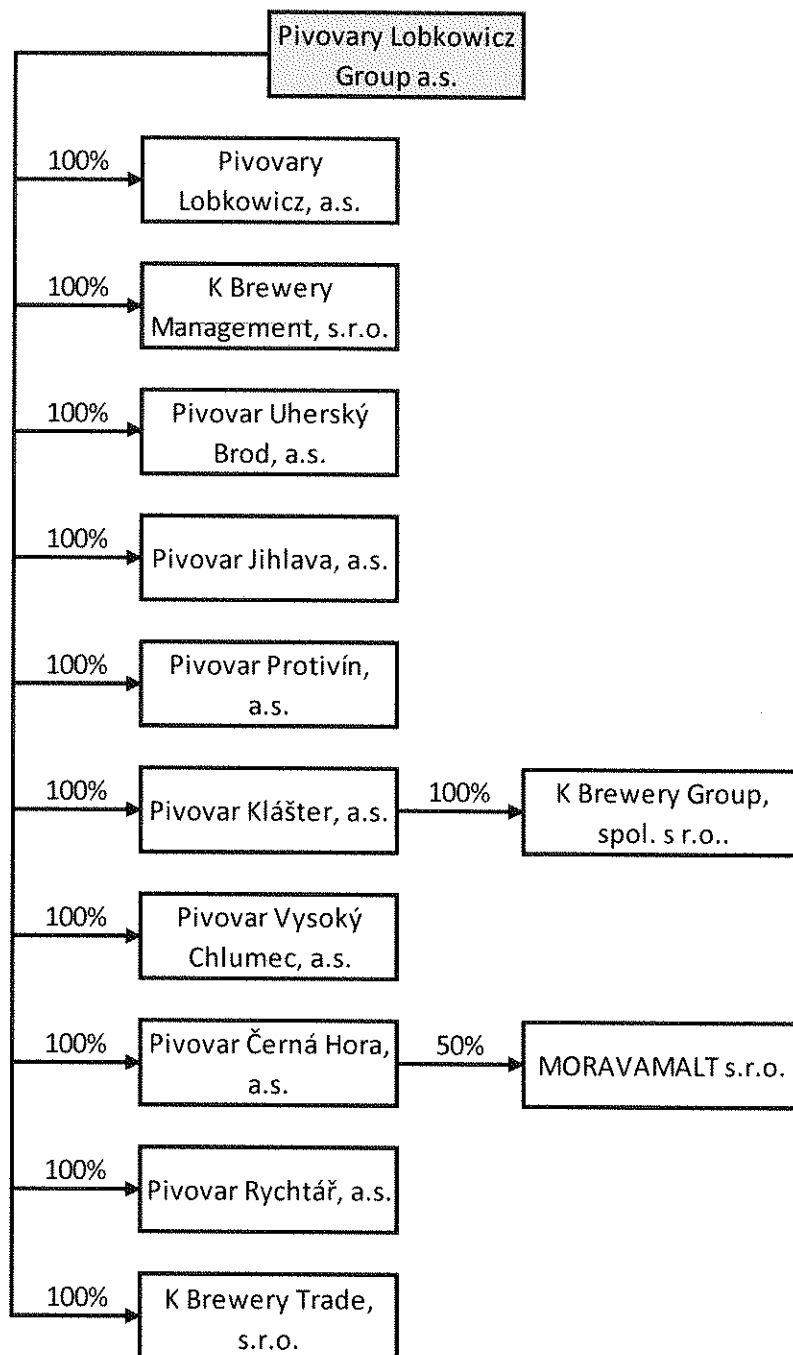
	Software CZK'000	Brands CZK'000	Total CZK'000
<b>Cost</b>			
Balance at 1 January 2014	8 521	48 066	56 587
Additions from separate acquisitions	550	5 780	6 330
Additions from internal developments	1 332	0	1 332
Disposals	0	50	50
Balance at 31 December 2014	10 403	53 796	64 199
Additions from separate acquisitions	470	412	882
Additions from internal developments	1 275	0	1 275
Disposals	0	225	225
Balance at 31 December 2015	<u>12 148</u>	<u>53 983</u>	<u>66 131</u>
<b>Accumulated amortisation and impairment</b>			
Balance at 1 January 2014	3 938	36 746	40 684
Amortisation expense	1 498	2 981	4 479
Disposals		50	50
Balance at 31 December 2014	5 436	39 677	45 113
Amortisation expense	1 786	4 049	5 835
Disposals		225	225
Balance at 31 December 2015	<u>7 222</u>	<u>43 501</u>	<u>50 723</u>
Software	3 – 7 years		
Strategic brands	2 – 12 years		

