



REGULATORY ANNOUNCEMENT

Pivovary Lobkowicz Group, a.s. – Interim Management Statement for the period from 1 July 2014 to 11 November 2014

(Prague, 12 November 2014) Pivovary Lobkowicz Group, a.s. announces its Interim Management Statement for the period from 1 July 2014 to 11 November 2014.

Trading Highlights

The unaudited consolidated results of Pivovary Lobkowicz Group, a.s. for the first nine months of 2014 confirmed strong underlying trends of the business:

- Total revenues grew 2% yoy to CZK 923.4 million
- Total revenues from beer sales amounted to CZK 859.6 million, up 3% yoy
- Export revenues were CZK 189.6 million, up 9.6% yoy
- Group beer volume grew 3.5% yoy to 687 thousand hectolitres

CEO Statement

Zdeněk Radil, Chairman of the Board of Directors and CEO commented on the results:

“We are pleased to report solid financial performance for the first nine months of 2014. Pivovary Lobkowicz recorded annual growth of total revenues of 2% to CZK 923 million although our sales in the summer months in July and August were affected by worse than usual weather conditions, we managed to grow our volumes as well as price per hectolitre sold. Yet, we believe we outperformed the domestic beer market in the Czech Republic in general and our beer revenues grew 3% to CZK 860 million. The seasonality didn’t impact our beer exports which increased 9.6% yoy and amounted to CZK 189 million in the first nine months of 2014.”

Selected Financial Indicators (consolidated unaudited)

(CZK million)	9M 2014	% yoy
Total revenues	923.4	2.0%
- Beer revenues	859.6	3.0%
- Other revenues	63.8	(10.7%)
• Malt and others	37.9	(13.8%)
• Soft drinks	25.9	(4.2%)
• Spirits	0	(91.4%)

- Revenues Czech Republic	733.8	0.1%
- Revenues export	189.6	9.6%
<i>Export as % of total revenues</i>	20.5%	
Total Beer Volume (hl)	687 222	3.5%

In the first nine months of 2014, PLG recorded total revenues of CZK 923.4 million, up 2.0% yoy. Of this, total beer revenues were CZK 859.6 million, a 3.0% yoy increase driven by both higher sales volumes and higher price per hectolitre sold. The sales were partially affected by worse than usual weather conditions in July and August which affected the Czech beer market in general. Other revenues which include revenues from sales of malt, soft drinks and spirits amounted to CZK 63.8 million, a 10.7% decline over the first nine months of 2013. The decline of spirits sales is controlled and planned due to the newly introduced deposits imposed on spirits producers. The intra-company sales of malt produced by Moravamalt went up due to the closure of malthouse in Protivín Brewery which has been purchasing Czech malt exclusively from Moravamalt since the second half of 2013. As a result of that, the malt revenues on a consolidated based declined.

Adverse weather conditions in the summer months resulted in lower revenues generated in the Czech Republic which amounted to CZK 733.8 million in the first nine months of 2014, a slight increase in comparison to the first nine months in 2013. The export revenues in the first nine months of 2014 went up 9.6% yoy and totalled CZK 189.6 million which is a 20.5% of total revenues. The Group's key export customers are German retail chains Norma and Lidl (SK, PL, RO, HR, HU, BG), and Slovak customers.

On-trade segment development

Although the weather conditions in July and August this year negatively impacted the Czech breweries and the beer sales in the Czech market declined by 6% and 11% yoy respectively, PLG managed to mitigate this negative trend in the domestic market by new customers acquisitions and new product offers. PLG didn't join the overall discount policy started by the big breweries and rather held on to its qualitative marketing strategy of brands. The net price in both segments (Key Accounts/non-Key Accounts) was not affected by the sales promotions offered by competitors.

