Pivovary LOBKOWICZ

Half Year Report 2015

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About

Pivovary Lobkowicz Group, a.s. („PLG“ or the “Company”) and its group (the “Group“) is the Czech no. 4 brewing group by local sales and no. 5 by total production (2014). It consists of seven regional breweries (Protivín, Uherský Brod, Jihlava, Rychtář, Klášter, Vysoký Chlumec and Černá Hora) located throughout Bohemia and Moravia which are centrally managed. The start of some of the breweries dates back to the Middle Ages and the oldest brewery was founded as early as in 1298. The breweries Protivín and Vysoký Chlumec were owned by the most significant aristocratic families in the country. The Group produces a wide portfolio of beers that differ from each other by the large spectrum of their taste. In addition, soft drinks and table waters are also produced. Group currently offers approximately 70 beer brands. Apart from traditional beer such as pale 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 30 June 2015, the Group had 639 employees.

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

In June 2015, the Company announced that 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 (a 79.4% stake) to Lobkowiczký pivovar, a.s., a company 100% owned by Mr Zdeněk Radil, the CEO and Chairman of the Board of Directors of PLG.

Key figures of the First Half of 2015

Financials (CZK million)	*Six months to June 30*		
	2015	**2014**	**% change**
Revenues	580.2	577.7	0.4%
EBITDA	117.3	113.3	3.5%
Adjusted EBITDA 1)	123.5	121.2	2.0%
Operating Profit	40.0	28.9	38.2%
Net Profit for the Period	34.5	(20.5)	268.2%
Net Profit for the Period attributable to Equity Holders	29.9	(26)	214.8%
Ratios			
EBITDA Margin	20.2%	19.6%	0.6 pp
Adjusted EBITDA Margin	21.3%	21.0%	0.3 pp
Operating Profit Margin	6.9%	5.0%	1.9 pp
CAPEX as % of Revenues	9.0%	8.8%	0.2 pp
Segments			
Beer Revenues	552.1	551.1	0.2%
Other revenues	28.1	26.6	5.5%
Malt	*15.0*	*11.0*	*36.4%*
Soft drinks	*13.1*	*15.6*	*(16.1%)*
	As at June 30, 2015	**As at June 30, 2014**	
No. of Shares	11,687,501	11,687,501	0.0%
Total Assets	1,933,995	2,038,606	(5.1%)
Total Equity	1,290,688	1,362,518	(5.3%)
Total Borrowings	282,624	331,141	(14.7%)
Net Debt/ (Net Cash)	254,608	195,478	30.2%
CAPEX	53	51	2.9%
Number of Employees	639	676	(5.5%)

1) Adjusted by one-off asset sale, IPO and one-off due diligence costs which will not be repeated

Board of Directors Report

BUSINESS AND MARKETS

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 operates the following seven breweries (figures in thousands of hectoliters):

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
Total	**1 585**	**50**	**-**

Source: PLG

Production

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 more than 70 beer brands, which is unique on the Czech market, as well as 10 soft drink brands and two mixed drinks brands based on beer ("radler"/ "shandy").

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.

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.

The Group focuses on using traditional recipes and finest ingredients in the production process.

PLG introduced the "Lobkowicz Premium" brand in 2009 and its non-alcoholic option in 2010. In 2015 due to a rising popularity of new beer styles by consumers, the Lobkowicz Premium added new brands - Lobkowicz Premium ALE, Lobkowicz Premium Yeast beer, Lobkowicz Premium Wheat beer and Lobkowicz Premium Dark. The commercial launch and distribution to on-trade segment happened during the main summer season and the distribution to retail network is planned from the beginning of autumn this year.

Apart from the premium segment, the Group has introduced since 2009 about 30 beer innovations and new packaging, partly as an unique “special occasion beers”. Two special occasion beers have been launched also in 2015. New refreshing beer from the Černá Hora brewery is called Witbier Blonde. It is a Belgian type wheat beer. It is typical for its spicy flavour with orange and coriander aroma. It tastes light and refreshing and therefore, it is ideal for hot summer days. Mr Richard Procházka, the brew master of the Jihlava Brewery decided to brew new beer called Perkmister to honor all “perkmisters” (in German Bergmeister) and also to celebrate 155 Anniversary of the Jihlava Brewery. It is a semi-pale 12° lager of amber colour with a mildly bitter aroma and a full taste.

<u>Beers produced by the Group:</u>

		Protivín	Rychtář	Klášter	Uherský Brod	Jihlava	Vysoký Chlumec	Černá Hora
PREMIUM	Premium lager	Lobkowicz Premium Ležák						
	Permium dark lager	Lobkowicz Premium Černý						
	Premium non-alcoholic	Lobkowicz Premium Nealkoholický						
	Premium yeast beer	Lobkowicz Premium Kvasnicový						
	Premium wheat beer						Lobkowicz Premium Pšeničný	
	Premium Ale beer						Lobkowicz Premium Ale	
Light beers		Schwarzenberg	Rychtář Fojt	Klášter Světlé	Dukát, Perun	Šenkovní	Princ Max X.	Tas
Lagers		Schwarzenberg, Platan 11, Platan Premium	Rychtář Grunt 11 %, Rychtář Premium, Rychtář Rataj	Klášter ležák 11, Klášter Premium	Patriot, Premium, Respekt	Ježek 11	Vévoda	Páter, Ležák, Matouš
Non-alcoholic beers		Platan Nealko						Forman Světlý, Forman polotmavý
SPECIAL BEERS	Light Special beers	Prácheňská Perla	Rychtář Speciál		Comenius	Jihlavský Grand, Telčský Zachariáš		Kvasar
	Semi-dark and dark beers	Protivínský Granát					Démon, Baron	Granát, Kern
	Yeast and unfiltered beers	Platan kvasnicový	Rychtář Natur, Rychtář Fojt nefiltrovaný	Klášter kvasnicový	Patriot nefiltrovaný	Ježek kvasnicový		Páter nefiltrovaný, Sklepní
	Wheat beers					Jihlavský Alt Bier	Chlumecký Vít	Velen
	Flavoured beers						Fruit Ale	Borůvka (blueberry)
	"World beers"			Klášterní XIX. Bock	Kounic (Vienna lager), Rauchbier		Chlumecký Pale Ale, IPA Flying Cloud	
Radlers ("Refresh brand")								lime & orange, cranberry & grapefruit
Special occasion beers		various brands						

Source: PLG

Sales & Marketing

Promotion of regional brands

Since the beginning of June 2015, Pivovary Lobkowicz have started a massive all-season outdoor campaign in local regions where PLG´s breweries are located. Pivovary Lobkowicz have therefore followed a current market trend to return to quality regional beers. The marketing campaign included, apart from billboards, also POSM, regional PR and advertising in the local press.

Prague Food Festival

During the prestigious Prague Food Festival which took place in the Royal Gardens in the Prague Castle, PLG presented 7 carefully selected beer brands which represented a scale of all beer styles and collected a number of awards in the last year. Over 17 thousand people attended the festival this year.