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 19. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows.



There were no changes done in the year 2015.

On 25 September 2014 has been closed Agreements between Pivovary Lobkowicz Group, a.s. and Pivovar Janáček, s.r.o. on the Transfer of 100 % shares for consideration of Pivovar Platan, a.s. and Lobkowiczký Pivovar, a.s.

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 19.1 Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries		Number of non-wholly-owned subsidiaries	
		31/12/15	31/12/14	31/12/15	31/12/14
Brewing and selling of beer	Czech Republic	11	11	1	1

## 20. Other financial assets

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Other securities and interest	31 458	29 294	26 669
	<u>31 458</u>	<u>29 294</u>	<u>26 669</u>

Other securities and interest consists of joint venture in Moravamalt, s.r.o.

## 21. Inventories

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Materials:			
Raw materials	35 616	38 729	38 424
Packaging materials	2 562	6 253	4 719
Promotional items	3 638	12 729	9 120
Returnable bottles	18 038	15 514	20 526
Other	2 193	1 692	5 698
Work in progress and semi-products	22 154	29 064	31 503
Products	14 302	19 756	17 834
	<u>98 503</u>	<u>123 737</u>	<u>127 824</u>

The cost of inventories recognised as an expense during the year was CZK 315,5 million (31 December 2014: CZK 333,3 million).

In year 2015 were booked provisions in amount CZK 8,5 million (in year 2014 CZK 0,3 million, in year 2013 CZK 3 million) which decreased purchase price of inventories to their net realisable value. Further CZK 1,5 million of obsolete material has been written off (in 2014 CZK 3,6 million)

There are no inventories expected to be recovered after more than twelve months.

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 22. Trade and other receivables

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000	CZK'000
		(restated)	(restated)
Trade receivables	219 619	230 772	253 432
Allowance for doubtful debts	-48 176	-45 462	-46 310
	<u>171 443</u>	<u>185 310</u>	<u>207 122</u>
Other receivables			
Advance payments	45 249	46 487	20 306
Allowance for doubtful advance payments	-713	-2 045	-762
Others*	2 536	3 807	3 279
Allowance for doubtful other receivables	0	0	0
	<u>47 072</u>	<u>48 249</u>	<u>22 823</u>
Trade and other receivables	<u>218 515</u>	<u>233 559</u>	<u>229 945</u>

\* Consists mainly of receivables to employees and estimated receivables

## 22.1 Trade receivables

The average credit period on sales of products is 41 days. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 36 months because historical experience has been that receivables that are past due beyond 36 months are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 6 months and 36 months based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Allowances for doubtful debts of 20% against receivables past due 6 - 12 months, 50% against receivables past due 12 - 24 months and 80% against receivables past due 24-36 months are recognised.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Age of receivables that are past due but not impaired

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000	CZK'000
		(restated)	(restated)
Not overdue	61 262	83 029	80 655
0-90 days	28 198	37 086	35 916
91-180 days	12 998	11 647	11 938
Total	<u>102 458</u>	<u>131 762</u>	<u>128 509</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continuedMovement in the allowance for doubtful debts