In the reported period, PLG launched several new products in the market. During the beer fest in Uherský Brod, PLG introduced new lager Respekt in tribute to the 120 year anniversary of the brewery. Brewery in Hlinsko introduced a new product for summer months – lighter unfiltered draught beer with a high content of yeast named Fojt. In line with a trend of launching untraditional beer specialities in the Czech market, PLG introduced a new top-fermented special beer of India Pale Ale type called Flying Cloud, which is being brewed by traditional craft beer process in Vysoký Chlumec Brewery. In the premium beers segment PLG managed to grow its sales despite the weak domestic market conditions, supported by a strong marketing support of Lobkowicz brand mainly through the partnership with the 49th International Film Festival in Karlovy Vary. For this year, the Company held a number of events directly in the site of the film festival including a special festival yeast Lobkowicz lager beer which was introduced for the first time.

Despite the adverse weather in summer and its impact on all outdoor activities, PLG successfully held beer outdoor events in all its breweries and its beers become partners of a number of local events in the regions where breweries are located.

PLG's beers received again a number of prestigious awards in the beer contests. In the traditional Hop Harvest Festival in Žatec (Saaz) – Dočesná - the Group beers obtained three golden, one silver and two bronze medals. Wheat beer Velen from Černá Hora was voted the best bottled wheat beer by consumer test of MF Dnes and Svět potravin (Food World) magazine in cooperation with the Czech Federation of Food and Drinks Industries. Velen succeeded among ten other brands available in the Czech retail market.

Off- trade segment development

In the off-trade segment, PLG successfully continued to cooperate with retail chains BILLA, Kaufland, SPAR and Lidl. Also in MAKRO PLG expanded its offer by listing new products. Sales to Lidl went up by one third if compared with the third quarter last year. This contributed to a higher price per hectolitre sold and especially to introduction of product portfolio across the Czech and Slovak Republics. In addition, PLG has managed to develop its sales to a smaller retail chains such as franchise shops Naš Grunt, COOP, PLUS, JIP etc.

Exports

In the first nine months of 2014, the sales to export markets increased if compared with the same period last year. Except malt sales where revenues dropped by CZK 13 million.

The sales to key customers grew in the first nine months of 2014 mainly due to higher sales to Lidl in Slovakia. Sales to Lidl went up also in other countries such as Bulgaria, while in the Polish and Romanian markets slightly declined. Exports to non-key account customers also grew in the first nine months of 2014.

All breweries recorded a growth in exports, mainly to Italy, Russia, Spain, Slovakia and partially also in China, the UK and Poland. In October this year, PLG held a number of promotion events in various countries (for example in the Czech Embassy in London or Paris) with the aim to support its products and/ or acquire new customers.

Co-operation in China

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

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

The craft beer is becoming increasingly popular worldwide and the Company has registered demand for a licenced beer production by mini breweries from the US, U.K., South Africa and Georgia.

On-going development in on trade acquisition

During 2014, PLG has invested approximately 25% of the IPO proceeds which were initially dedicated for the on-trade expansion. Out of this, newly acquired pubs and restaurants represented more than one third of the total. The remaining investments consisted of retention and extension of existing contracts. In the upcoming periods, the Company will continue in this activity further.

Potential acquisitions of breweries

PLG has an option to purchase a remaining 30% stake in Rychtář, where it currently holds 70%. The Company expects to exercise this option by the end of 2014. With respect to new acquisitions, new opportunities are closely monitored and evaluated on-case-by-case basis with an ultimate goal to be integrated in centralised management system of the Group.

Due diligence with respect to a potential sale of the majority stake

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

According to PLG's information, the potential buyer has temporary exclusivity for negotiations with the shareholders. Until the date of this Interim Management Statement it has not been clear whether the transaction will be closed and whether there will be a change in the PLG's shareholding structure.

Outlook for the rest of 2014

In the rest of the year 2014, the Group will continue to focus on sales performance in terms of higher volume and higher revenues per hectolitre sold. Acquisition of A-class customers (pubs and restaurants) away from the competition outlets remains a high priority in the upcoming periods with the use of the IPO proceeds. Export strategy should take advantage of highly positive perception of Czech beers abroad by strengthening long-term cooperation with existing foreign distributors and acquiring new distributors, while specific projects with foreign partners are already in pipeline.

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

For more information please contact

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