New outlet concept ŠNYT in on-trade

Pivovary Lobkowicz have introduced new concept of design restaurants called ŠNYT. Until now, three restaurants have been opened in Prague, Ústí nad Orlicí 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.

First tank restaurant with Lobkowicz beer opened in the centre of Prague

The Lobkowicz Premium lager tapped from standing beer tanks garnished by copper in connection with a top tier tapping technology. These are key elements of restaurant and beer house U Balbínů in the Jungmannova Street in Prague which was opened after the major reconstruction.

Awards & Recognition in the first half of 2015

Pivovary Lobkowicz are known for its broad product portfolio of beers and with high quality of products. During the first half of 2015, PLG obtained 17 quality awards in professional beer tasting contests. Beer brands Lobkowicz, Merlin, Černá Hora and Rychtář were awarded among world-wide competition in the prestigious Craft Beer Awards contests in Germany. Beer brands Lobkowicz, Merlin, Démon and Prácheňská Perla won in the beer contest Zlatá pivní pečeť. In the beer contest Pivo České republiky 2015, Pivovary Lobkowicz won 9 awards, beer brands Lobkowicz Premium Černý, Lobkowicz Premium Nealkoholický, Klášter and Protivínský Granát even obtained the golden medals.

High quality of all beers has been proven by successes in other contests, for example brand Rychtář was voted by 30 thousand people the best beer among 17 other breweries in the Fresh Apetit Festival.

Mr Michal Voldřich, the brew master of Protivín brewery was selected by the Czech and Moravian Brewery Academy as the most distinctive person of the mid-sized breweries in the Czech brewery market. Protivín Brewery is making 11 beer brands including the Lobkowiz Premium brand.

COMMENTS ON FINANCIAL RESULTS FOR THE FIRST HALF 2015

Revenues

In the first half of 2015 the Company recorded total consolidated revenues in the amount of CZK 580.2 million, which is 0.4% more yoy. The revenue growth was driven by revenues from beer sales which increased 0.2% yoy and amounted to CZK 552.1 million and also by higher revenues from the sales of malt. The revenue increase was driven by higher sales.

In the first half of 2015, the revenues from sale of soft drinks on-trade went down by 16.1% to CZK 13.1 million.

Revenues from malt went up due to higher sales to existing customers.

Changes in inventory and assets in progress amounted to CZK 61.5 million in the first half of 2015, which is 0.3% yoy more.

Costs

In the first half of 2015, total consolidated operating cost including depreciation and amortization reached CZK 616.2 million, an 8.0% less compared with the same period last year. Raw materials, consumables and services amounted to CZK 379.9 million, up 1.6% yoy. Out of this, the cost of raw materials was at same level as in first half of 2014. Increase of the item resulted from higher professional services connected with due diligence and from increase of production maintenance.

In the first half of 2015, the total staff costs amounted to CZK 142.4 million, up by 1.0% yoy.

In the first half of 2015, the Other operating costs reached CZK 6.0 million, a 92.2% declined compared with the same period last year when the last year results was significantly impacted by a receivable write-off.

EBITDA

In the first half of 2015, Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) reached CZK 117.3 million, a 3.5% yoy more. If adjusted by one-off asset sale, IPO costs and due diligence costs, which won´t be repeated, then the adjusted EBITDA recorded in the first six months of 2015 was CZK 123.5 million and went up 2.0% compared with the same period last year. The extraordinary expenses related to due diligence in the first half of 2015 amounted to CZK 4.8 million. They were primarily costs for advisory, legal and notary services.

Amortization, depreciation and impairments

The depreciation and amortization amounted to CZK 86.7 million in the first half of 2015, a 12.7% yoy more due to adjustment of provision for sale of receivables in 2014.

Operating Profit - EBIT

In the first six months of 2015, the operating profit reached CZK 40.0 million, up 38.2% yoy driven by a better operating performance in the sales and cost management.

Net Finance Expenses

In the first half of 2015, net finance expenses were CZK 5.6 million and declined 88.7% yoy as a results of the capitalization of shareholder loans.

Major balance sheet changes

The major changes in the balance were the reduction of both short term and long term Loans and Borrowings.

CAPEX and investments

In the first six months of 2015, the total investments amounted to CZK 53 million, which is 2.9% more than in the first half of 2014. The CAPEX increase resulted from investments into production. The most significant items were investments into new warehouse facilities in Uherský Brod Brewery, reconstruction of cooling system in Vysoky Chlumec Brewery and hot water management system in Jihlava Brewery.

Sales

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. Yet, PLG is able to maintain a significantly higher share of on-trade sales on total sales than market average.

The domestic on-trade market experienced in the first half of 2015 a decline of sales of 10° beers compared to the same period last year. In the contrary, higher sales were recorded in the 12° beer segment and also in the 14° beer segment which grew by 14% yoy. The improvement of sales of 14° beers is thanks to the Chlumecký India Pale Ale brand from the Vysoký Chlumec Brewery.

The most significant sales increased was recorded by brand Klášter in all regions but primarily in the local region and in the Olomouc distribution center.

The total off-trade revenues in the first six months of 2015 accounted for 34% of total beer revenues. On-trade beer revenues therefore, accounted for 66% of total beer revenues of the Group and 80% of domestic beer revenues (non-private brands).

Other revenues

Revenues from the sale of malt in the first six months of 2015 reached CZK 15 million which is 36.4% more than in the first six months of 2014. Revenues from the sale of soft drinks declined by 16.1% yoy to CZK 13.1 million due to lower sales in home region (distribution center Černá Hora).

Exports

In the first half of 2015, total exports amounted to CZK 99 million, which is 16.5% less than in the first half 2014. The reasons for declining export were lower supplies to Russia and Slovakia in first quarter 2015 (change of the local distribution partner).

Off Trade Export

Off trade exports in the first half of 2015 was impacted by lower deliveries to same retail chains, mainly in Romania.

PLG reduced sales of hand-packed beers and further focused on higher profitability and sales of own brands.

On Trade Export

In the on-trade export market, PLG experienced a decline of sales to Russia, due to a depreciation of Russian Ruble at the beginning of the year. In Slovakia, lower on-trade sales were recorded due to the change of the local distribution partner however sales in Slovakia started to go up in June again. Also, PLG succeeded in opening new markets in the Balkans – Bulgaria, Montenegro and new customers were acquired in Hungary and Poland.

2015 Outlook

In the third quarter of 2015, the Company expects better sales and economic results than those which were achieved in the third quarter 2014. Thanks to the favorable weather conditions and extensive marketing campaign the Group has reached record sales in July 2015 and this positive trend continues in August.

In the upcoming period, PLG will further support its regional brands via billboard campaigns and promotion materials in the points of sale. Beer festivals are taking place in all regional breweries together with a variety of cultural events and excursion in the breweries. These festivals attract thousands of people every year. Regional brands are represented also during a number of summer outdoor events in the regions. The Lobkowicz Premium Brand has been a traditional partner of the International Film Festival in Karlovy Vary.

For the rest of 2015, the Group will continue to focus on sales performance in terms of higher volume and higher revenues per hectolitre sold. Acquisition of A-class customers (pubs and restaurants) away from the competition outlets remains a high priority in the upcoming periods supported by the expansion of new restaurant concept ŠNYT.