	Year ended 31/12/15 CZK'000	Year ended 31/12/14 CZK'000 (restated)
Balance at beginning of the year	47 507	47 072
Impairment losses recognised on receivables	12 259	17 680
Amounts written off during the year as uncollectible	7 198	1 557
Impairment losses reversed	3 679	15 688
Balance at end of the year	<u>48 889</u>	<u>47 507</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Age of impaired trade receivables

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
181 - 360 days	24 492	14 634	14 764
Over 360 days	90 513	84 376	110 159
Total	<u>115 005</u>	<u>99 010</u>	<u>124 923</u>

**23. Other assets**

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Loans	19 327	21 306	120 679
Accrued expenses	7 293	8 775	6 716
Prepaid advertisement (SOD)*	24 349	33 193	40 572
Other	7 398	13 466	38 390
	<u>58 367</u>	<u>76 740</u>	<u>206 357</u>

\*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.

There are also prepayments of advertisement with long term characteristic. Value of such contracts at 31. December 2015 was CZK 48 712 ths. (31 December 2014 CZK 52 698 ths; 1 January 2014 CZK 37 443 ths.).



## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 24. Cash and bank balances

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Cash	2 767	5 820	9 030
Bank accounts	52 005	38 996	27 389
	<u>54 772</u>	<u>44 816</u>	<u>36 419</u>

## 25. Share capital

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Share capital	0	0	0
	<u>1 870 000</u>	<u>1 870 000</u>	<u>2 000</u>

Share capital comprises 11,687,501 fully paid ordinary shares with a nominal value of CZK 160 each. Shares carry one vote per share and carry equal dividend rights. Shares have been issued in the book-entry form. The shares are traded on the Prague Stock Exchange. None of the share is held by PLG or any of its subsidiaries.

	Number of shares CZK'000	Share capital CZK'000
Balance at 1 January 2014	1 000 000	2 000
Change of number of shares (23 March 2014) – no effect on share capital (decrease of shares to 12 500)	12 500	2 000
Capitalization of shareholder's loan (23 May 2014)	9 375 001	1 500 000
Newly issued shares - IPO	2 300 000	368 000
Balance at 31 December 2014	<u>11 687 501</u>	<u>1 870 000</u>
Balance at 31 December 2015	<u>11 687 501</u>	<u>1 870 000</u>

## 26. Other reserves (net of income tax)

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Legal reserve fund	0	0	400
Other capital funds	240 999	240 999	0
	<u>240 999</u>	<u>240 999</u>	<u>400</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**26.1 Legal reserve fund**

	Year ended 31/12/15	Year ended 31/12/14	Year ended 1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Balance at beginning of year	0	400	400
Movements (fund release)	0	-400	0
Balance at end of year	<u>0</u>	<u>0</u>	<u>400</u>

**26.2 Other capital funds**

	Year ended 31/12/15	Year ended 31/12/14	Year ended 31/12/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Balance at beginning of year	240 999	806	806
Movements (capitalization of shareholders loans)	0	258 436	0
IPO costs	0	-17 437	0
Movements (fund release)	0	-806	0
Balance at end of year	<u>240 999</u>	<u>240 999</u>	<u>806</u>

**27. Borrowings**

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
<b>Secured – at amortised cost</b>			
Bank overdrafts	35 491	38 311	233 465
Bank loans (i)	200 472	198 446	253 556
Loans from other entities (ii)	3 349	5 510	1 605 519
Finance lease liabilities (iii)	94	503	1 375
	<u>239 406</u>	<u>242 770</u>	<u>2 093 915</u>
	<u>239 406</u>	<u>242 770</u>	<u>2 093 915</u>

Current borrowings are in the amount of CZK 119 101 ths (in the year 2014 amount of CZK 116 749, in the year 2013 amount of CZK 1 924 192 ths) Non-current borrowings are in the amount of CZK 120 305 ths (in the year 2014 amount of CZK 126 021 ths, in the year 2013 amount of CZK 169 723 ths).

