



**BANJALUČKA PIVARA**  
- 1873 -

## Statement to accompany un-audited financial results for 1H 2018

Dear Shareholders,

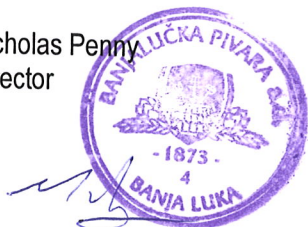
The first half of 2018 has been quite disappointing versus the successes of previous years. An unusually cold and prolonged winter, followed by a very wet early summer, have combined to give quite adverse market conditions. The unfavourable weather, combined with the noticeable drop in consumer spending and disposable income following fuel excise increases and even the effect of the departure abroad of many working age people, has led to a significant drop in the total beer market.

Compared to last year, in the first half of 2018, volume sales fell by 2.6% to 223 thousand hectolitres and sales value fell by just 0.5% to 21.5 million KM, reflecting our continued focus upon premium products. In addition to a focus on premium products, the Company has generally raised spending levels across marketing, maintenance and raw materials. Many input costs, such as fuel, are rising sharply, but the Company is also investing in new projects. This has resulted in a fall in EBITDA or operating profit of 11% to 5.5 million KM.

The final result of 1.514 million KM versus 3.013 million KM in 2017 reflects one-off costs arising from investments in business development. First is a major investment in equipment (draft machines, coolers and umbrellas), to support our business expansion in Serbia and Croatia. Our expectation is that over the coming years, exports to Serbia, Croatia and Italy in particular will become an important income earner for our Company. In August this year, you will find Nektar at leading events such as Guča and the Belgrade beer fest, as well as the biggest sailing regatta in Europe „Barcolana“ in Trieste in early October. The negative impact on apparent profitability is also exaggerated by the fact that in the previous two years the Company booked exceptional income from the sale of unused property assets.

The Company remains in good financial health, however, the overall market picture is not as positive as it has been in recent years. The continued poor weather has had an impact on volumes and we can expect input costs to continue to rise as oil prices rise. Nevertheless, our strategy is to continually invest in the business to secure future growth.

Nicholas Penny  
Director



31 July 2018