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

RISK FACTORS

The financial strength of the Group is small compared with competitors

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

Dependency on certain key suppliers

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

Dependency on retaining key personnel and attracting highly skilled individuals

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

The Group relies on the strength of its brands

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

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

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

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

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

The Group is exposed to fluctuations in exchange rates

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

Risk of future capital needs

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

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

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

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

Risk of export to foreign markets

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

Exposure to the credit risk of its customers and suppliers.

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

Risk of failure to renew agreements with third parties

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

Changes in distribution channels in the Czech Republic may have an adverse effect on the Group's business and its profitability

On the Czech brewing market, there has been a shift in beer consumption from catering establishments to the household. This phenomenon causes a decrease in sales of keg beer in favour of bottled beer that is sold in retail stores. Profit margins in retail stores are typically smaller than in the case of catering establishments. The continuing trend changes in the distribution channels in favour of sales in retail stores could adversely affect the financial situation of the Company.

PLG may not be able to protect its intellectual property rights

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

The growth in competition in the brewing industry

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

Decreases in beer consumption in favour of other beverage categories

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

Seasonal consumption cycles may adversely affect demand for products

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

Exposure to litigation risk

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

Exposure to regulatory risks

PLG operates primarily in the Czech Republic and other European jurisdictions. The economic, regulatory and administrative situation in each of these countries is developing continuously, mainly as a result of economic transformation and accession or application to the EU. The Group has no or limited influence on these changes.

Changes and developments in economic, regulatory, administrative or other policies in the country where the Group operates, over which it has no control, could significantly affect PLG's business, prospects, financial conditions and results of operations in a manner that could not be predicted.

Some regulatory changes which are currently discussed or prepared by the government of the Czech Republic may impact significantly business conditions in the on-trade segment (pubs and restaurants) and subsequently have an adverse effect on beer distribution. The legislation which may represent a risk is a total smoking ban in the pubs and restaurants (currently it is up to the discretion of pub owners) and also the electronic sales registration system which should apply to restaurants from January 2016 and that would limited cash payments that still play a crucial role in the Czech gastronomy. As a results of anticipated regulatory changes, a number of pubs and restaurants may closed down which could affect sales in the on-trade segment.

STRATEGY

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.

Corporate Governance

BOARD OF DIRECTORS AS OF JUNE 30, 2015

The Board of Directors is a statutory body of PLG, manages the day-to-day activities of the Group and acts on behalf of the Group. The Board of Directors adopts resolutions as a collective body on all corporate affairs unless entrusted to the General Meeting or the Supervisory Board. The Board of Directors is composed of three members elected and removed by the Supervisory Board: the chairman of the Board of Directors, the vice-chairman of the Board of Directors and one member of the Board of Directors.

The Board Directors of PLG currently comprises:

Name	Position	Office Term in 1H 2015	Expiration of the office term	Business Address
Zdeněk Radil	Chairman of the Board	1 January 2015 – 30 June 2015	4 September 2018	Hvězdova 1716/2b, 140 78, Prague 4, CZ
Pavel Herman	Vice Chairman of the Board	1 April 2015 – 30 June 2015	31March 2020	Hvězdova 1716/2b, 140 78, Prague 4, CZ
Petr Blažek	Member of the Board	1 April 2015 – 30 June 2015	31March 2020	Nám. U Pivovaru 3, 679 21, Černá Hora, CZ
Otakar Binder	*Member of the Board*	*1 January 2015 – 31 March 2015*		*Nám. U Pivovaru 3, 679 21, Černá Hora, CZ*
Eva Kropová	*Vice Chairman of the Board*	*1 January 2015 – 31 March 2015*		*Hvězdova 1716/2b, 140 78, Prague 4, CZ*

Zdeněk Radil

Chairman of the Board of Directors and CEO

Mr Radil has served as the chairman of the Board for the past 9 years. 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 a graduate of the University of Economics Prague (1999) and Charles University in Prague, Faculty of Law (2002). He commenced studies of the Executive MBA programme (EMBA Global) in 2013.

Pavel Herman

Vice-chairman of the Board of Directors and Executive Director

Mr Herman became vice-chairman of the Board and Executive Director in April 2015. After its 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 Coors where he was responsible for post-acquisition integration of Central and South European businesses into the European business unit.

Petr Blažek

Member of the Board of Directors

Mr Blažek joined the Group in 2008 and since 2010 he holds post of the CFO and CIO. In April 2015 he was appointed a member of the Board of Directors of PLG. 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 various managerial position in Plzeňský Prazdroj (1996-2008). Mr Blažek is a graduate of the Mendel University in Brno (1999) and Brno University of Technology (2003).

SUPERVISORY BOARD AS OF JUNE 30, 2015

The Supervisory Board is a supervisory body of the Group, oversees the exercise of the powers of the Board and business activities of the Group. The Supervisory Board is obligated to request information from the auditors of the Group for its supervisory activities and to cooperate with such auditors. In performing its duties, the Supervisory Board is required to take into account the interests of the PLG's business. The Supervisory Board is composed of three members elected and removed by the General Meeting: the chairman of the Supervisory Board and the two members of the Supervisory Board.

The Supervisory Board of PLG currently comprises:

Name	Position	Office Term in 1H 2015	Expiration of the office term	Business Address
Martin Burda	Chairman of the Supervisory Board	1 January 2015 – 30 June 2015	4 September 2018	Hvězdova 1716/2b, 140 78, Prague 4, CZ
Grzegorz Hóta	Member of the Supervisory Board	1 January 2015 – 30 June 2015	4 September 2018	Hvězdova 1716/2b, 140 78, Prague 4, CZ
Eva Kropová	Member of the Supervisory Board	1 April 2015 – 30 June 2015	1 April 2019	Hvězdova 1716/2b, 140 78, Prague 4, CZ
Petr Bič	*Member of the Supervisory Board*	*1 January 2014 – 31 March 2015*		*Hvězdova 1716/2b, 140 78, Prague 4, CZ*

Martin Burda

Chairman of the Supervisory Board

Mr Burda joined PLG and served as a chairman of the Supervisory Board of PLG since 2008. He dedicated his professional career to private investments and entrepreneurship. He was a shareholder in Pega (200-2006), Pivovar Svijany and Pivovar Rohozec (2007-2010) and currently he holds shares in Lázně Luhačovice (since 1999), Léčebné Lázně Jáchymov (since 2000), and Motorpal (since 2007). Martin Burda is a graduate of the Polish Gymnasium in Český Těšín.

Grzegorz Hóta

Member of the Supervisory Board

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

Eva Kropová

Member of the Supervisory Board

Ms Kropová joined the Group as a vice-chairman of the Board in 2008 and she became member of the Supervisory Board in April 2015. Her previous work experience includes Třinecké železárny (1978-1990), Třinec revenue authority (1991-1995) and auditor, investor and tax advisor (since 1995). Ms Kropová is a graduate of the VŠB – Technical University of Ostrava and the Bank Institute / College of Banking.