**27.1 Summary of borrowing arrangements**

- (i) Secured by a mortgage over the Group's freehold land and buildings (see note 16.2). The weighted average effective interest rate on the bank loans is 2,86 % per annum (31 December 2014: 2,93% per annum; 1 January 2014: 3,23% per annum).
- (ii) Fixed rate loans with other entities with remaining maturity periods not exceeding 5 years (31 December 2014: 5 years). The weighted average effective interest rate on the loans is 9,1% per annum (31 December 2014: 8,66% per annum; 1 January 2014: 6% per annum).
- (iii) Secured by the assets leased. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding 5 years (see note 32.1).

**28. Government grants**

The liability from received government grants as at 31.12.2015 was CZK 264 ths. The liability from received government grants as at 31.12.2014 was CZK 1 755 ths, as at 1.1.2014 was CZK 24 035 ths.

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 29. Provisions

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Non-current	1 803	4 304	3 669
Current	2 575	0	0
	<u>4 378</u>	<u>4 304</u>	<u>3 669</u>
	Provision for returnable containers CZK'000	Loyalty program CZK'000	Others CZK'000
	Total CZK'000		
Balance at 1 January 2014	3 650	19	0
Additional provisions recognised	270	365	0
Reductions resulting from re-measurement or settlement without cost			635
Balance at 31 December 2014	<u>3 920</u>	<u>384</u>	<u>0</u>
Additional provisions recognised	0	68	3 026
Reductions resulting from re-measurement or settlement without cost	3 020	0	0
Balance at 31 December 2015	<u>900</u>	<u>452</u>	<u>3 026</u>

## 30. Other liabilities

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Liabilities under social security and health insurance	7 397	7 392	7 334
Liabilities from excise duties and VAT	26 589	36 494	35 544
Enterprise acquisition	0	0	250 000
Grants received	264	1 755	24 035
Others	7 578	775	30 733
Total current Other liabilities	<u>41 828</u>	<u>46 416</u>	<u>347 646</u>
Current	41 828	46 416	347 646
Non-current	3 250	3 325	4 311
Total other liabilities	<u>45 078</u>	<u>49 741</u>	<u>351 957</u>

## 31. Trade and other payables

	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	1/1/14 CZK'000 (restated)
Trade payables	78 951	136 265	205 623
Liabilities to employees	12 966	13 213	13 095
Estimated payables	17 664	9 554	10 915
Short-term advance payments received	99 853	95 220	86 745
Other	1 205	2 483	2 022
Financial leasing payable	408	872	1 606
	<u>211 047</u>	<u>257 607</u>	<u>320 006</u>

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 32. Obligations under finance leases

## 32.1 Leasing arrangements

The Group leased certain of its manufacturing equipment under finance leases. The average lease term is 4,5 years (2014: 5 years). The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4,53% to 10,78% (2014: 4,53 % to 10,78%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	31/12/15 CZK'000	31/12/14 CZK'000 (restated)	31/12/15 CZK'000	31/12/14 CZK'000 (restated)
Not later than one year	430	948	408	872
Later than one year and not later than five years	97	527	95	503
Later than five years	0	0	0	0
Less: future finance charges	24	100	0	0
<b>Present value of minimum lease payments</b>	<b>503</b>	<b>1 375</b>	<b>503</b>	<b>1 375</b>
Included in the consolidated financial statements as:			31/12/15 CZK'000	31/12/14 CZK'000 (restated)
- current liabilities (note 30)			408	872
- non-current borrowings (note 27)			95	503
			<b>503</b>	<b>1 375</b>

## 33. Financial instruments

## 33.1 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in note 27, offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings/losses and non-controlling interests as detailed in notes 25 to 26).

The Group is not subject to any externally imposed capital requirements.

The gearing ratio at end of the reporting period was as follows.

