



BANJALUČKA PIVARA
- 1873 -

Statement to accompany un-audited financial results for Q1 2018

Dear Shareholders,

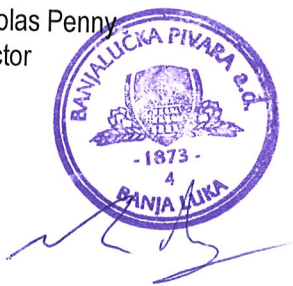
After a mild start to the winter at the end of 2017, the first three months of 2018 were significantly colder, with significant quantities of snow. This led to a general slow-down in sales after the New Year, which is reflected in our results for the first quarter.

In addition to slow sales volume, there was a noticeable amount of discounting of competitor beer stocks, primarily imported, in order to sell out ageing stock from the previous year end. This is now becoming a regular trend of overstocking at the end of each financial year, followed by heavy discounting to sell through ageing stock. This week the brewery association published its annual beer market summary. One of the most alarming trends identified by the association is a dramatic fall in cross border prices of imported beer from Serbia during 2018. These prices are less than half of the selling prices of the BiH breweries and imports from Croatia and Slovenia, and below a reasonable transfer price between countries.

The result for the first quarter of 2018, is a 6% fall in sales value, and a 6.5% fall in volume, leading to a final result of 244 thousand KM net profit. This is a drop of about 50% versus the same period last year. The main reason for this drop in profitability is rising direct costs, especially energy, as well as inventory changes. For instance, the price of fuel oil, which follows global oil prices, has increased by 20% versus the same period in 2017. Further increases in marketing costs to drive growth and expansion are also negatively impacting profitability.

On the positive side, a number of export initiatives in Serbia, Croatia and Italy are starting to show satisfactory results. During the course of 2018, we anticipate a growing contribution from exports.

Nicholas Penny
Director



27 April 2018