OTHER INFORMATION

None of the members of the Board of Directors and Supervisory Board has any potential conflicts of interests between their duties to PLG and their private interests or other duties, other than stated below:

Mr Radil is one of PLG's shareholders. Mr Burda is the sole shareholder of the Palace Capital, a.s. which is a controlling shareholder which provided PLG with a loan agreement. Mr Hóta owns a 95% share in FOSSTON a.s. which is a 100 % shareholder of the GO solar s.r.o. GO solar s.r.o. is one of the PLG's shareholders which provided PLG with a loan.

In June 2015, the Company announced that 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 (a 79.4% stake) to Lobkowiczký pivovar, a.s., a company 100% owned by Mr Zdeněk Radil, the CEO and Chairman of the Board of Directors of PLG. The transaction is supposed to be completed by end August 2015.

There are no family relationships between any of the Board, Supervisory Board members and Senior Managers.

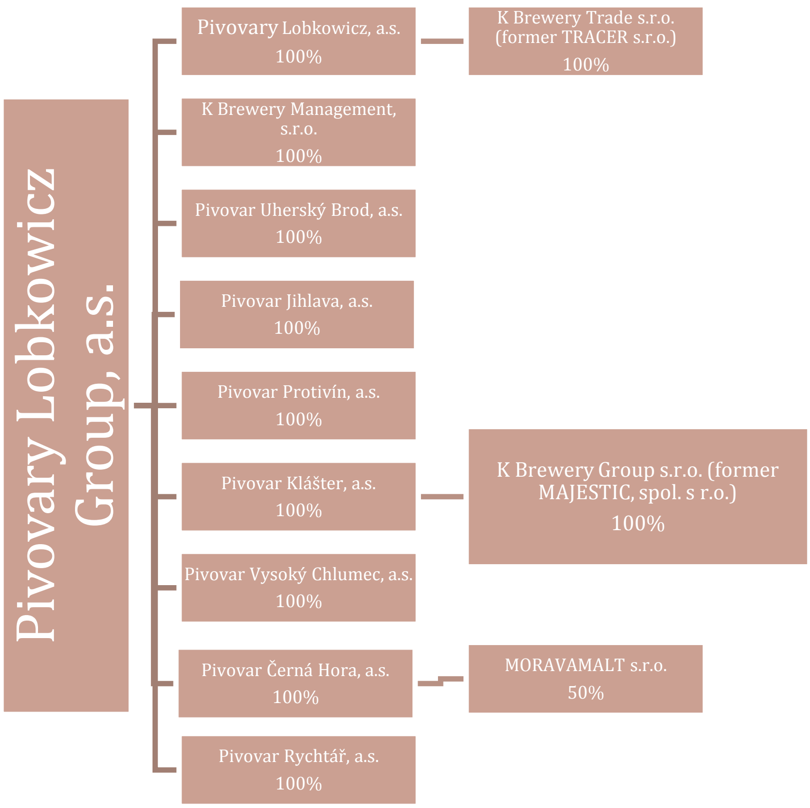
CORPORATE GOVERNANCE PRINCIPLES

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.

ORGANIZATIONAL STRUCTURE OF THE GROUP AS OF JUNE 30, 2015

As of the date of the Half Year Report the Company is the sole owner or co-owner of nine principal companies (the subsidiaries) identified below (PLG and the subsidiaries jointly as the Group). PLG controls the subsidiaries through the ownership interests in them. In addition, most of the subsidiaries are controlled by K Brewery Management, s.r.o. based on control agreements.

The chart below presents the Group structure:



As of 29 January 2015 the name of company Majestic s.r.o. has been changed to K Brewery Group s.r.o. As of 3 February 2015 the name of company Tracer s.r.o. has been changed to K Brewery Trade s.r.o.

There were no other changes to the organizational structure in the first half of 2015.

Information for Shareholders and Investors

SHAREHOLDER STRUCTURE AS OF 30 JUNE 2015

Palace Capital, a.s.	53.2%
GO Solar s.r.o.	26.2%
Management and other free float	20.6%

Source: Company Data

The sole shareholder of the Palace Capital, a.s. is Mr Martin Burda. The sole shareholder of the Go solar s.r.o. is FOSSTON a.s. and the controlling shareholder of FOSSTON a.s. is Mr Gregorz Hóta.

In June 2015, the Company announced that 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 (a 79.4% stake) to Lobkowiczký pivovar, a.s., a company 100% owned by Mr Zdeněk Radil, the CEO and Chairman of the Board of Directors of PLG.

The sale of the majority stake is conditional to the payment of the entire purchase price by the end of August 2015. If the purchase price is not paid in the set time frame, the transaction will terminate and the transfer of the shares will not be settled. According to Company's information, the acquisition would be financed by a combination of debt and equity from several financial institutions and private investors. If the transaction settles, Lobkowiczký pivovar, a.s. will become a majority shareholder in the Company and will be obliged to make a mandatory takeover bid to all Company's shareholders.

SHARE INFORMATION

As of 30 June 2015, the issued and paid-up share capital of PLG amounted to CZK 1,870,160 and was divided into 11,687,501 shares with a nominal value of CZK 160 each. All of the shares are ordinary registered shares, are fully paid up and rank pari passu with each other, and there is no other authorised class of shares. All shares have been or will be issued under Czech law. All shares have one vote and carry equal dividend rights. Shares have been issued in the book-entry form and are registered in the Central Securities Depository Prague. None of the share is held by PLG or any of its subsidiaries.

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

INITIAL PUBLIC OFFERING OF PIVOVARY LOBKOWICZ GROUP A.S.

Public trading of shares of PLG on the Prime Market of the Prague Stock Exchange started on 28 May 2014. The shares are traded on the Prague Stock Exchange under ISIN CZ0005124420, with a ticker "PLG".

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

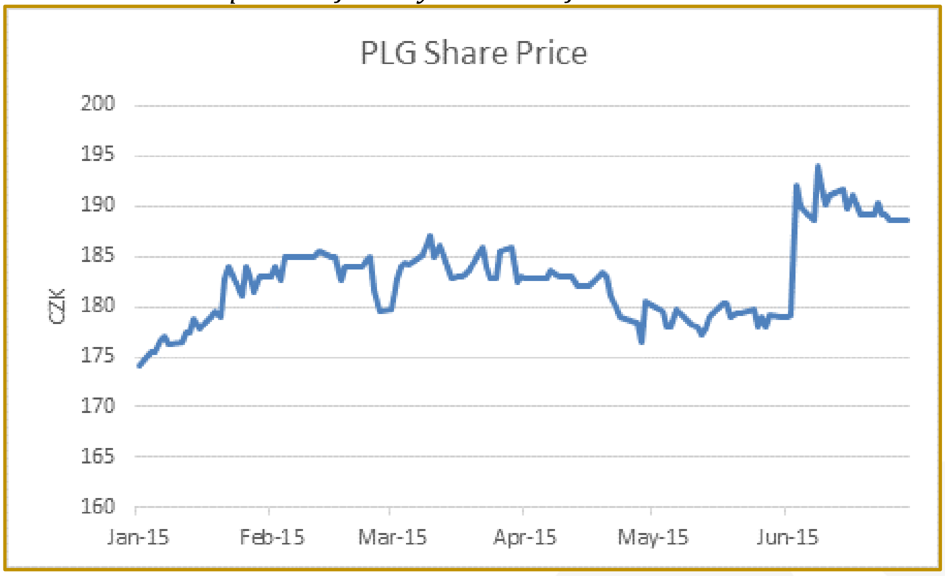
In connection with the offering all shareholder loans have been capitalized and the PLG's equity has been increased by approx. CZK 1,758,000.000. The Chairman of the Board of Directors Zdeněk Radil committed to acquire 349,502 PLG shares after the IPO, however, this sale were not settled due to the discussions on the sale of the majority stake and will be settled through the sale of the majority stake.