	CZK'000	CZK'000	CZK'000
Debt (i)	-239 406	-242 770	-2 093 915
Cash and bank balances	54 772	44 816	36 419
Net debt	-184 634	-197 954	-2 057 496
Equity (ii)	1 107 826	1 130 131	-933 155
Net debt to equity ratio	0,17	0,18	-2,20

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

- (i) Debt is defined as long- and short-term borrowings, as described in note 27.  
(ii) Equity includes all capital and reserves of the Group that are managed as capital.

**33.2 Categories of financial instruments**

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
<b>Financial assets</b>			
Cash and bank balances	54 772	44 816	36 419
Loans and receivables	325 594	362 996	473 745
<b>Financial liabilities</b>			
Amortised cost	0	0	0

**33.3 Financial risk management**

The Group's Corporate Treasury function provides services to the business, co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks. Compliance with policies and exposure limits is reviewed by the treasury department on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**33.4 Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see note 33.5 below), interest rates (see note 33.6 below) and commodity prices risk (see note 33.7 below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

**33.5 Foreign currency risk management**

The Group undertakes purchases and sales denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

	Liabilities			Assets		
	31/12/15	31/12/14	1/1/14	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)	CZK'000	CZK'000 (restated)	CZK'000 (restated)
EUR Currency	38 563	43 295	45 197	41 556	41 202	41 820

33.5.1 Foreign currency sensitivity analysis

The Group is mainly exposed to the EUR currency. Transactions in other foreign currencies are rare.

The following table details the Group's sensitivity to a 10% increase and decrease in the CZK against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the CZK strengthens 10% against the relevant currency. For a 10% weakening of the CZK against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

## Currency EUR impact

	31/12/2015 CZK'000	31/12/2014 CZK'000 (restated)	1/12014 CZK'000 (restated)
Profit or loss / Equity	299	-209	-338

The Group's sensitivity to foreign currency has increased during the current year mainly due to the higher exposition in EUR currency at year end.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

33.6 Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

33.6.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by CZK 1.2 million (2014: decrease/increase by CZK 1.2 million; 2013 decrease/increase by 2.4 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates is same as in last year.

**Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued**

**33.7 Other price risks**

The Group is exposed to variability in the price of commodities used in the production or in the packaging of finished products, such as the price of malted barley, hops, water and packaging materials. Commodity price risk is managed through year - multi-year fixed price contracts with suppliers.

**33.8 Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Concentration of credit risk related to biggest Customer did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

**33.9 Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 33.9.2 below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

**33.9.1 Liquidity and interest risk tables**

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

Financial Liabilities	Weighted average effective interest rate	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
<b>31 December 2015</b>						
Non-interest bearing	0	248 469	3 979	300	2 875	255 623
Finance lease liability	7,78	102	306	94	0	502
Variable interest rate instruments	2,94	26 938	92 163	120 305	0	239 406
Fixed interest rate instruments		0	0	0	0	0
<b>Total</b>	<b>1,01</b>	<b>275 509</b>	<b>96 448</b>	<b>120 699</b>	<b>2 875</b>	<b>495 531</b>
<b>31 December 2014 (restated)</b>						
Non-interest bearing	0	302 648	75	300	2 950	305 973
Finance lease liability	8,37	218	654	503	0	1 375
Variable interest rate instruments	3,06	26 812	89 937	126 021	0	242 770
Fixed interest rate instruments		0	0	0	0	0
<b>Total</b>	<b>1,37</b>	<b>329 678</b>	<b>90 666</b>	<b>126 824</b>	<b>2 950</b>	<b>550 118</b>
<b>1 January 2014 (restated)</b>						
Non-interest bearing	0	664 670	75	300	3 936	668 981
Finance lease liability	7,94	402	1 205	1 375	0	2 982
Variable interest rate instruments	5,36	29 073	1 896 494	168 348	0	2 093 915
Fixed interest rate instruments		0	0	0	0	0
<b>Total</b>	<b>4,06</b>	<b>694 145</b>	<b>1 897 774</b>	<b>170 023</b>	<b>3 936</b>	<b>2 765 878</b>
<b>Financial Assets</b>						
Financial Assets	Weighted average effective interest rate	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
<b>31 December 2015</b>						
Non-interest bearing	0	229 804	14 804	45 553	1 289	291 450
Variable interest rate instruments	0	0	0	0	0	0
Fixed interest rate instruments	3,87	73 317	5 582	4 196	5 821	88 916
<b>Total</b>	<b>1,00</b>	<b>303 121</b>	<b>20 386</b>	<b>49 749</b>	<b>7 110</b>	<b>380 366</b>
<b>31 December 2014 (restated)</b>						
Non-interest bearing	0	251 101	24 482	49 966	2 742	328 291
Variable interest rate instruments	0	0	0	0	0	0
Fixed interest rate instruments	4,37	65 464	4 265	4 187	5 606	79 522
<b>Total</b>	<b>0,93</b>	<b>316 565</b>	<b>28 747</b>	<b>54 153</b>	<b>8 348</b>	<b>407 813</b>
<b>1 January 2014 (restated)</b>						
Non-interest bearing	0	245 598	31 697	36 021	1 423	314 739
Variable interest rate instruments	0	0	0	0	0	0
Fixed interest rate instruments	9,30	72 774	116 696	1 783	4 172	195 425
<b>Total</b>	<b>3,73</b>	<b>318 372</b>	<b>148 393</b>	<b>37 804</b>	<b>5 595</b>	<b>510 164</b>



## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The Group has access to financing facilities as described in note 33.9.2 below, of which CZK 200 159 ths were unused at the end of the reporting period (2014: CZK 195 690 ths). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

## 33.9.2 Financing facilities

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000	CZK'000
		(restated)	(restated)
Secured bank overdraft facility:			
- amount used	137 612	236 503	437 711
- amount unused	166 509	163 943	415
	<u>304 121</u>	<u>400 446</u>	<u>438 126</u>
Secured bank loan facilities with various maturity dates through to 2016 and which may be extended by mutual agreement:			
- amount used	98 350	253	49 310
- amount unused	33 650	31 747	3 120
	<u>132 000</u>	<u>32 000</u>	<u>52 430</u>

## 33.10 Fair value measurements

The directors consider that the carrying amounts of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required) recognised in the consolidated financial statements approximate their fair values.

## 34. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

## 34.1 Trading transactions

Group did not entered into any trading transactions with related parties

## 34.2 Receivables against related parties

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000	CZK'000
		(restated)	(restated)
Otakar Binder**	10 981	12 528	11 688
Energy produkt plus s.r.o.***	4 591	4 283	2 213
	<u>15 572</u>	<u>16 811</u>	<u>13 901</u>

\* Subsidiaries

\*\* Shareholders

\*\*\* Personally related parties

## Pivovary Lobkowicz Group, a.s.

Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued

## 34.3 Payables to related parties

	31/12/15	31/12/14	1/1/14
	CZK'000	CZK'000 (restated)	CZK'000 (restated)
Palace Capital a.s.**	0	0	1 198 931
MT Absol s.r.o.**	0	0	239 651
Fosston a.s.**	0	0	47 994
Silesia Capital a.s.**	0	0	34 838
Roman Krop***	0	0	955
JUDr. Zdeněk Radil**	0	310	298
Lobkowický pivovar, a.s. (formerly Areganite a.s.)*	0	0	2 000
Pivovar Janáček s.r.o. (formerly Cervesia s.r.o.)***	3 349	4 728	8 108
	<u>3 349</u>	<u>5 038</u>	<u>1 532 775</u>

\* Subsidiaries

\*\* Shareholders

\*\*\* Personally related  
parties

## 34.4 Compensation of key management personnel

	Year ended 31/12/15	Year ended 31/12/14
	CZK'000	CZK'000 (restated)
Short-term benefits	34 554	35 281
Other long-term benefits	0	0
	<u>34 554</u>	<u>35 281</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

In the current year company paid severance payment to the former top management in the amount of CZK 8 614 ths (nil in 2014).