SHARE PRICE DEVELOPMENT AND TRADING ACTIVITY IN THE 1ST HALF 2015

In the first half of 2015, PLG shares traded on the Prague Stock Exchange with the lowest trading price CZK 174 and the highest was CZK 194.

The closing prices on 30 June 2015 was CZK 188.5 on the Prague Stock Exchange and the market capitalisation of PLG came to CZK 2.2 billion.

Share Price Development 1 January 2015 – 30 June 2015



DIVIDEND POLICY

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

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

Related Parties Transactions Report of Pivovary Lobkowicz Group, a.s. for the first six months ending June 30, 2015

The Board of Directors of Pivovary Lobkowicz Group, a.s., with the registered office at Hvězdova 1716/2b, 140 78 Praha 4 - Nusle, CRN 27258611, recorded in the Commercial Register under file no. B 10035 kept by Municipal Court in Prague (hereinafter referred to only as "PLG "), as the controlled company, produced, according to sec. 82 Act on Business Corporations (hereinafter referred to only as „ABC“), the following Report on relations between the company and the controlling person and between the company and persons controlled by the same controlling person (hereinafter referred to as „interconnected persons “) for the period from 1 January 2015 until 30 June 2015 (hereinafter only as „conclusive period“).

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

1.1. The structure of relations:

The structure of relations between persons according to sec. 82 par. 1 ABC is a diverse and multilevel that gradually descents from the controlling natural person, in the first six months of 2015 it was Mr Martin Burda. Mr Martin Burda controlled PLG directly, and consequently indirectly, by the company PALACE CAPITAL, a.s., CRN 63474948, with the Registered Office in Luhačovice, Lázeňské náměstí no.436, Post Code 763 26, recorded in the Commercial Register kept by the RC in Brno, section B, file no. 1682, according sec. 75 subsec. 2 ABC. Other business corporations are controlled by PLG, as stated hereunder.

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

1.1.1. Pivovar Černá Hora, a.s., CRN: 282 82 876

Registered office: nám. U Pivovaru 3, Post Code 679 21 Černá Hora

Recorded in the commercial register kept by the Regional court in Brno, section B, file no. 5599

1.1.2. Pivovar Klášter, a.s., CRN: 251 46 297,

Registered office: Klášter Hradiště nad Jizerou 16, Post Code 294 15,

Recorded in the commercial register kept by the Municipal court in Prague, section B, file no. 4844, 1.1.3. Pivovar Protivín, a.s., CRN: 260 25 248,

Registered office: Protivín, Pivovar 168, Písek district, Post Code 398 11,

Recorded in the commercial register kept by the Municipal court in České Budějovice, section B, file no. 1990,

1.1.4. Pivovar Jihlava, a.s., CRN: 499 73 711,

Registered office: Vrchlického 2, Jihlava,

Recorded in the commercial register kept by the Regional court in Brno, section B, file no.1276,

1.1.5. Pivovar Uherský Brod, a.s., CRN: 607 42 917,

Registered office: Uherský Brod, Neradice 369, Post Code 688 16,

Recorded in the commercial register kept by the Regional court in Brno, section B, file no.1548,

1.1.6. Pivovar Rychtář, a.s., CRN: 474 55 110,

Registered office: Hlinsko v Čechách, Resslova 260, Post Code 539 01,

Recorded in the commercial register kept by the Regional court in Hradec Králové, section B, file no. 2967,

1.1.7. Pivovar Vysoký Chlumec, a.s., CRN: 463 53 224,

Registered office: Vysoký Chlumec čp. 29, Post Code 262 52,

Recorded in the commercial register kept by the Municipal court in Prague, section B, file no. 15277,

1.1.8. K Brewery Management, s.r.o., CRN: 284 89 993,

Registered office: Praha 4, Nusle, Hvězdova 1716/2b, Post Code 140 78,

Recorded in the commercial register kept by the Municipal court in Prague, section C, file no. 145383,

1.1.9. Pivovary Lobkowicz, a.s., CRN: 284 89 411,

Registered office: Praha 4, Nusle, Hvězdova 1716/2b, Post Code 140 78,

Recorded in the commercial register kept by the Municipal court in Prague, section B, file no. 14838,

PLG Group further includes the companies in which some of the aforementioned subsidiaries of PLG own some stakes. They are:

1.1.10. MORAVAMALT, s.r.o., CRN 46581413, Registered office: Brodek u Přerova, Tovární 162

- Member Pivovar Černá Hora, a.s., CRN 28282876, Registered office: Černá Hora 3/5, Post Code 679 21, contribution: 51,000 CZK, paid up: 100%, 50% share in the Registered capital
- member OSEVA UNI, a.s., CRN 15061612, Registered office: Choceň, Na Bílé 1231, Post Code 565 14, contribution 51,000 CZK, paid up 100%,50% share in the Registered capital

1.1.11. K Brewery Trade, s.r.o. (in 2014 TRACER s.r.o.), CRN 25320840, Registered office: Černá Hora, nám. U Pivovaru 3

- Single shareholder Pivovary Lobkowicz, a.s., CRN 28489411, Registered office: Prague 4, Hvězdova 1716/2b, contribution 100, 000 CZK, paid up: 100%, 100% share in the Registered capital

1.1.12. K Brewery Group, spol. s r.o. (in 2014 MAJESTIC, spol. s r.o.), CRN 45312435, Registered office: Prague 4, Hvězdova 1716/2b

- Single shareholder Pivovar Klášter, a.s., CRN 25146297, Registered office Klášter Hradiště nad Jizerou 16, Post Code 29415, contribution 100,000 CZK, paid up: 100%, 100% share in the Registered capital

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

1.2. Controlling person

Mr Martin Burda has been the single shareholder of PALACE CAPITAL, a.s. Martin Burda owned shares of PLG representing a 53.8% stake in the Registered capital.

1.3. Person acting in conformity

The Board of Directors of PLG assumes that

JUDr. Ing. Zdeněk Radil and Ing. Eva Kropová are in conformity with the controlling person i.e. Martin Burda, resp. the company PALACE CAPITAL, a.s. within provisions of sec. 78 ABC.

JUDr. Ing. Zdeněk Radil is the Chairman of the Board of Directors of PLG. Ing. Eva Kropová is the vice-Chairperson of the Board of Directors of PLG until 31 March 2015 and a member of the Supervisory Board from April 1, 2015. Both aforementioned persons were authorised to represent PLG independently within the whole range of powers and perform the voting rights of PLG as a single shareholder, resp.a member in subsidiaries stated in point 1.1.

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

1.4. Persons controlled by the same controlling person

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

1.4.1. Lázně Luhačovice, a.s., CRN: 463 47 828,

Registered office: Luhačovice, Lázeňské náměstí 436, Zlín district, Post Code 763 26,

Recorded in the Commercial Register kept by the Regional Court in Brno, section B, file no. 809,

1.4.2. Palace Capital, a.s., CRN: 634 74 948,

Registered office: Luhačovice, Lázeňské náměstí č. 436, Post Code 763 26,

Recorded in the Commercial Register kept by the Regional Court in Brno, section B, file no. 1682,

1.4.3. SILESIA CAPITAL, a.s., CRN: 268 58 142,

Registered office: Třinec, Karpentná 64, PSČ 739 94, Recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, file no. 2880,

1.4.4. Léčebné lázně Jáchymov a. s., CRN: 292 11 808,

Registered office: Jáchymov, T. G. Masaryka 415, Post Code 362 51,

Recorded in the Commercial Register kept by the Regional Court in Plzeň, section B, file no. 1603.

2. Methods and means of control

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

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

2.3. Until the end of 2014, the contracts on the control of companies, concluded according to sec. 66a par.7 Act no.513/1991 Coll. – Commercial Code, between the company K Brewery Management s.r.o., as the controlling person, and the following companies, as the controlled persons:

- Pivovary Lobkowicz, a.s.
- Pivovar Uherský Brod, a.s.
- Pivovar Jihlava, a.s.
- Pivovar Protivín, a.s.
- Pivovar Klášter, a.s.
- Pivovar Rychtář, a.s.
- Pivovar Vysoký Chlumec, a.s. a
- Pivovar Černá Hora, a.s.,

had been in effect, and these companies created so called contractual holding. The effect of these contracts of the control of companies terminated as to 31 December 2014, according to sec.780 par.1 ABC.

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

2.5. Pivovary Lobkowicz, a.s. (former K Brewery Trade, a.s.) has the exclusive position in the holding, as it has concluded contracts of mandate with the companies stated in the point 2.3., upon which the company Pivovary Lobkowicz, a.s. performs the administrative, financial, tax, business, IT, marketing, production and managerial activity, which are paid by the respective remuneration.

3. The role of PLG in the structure of the control relations within the Group and in the business relations to interconnected persons

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.2. Contracts with corporations controlled by PLG

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

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

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

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

1 May 2011: K Brewery Group, a.s. (creditor) vs. Pivovar Černá Hora, a.s. (debtor) – Partial loan agreement no. DS 1/2011

31 October 2012: K Brewery Group, a.s. (assignee) vs. Pivovary Lobkowicz, a.s. (assignor) – Agreement on the assignment of debt 154,541,825.70 CZK

31 December 2012: K Brewery Group, a.s. vs. Pivovary Lobkowicz, a.s. – Agreement on mutual settlement of claims and debts 154,541,825.70 CZK

25 July 2013: K Brewery Group, a.s. (assignee) vs. Pivovary Lobkowicz, a.s. (assignor) – Agreement on the assignment of a debt 91,694,833.17 CZK

25 September 2013: K Brewery Group, a.s. vs. Citibank Europe plc vs. Pivovary Lobkowicz, a.s. vs. K Brewery Management, s.r.o. – Agreement on a loan product – overdraft 165 mil. CZK

31 March 2014: Pivovary Lobkowicz Group, a.s. (assignee) vs. Pivovary Lobkowicz, a.s. (assignor)

- Agreement on the assignment of a debt 54.5 mil. CZK for consideration

29 April 2014: Pivovary Lobkowicz Group, a.s. (assignee) vs. Pivovary Lobkowicz, a.s. (assignor)

- Supplement no.1 to the agreement on the assignment of a debt for consideration as of 31 March 2014 – 54.5 mil. CZK

25 September 2014: Pivovary Lobkowicz Group, a.s. (seller) vs. Pivovar Janáček, s.r.o. (buyer) – Agreement on the transfer of shares for consideration - Lobkowiczký pivovar, a.s.

25 September 2014: Pivovary Lobkowicz Group, a.s. (seller) vs. Pivovar Janáček, s.r.o. (buyer) – Agreement on the transfer of shares for consideration - Pivovar Platan, a.s.

5. Harm evaluation and the settlement thereof

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

6. Evaluation of advantages, disadvantages and risks

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

In Prague on 6 July 2015

Pivovary Lobkowicz Group, a.s.

....	....
JUDr. Ing. Zdeněk Radil	Ing. Pavel Herman
Chairman of the Board of Directors	Vice-Chairman of the Board of Directors

Declaration of Responsible Persons for the Half Year Report

STATUTORY DECLARATION

With all due care and to the best of our knowledge, the consolidate half year report provides a true and fair view of the financial situation, business activity and results of operations of Pivovary Lobkowicz Group a.s. and its consolidated group for the half year period ending 30 June 2015, as well as of the prospects for future development in the financial situation, business activity, and results of operations of Pivovary Lobkowicz Group a.s. and its consolidated group.

ZDĚNĚK RADIL	PAVEL HERMAN	PETR BLAŽEK
Chairman of the Board of Directors	Vice-chairman of the Board of Directors	Member of the Board of Directors

Prague, 27 August 2015

POST BALANCE SHEET EVENTS

There were no material events post balance sheet date.

Financial Part

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

- Interim Consolidated Statement of Total Comprehensive Income
- Interim Consolidated Balance Sheet
- Interim Consolidated Statement of Changes in Equity
- Interim Consolidated Statement of Cash Flow
- Notes to the Interim Condensed Consolidated Financial Statements

The financial statements have not been audited.

INTERIM CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME AS AT 30 JUNE 2015

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union

(in thousands of CZK)

CONSOLIDATED INCOME STATEMENT (CZK thous.)	30 June 2014 Unaudited	30 June 2015 Unaudited	% change
Revenue	**577 693**	**580 243**	**0,4%**
Other income	**59 893**	**14 386**	**-76,0%**
Changes in inventory and assets in progress	**61 286**	**61 491**	**0,3%**
Raw materials, consumables and services	-373 886	-379 883	1,6%
Personnel expenses	-141 036	-142 395	1,0%
Taxes and fees	-1 530	-1 184	-22,6%
Amortization, depreciation and impairments	-76 918	-86 693	12,7%
Other operating costs	-76 595	-6 013	-92,1%
Total expenses	**-669 965**	**-616 169**	**-8,0%**
Results from operating activities	**28 907**	**39 951**	**38,2%**
Interest income	4 482	996	-77,8%
Interest expenses	-42 602	-4 803	-88,7%
Other finance income/(expenses)	-11 258	-1 792	-84,1%
Net finance expenses	**-49 378**	**-5 599**	**-88,7%**
Profitr before income tax	**-20 471**	**34 352**	**267,8%**
Income tax expense	-45	148	429,3%
Profit of current accounting period	**-20 516**	**34 500**	**268,2%**
Profit attribuable to non-controlling interests	5 491	4 649	-15,3%
Net profit of the period (attribuable to equity holders)	**-26 007**	**29 851**	**214,8%**