## 35. Operating lease arrangements

## 35.1 The Group as lessee

## 35.1.1 Leasing arrangements

Operating leases relate to leases of cars with lease terms of between 3 and 5 years. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

## 35.1.2 Payments recognised as an expense

	Year ended 31/12/15	Year ended 31/12/14
	CZK'000	CZK'000 (restated)
Minimum lease payments	32 636	44 830
	<u>32 636</u>	<u>44 830</u>

**Pivovary Lobkowicz Group, a.s.****Notes to the consolidated financial statements  
for the year ended 31 December 2015 – continued****35.1.3 Non-cancellable operating lease commitments**

	31/12/15	31/12/14
	CZK'000	CZK'000
Not later than 1 year	15 219	16 599 (restated)
Later than 1 year and not later than 5 years	17 417	28 231
Later than 5 years	0	0
	<u>32 636</u>	<u>44 830</u>

**36. Commitments for expenditure**

There are no commitments for the acquisition of property, plant and equipment.

**37. Contingent liabilities and contingent assets**

There are no contingent assets nor liabilities.

**38. Legal and arbitration proceedings**

Group 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 plenty 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.

**39. Events after the reporting period**

Changes in commercial register:

Changes in the statutory bodies and top management after 31 December 2015.

On 29 February 2016, the offer was announced for the additional offer for shares issued by Pivovary Lobkowicz Group, a.s. The offer was made by LAPASAN s.r.o. based on the previous Mandatory Offer for shares which ended on 15 January 2016 acquired approximately 98% stake, which triggered obligation of PLG to make the additional offer. The offer is valid until 30 May 2016 and the offer price is CZK 208 per share. The settlement agent for the additional offer is J&T Banka which collects the accepted bids, settles the shares and pays out proceeds. In April 2016, Pivovary Lobkowicz Group, a.s. obtained a request from its majority shareholder LAPASAN s.r.o. („LAPASAN“), based on § 375 of the Law No. 90/2012 Coll. on commercial companies and cooperatives, for convening of the General Meeting of the Company which shall decide on the transfer of all shares issued by the Company to LAPASAN (minority shareholders squeeze out). LAPASAN confirmed by the record from the central registrar of the securities that it owns shares in a total nominal value of more than 90% of issued capital by the Company and of attached voting rights to the shares. LAPASAN also confirmed that it received a consent from the Czech National Bank for the adoption of the resolution of the General Meeting concerning the transfer of all shares issued by the Company. In line with the current legislation, LAPASAN offers a consideration of CZK 208 per share.

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 2015.

**40. Approval of financial statements**

The financial statements were approved by the board of directors and authorised for issue on 30 May 2016.



**Pivovary Lobkowicz Group, a.s.**

IČO: 27258611

Spisová značka: B 10035 vedená u Městského soudu v Praze

Sídlo: Praha 4, Hvězdova 1716/2b, PSČ 14078

**Rozhodnutí představenstva, ze dne 30. 5. 2016**

dnes (tj. 30. 5. 2016) se představenstvo společnosti **Pivovary Lobkowicz Group, a.s., IČO: 27258611**, seznámilo s konečnou podobou Výroční zprávy za rok 2015, konsolidovanými finančními výkazy za skupinu PLG a s individuálními finančními výkazy za společnost Pivovary Lobkowicz Group, a.s.

Představenstvo PLG kompletní dokumentaci k Výroční zprávě účetního období 2015 v této podobě a rozsahu schvaluje:

- Výroční zpráva, část I.
- Zpráva o vztazích, část II.
- Zpráva auditora, část III.
- Konsolidované finanční výkazy, část IV.
- Individuální finanční výkazy, část V.

.....  
Zdeněk Radil

Předseda představenstva

.....  
Pavel Herman

Člen představenstva

.....  
Li Xiaokun

Člen představenstva