EBITDA Calculation			
Results from operating activities	**28 907**	**39 951**	**38,2%**
Ordinary amortization, depreciations and impairments	84 375	77 310	-8,4%
normative EBITDA	**113 282**	**117 262**	**3,5%**
IPO Costs	7 799		
DD Costs		4 835	
Result from sale of assets	77	1 438	
recurrent EBITDA	**121 157**	**123 535**	**2,0%**

INTERIM CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME AS AT 30 JUNE 2015

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union

(in thousands of CZK)

CONSOLIDATED BALANCE SHEET (CZK thous.)	31.12.2014 Unaudited	30.6.2015 Unaudited
Assets		
Property, plant & equipment	884 614	877 937
Goodwill and other intangible assets	259 093	248 223
Other investments and receivables	23 242	72 025
Deferred tax assets	15 634	11 665
Total non-current assets	**1 182 583**	**1 209 850**
Inventories	176 806	200 381
Trade and other receivables	327 074	402 992
Prepayments and accrued income	94 742	92 757
Cash and cash equivalents	49 051	28 016
Total current assets	**647 673**	**724 145**
Total assets	**1 830 256**	**1 933 995**
Equity		
Share capital	1 870 000	1 870 000
Reserves and other equity operations	36 251	70 826
Accumulated losses from previous years	-613 949	-708 929
Net Profit of the period	-49 131	29 851
Equity attribuable to equity holders	**1 243 171**	**1 261 748**
Non-controlling interests	28 291	28 940
Total equity	**1 271 463**	**1 290 688**
Liabilities		
Loans and borrowings	181 060	216 941
Deferred tax liabilities	33 850	29 868
Other liabilities	1 792	1 792
Total non-current liabilities	**216 702**	**248 601**
Borrowings and overdrafts	105 677	65 683
Provisions	13 622	11 517
Trade and other payables	164 159	256 333
Tax liabilities	57 520	60 250
Accrued expenses	1 113	923
Total current liabilities	**342 092**	**394 706**
Total liabilities	**558 793**	**643 307**
Total equity and liabilities	**1 830 256**	**1 933 995**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union

(in thousands of CZK)

	31. December 2013	30. June 2014	31. December 2014	30. June 2015
Equity Without Minority	**-826 686**	**1 292 795**	**1 243 171**	**1 261 748**
Registered Capital	**2 000**	**1 870 000**	**1 870 000**	**1 870 000**
Changes in Registered Capital	**0**	**0**	**0**	**0**
Capital Funds	**-213 118**	**69 821**	**45 442**	**70 362**
Reserve Funds, Indivisible Fund and Other Funds from Profit	**8 831**	**-9 674**	**-9 191**	**464**
Profit or Loss from Previous Years	**-550 618**	**-611 345**	**-613 949**	**-708 929**
Profit or Loss of the Period Without Minority Interests	**-73 781**	**-26 007**	**-49 131**	**29 851**
Minority Equity	**67 103**	**69 723**	**28 291**	**28 940**
Minority Registered Capital	**6 051**	**6 051**	**51**	**51**
Minority Capital Funds	**0**	**0**	**0**	**0**
Other Minority Funds including Retained Earnings and Accumulated Losses	**56 991**	**58 181**	**23 615**	**24 240**
Minority Profit or Loss of the Period	**4 061**	**5 491**	**4 625**	**4 649**
TOTAL EQUITY	**-759 583**	**1 362 518**	**1 271 463**	**1 290 688**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union

(in thousands of CZK)

	30 June 2014	30 June 2015
Opening balance of cash and cash equivalents	**44 122**	**135 664**
Operating activities:		
Profit before income tax	-26 007	29 851
Non cash adjustments	104 619	71 027
Depreceations and amortizations except for residual value of assets sold	84 375	75 012
Impairments and change in provisions	-8 634	-10 515
Results from sale of non-current assets	-76	320
Interests	38 120	3 807
Other non-cash operations and adjustments	-9 166	2 403
Cash flow from operating activities before tax, changes in working capital and extraordinary items	**78 612**	**100 878**
Trade receivables and accrued income	-31 404	-82 386
Trade payables and accrued expenses	-343 536	33 285
Inventories	21 631	8 870
Interests paid	-42 602	-4 803
Interests received	4 482	996
Tax paid on operating activities	4 502	0
Extraordinary accounting activities	-1 102	-2 174
Net cash flow from operating activities	**-309 417**	**54 666**
Investing activities:		
Purchase of non-current assets	-28 729	-35 284
Proceeds from sale of non-current assets	0	649
Cash flow from acquisition of subsidiaries or its parts	0	-43 631
Net cash flow from investing activities	**-28 729**	**-78 266**
Financial activities:		
Non-current liabilities and short-term funding	429 688	-84 048
Net cash flow from financial activities	**429 688**	**-84 048**
Net increase or decrease in cash flow	**91 542**	**-107 648**
Closing balance of cash and cash equivalents	**135 664**	**28 016**

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. These statements are unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34 and IFRS.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred less the net recognized amount of the identifiable assets acquired and liabilities assumed. Differences arising from acquisitions of non-controlling interests after the acquisition date are not recognized as goodwill and are settled in equity.

Acquisitions of non-controlling interests

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

Subsidiaries

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

Other forms of investment

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

Loss of control

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

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions

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

Foreign operations
There are no foreign operations identified.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Derivative financial instruments
The Group might use derivatives in the ordinary course of business in order to manage market risks. Generally this concerns the effects of foreign currency, interest rate or commodity price fluctuations in profit or loss. Derivative financial instruments are recognized initially at fair value, with attributable transaction costs recognized in profit or loss as incurred. Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged.

Share capital

Shares
Ordinary shares are classified as equity.

No share capital repurchase is identified.

Dividends

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

Property, plant and equipment

Owned assets

Property, plants and equipment are measured at cost less government grants received, accumulated depreciation and accumulated impairment losses. Cost comprises the initial purchase price increased with expenditures that are directly attributable to the acquisition of the asset (like transports and non-recoverable taxes).
The cost of self-constructed asset includes the cost of materials and direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use.
Major components having different useful lives are accounted for as separate items. Returnable kegs and other returnable packing material (except for returnable bottles) and promotional items are recorded within owned assets and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for returnable items are reflected in the consolidated statement of financial position within current liabilities.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plants and equipment, acquired by way of finance lease, is initially recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease. Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Other leases are operating leases and are not recognized in Group's statement of financial position. Payments made under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Depreciation of property, plants and equipment

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Land is not depreciated as it is deemed to have an infinite life.
Depreciation on other property, plants and equipment is charged to profit or loss on a straight-line basis over the estimated useful lives of respective items. Assets under construction are not depreciated. Leased assets are depreciated over their useful lives (it is generally assumed that the right of ownership is transferred to the lessee after the end of the leasing period).
The estimated useful lives for the current and comparative years are as follows:

- Buildings 30 – 50 years
- Plant and equipment 15 – 50 years
- Other fixed assets 5 – 25 years

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

Gains and losses on sale of property, plants and equipment

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

Intangible assets

Goodwill

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

In respect of transferring of accounts from CZ GAAP to IFRS with transition date as at 1 January 2011, goodwill on acquisitions of controlling interests of subsidiaries prior to this opening date is included on the basis of deemed cost, being the amount recorded under CZ GAAP. Recorded goodwill arising from acquisitions of non-controlling interests from 10 February 2010 is settled in equity. Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to individual cash generating units (CGUs) for the purpose of impairment testing. Should the negative goodwill be identified, it is directly recognized in profit or loss as other income.

Brands

Brands acquired are capitalized if they meet the definition of an intangible asset. Brands are amortized on an individual basis over the estimated useful life of each respective brand. In this respect, long term strategic brands and other brands are distinguished.

Customer-related and contract-based intangibles

Customer-related and contract-based intangibles are capitalized if they meet the definition of an intangible asset.
Customer-related, contract-based intangibles are amortized over the remaining useful life of the customer relationships or the period of the contractual arrangements.

Software, research and development and other intangible assets

Purchased software is measured at cost less accumulated amortization and impairment losses. Expenditure on internally developed software is capitalized when the expenditure qualifies as development activities, otherwise it is recognized in profit or loss when incurred.
Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss when incurred. Development activities involve a plan or design for the production of new or substantially improved products, software and processes. Development expenditure is recognized in profit or loss when incurred. Other intangible assets that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortization.
Expenditure on internally generated goodwill is recognized in profit or loss when incurred.

Amortization

Amortization is calculated over the cost of the asset less its residual value. Intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives, other than goodwill, from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:
• Strategic Brands 30 – 50 years
• Other brands 6 - 15 years
• Customer-related and contract-based intangibles 6 – 15 years
• Software 3 – 7 years
Amortization methods, useful lives and residual values are reviewed at each reporting date.

Gains and losses on sale

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

Inventories

General

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

Finished products and work in progress

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

Other inventories and spare parts

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

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

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Provisions

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

Loans and borrowings

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

Revenue and other income

Revenues

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

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

Other income

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

Changes in inventory and assets in progress

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

Expenses

Operating lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of the lease.

Finance lease payments

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Government grants

Government grants are recognized at their fair value when it is reasonably assured that the Group will comply with the conditions attaching to them and the grants will be received. Government grants relating to property, plant and equipment are deducted from the carrying amount of the asset. Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

Interest income and expenses are recognized as they accrue in profit or loss, using the effective interest method unless collectability is in doubt. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other net finance income and expenses are recognized in profit or loss. Foreign currency gains and losses are reported on a net basis in the other net finance income and expenses.

Income tax

Current tax

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

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Cash flow statement

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

Information about the Company

Pivovary Lobkowicz Group, a.s. is a joint-stock 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: 272 58 611, registered in the Commercial Register maintained by the Municipal Court in Prague, File B, Insert 10035. PLG operates under the Czech act no. 90/2012 Coll., on corporate entities, as amended (the Companies Act) and the regulation established hereunder.

PLG is a holding company and its subject of business includes production, trade and services not specified in annexes 1-3 of the Czech act no. 455/1991 Coll., on trade license business, as amended. PLG controls the Group whose key activity is the operation of regional small and medium-sized breweries and sale of beer and non-alcoholic drinks.

Information on significant Group companies:

BUSINESS NAME	SCOPE OF BUSINESS	REGISTRATION	ID NUMBER	LEGAL FORM	REGISTERED OFFICE
Pivovary Lobkowicz Group, a.s.	- production, trade and services not specified in annexes 1 – 3 of the Trade Licensing Act	Municipal Court in Prague, File B, Insert 10035	272 58 611	A joint-stock company	Prague 4, Hvězdova 1716/2b, postal code 140 78, Czech Republic
Pivovary Lobkowicz, a.s.	- production, trade and services not specified in annexes 1 – 3 of the Trade Licensing Act	Municipal Court in Prague, File B, Insert 14838	284 89 411	A joint-stock company	Prague 4, Hvězdova 1716/2b, postal code 140 78, Czech Republic
K Brewery Management s.r.o.	- production, trade and services not specified in annexes 1 – 3 of the Trade Licensing Act	Municipal Court in Prague, File C, Insert 145383	284 89 993	A limited liability company	Prague 4, Hvězdova 1716/2b, postal code 140 78, Czech Republic
Pivovar Uherský Brod, a.s.	- catering and accommodation - brewing and malting - production, trade and services not specified in annexes 1 – 3 of the Trade Licensing Act - motor road vehicle transport – cargo domestic operated by the vehicles with maximum permitted weight up to the 3,5 tonne - motor road vehicle transport – cargo domestic operated by the vehicles with maximum permitted weight over the 3,5 tonne	Regional Court in Brno, File B, Insert 1548	607 42 917	A joint-stock company	Uherský Brod, Neradice 369, postal code 688 16, Czech Republic
Pivovary Jihlava, a.s.	- catering and accommodation - brewing and malting, - production, trade and services not specified in annexes 1 – 3 of the Trade Licensing Act	Regional Court in Brno, File B, Insert 1276	499 73 711	A joint-stock company	Jihlava, Vrchlického 2, postal code 586 01, Czech Republic
Pivovar Protivín, a.s.	- purchase of goods for further sale - brewing and malting	Regional Court in České Budějovice, File B, Insert 1990	260 25 248	A joint-stock company	Protivín, Pivovar 168, postal code 398 11, Czech Republic
Pivovar Klášter, a.s.	- brewing and malting - catering and accommodation - production, trade and services not specified in annexes 1 – 3 of the Trade Licensing Act	Municipal Court in Prague, File B, Insert 4844	251 46 297	A joint-stock company	Klášter Hradiště nad Jizerou 16, postal code 294 15, Czech Republic
Pivovar Vysoký Chlumec, a.s.	- brewing and malting - production, trade and services not specified in annexes 1 – 3 of the Trade Licensing Act	Municipal Court in Prague, File B, Insert 15277	463 53 224	A joint-stock company	Vysoký Chlumec 29, postal code 262 52, Czech Republic
Pivovar Černá Hora, a.s.	- 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)	Regional Court in Brno, File B, Insert 5599	282 82 876	A joint-stock company	Černá Hora, nám. U Pivovaru 3, postal code 679 21, Czech Republic
Pivovar Rychtář, a.s.	- brewing and malting - motor road vehicle cargo transport - business, financial, organizational, and economic consulting - wholesale - specialized retail sale	Regional Court in Hradec Králové, File B, Insert 2967	474 55 110	A joint-stock company	Hlinsko v Čechách, Resslova 260, postal code 539 01, Czech Republic
MORAVAMALT s.r.o.	- brewing and malting, - production, trade and services not specified in annexes 1 – 3 of the Trade Licensing Act	Regional Court in Ostrava, File C, Insert 3624	465 81 413	a limited liability company	Brodek u Přerova, Tovární 162, postal code 751 03, Czech Republic

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