



Banjalučka Pivara a.d.

## PROSPECTUS

- for ordinary and priority shares listed  
on the official stock market -

Banja Luka, 12<sup>th</sup> December 2013

**Note:**

This Prospectus is issued for listed ordinary and priority shares on the official stock market of Banjalučka berza hartija od vrijednosti a.d. Banja Luka (Banja Luka Stock Market of Securities a.d. Banja Luka), for harmonization with the form and contents set out by the Rule Book on Conditions and Procedure of Emission of Securities („Official Gazette of the Republic of Srpska“, No. 60/12, 88/13).

Issuance of this Prospectus, sale or purchase of the Company shares, do not imply that the circumstances related to the Company have not changed from the date of issuance of this Prospectus.

This Prospectus must not be considered a recommendation for purchasing or sale by or on behalf of the Company, or by or on behalf of another person, which the Company is connected to, its connected companies or representatives.

Each investor, who considers purchasing of shares of the Company, is advised to make own evaluation and judgment about the financial status of the Company, including inherent risks.

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## 1. Data about the Persons Responsible

### 1.1. The persons responsible of the issuer

Name and last name of the person responsible	Capacity of the person responsible	Information in a part of the document
Nicholas Penny	Managing Director of the Company	4, 5.1.5, 5.2.1, 5.2.2, 5.2.3, 6.3, 8.2, 9.2, 9.5, 9.6, 9.7, 11.1, 11.3, 12.4, 15, 17
Mirjana Jovanović	Finance Director of the Company	1.1, 1.2, 2, 4, 5.1, 5.1.1, 5.1.2, 5.1.3, 5.1.5, 5.2.1, 5.2.2, 5.2.3, 6.1, 6.1.1, 6.1.2, 6.2, 6.4, 7, 9.3, 10.2, 11.1, 12.1, 12.2, 12.3, 12.4, 13.2, 13.3, 14, 16.1, 16.1.1, 16.2.1, 16.2.3, 16.2.5, 17, 18, 19
Aleksandra Dimić	Independent Expert Associate for Legal Affairs	5.1.4, 9.6, 13.3, 16.2.2, 16.2.4, 16.2.6, 16.2.7, 16.2.8
Nada Rvović	Head of Accounting	3, 8.1, 9.1, 9.4, 9.6, 10.1, 13, 15

### 1.2. A signed statement of the persons responsible

Having undertaken all the necessary measures, we hereby declare that, to our knowledge, the information in the Prospectus are in line with the facts, as well as that no facts have been omitted that could affect the truthfulness and completeness of the Prospectus.

Having undertaken all the necessary measures, we hereby declare that, to our knowledge, the information in a separate part of the Prospectus are in line with the facts, as well as that no facts have been omitted that could affect the truthfulness and completeness of the Prospectus.

Name and last name of the person responsible	Capacity of the person responsible	Signature of the person responsible
Nicholas Penny	Managing Director of the Company	
Mirjana Jovanović	Finance Director of the Company	
Aleksandra Dimić	Independent Expert Associate for Legal Affairs	
Nada Rvović	Head of Accounting	

## **2. Persons in Charge of Auditing of Financial Information**

### **2.1. Name and last name or a business name of the person, who is responsible for auditing of financial reports for the period covered by the given financial information, including their status within the legal entity**

Auditing of financial reports of Banjalučka Pivara for the business 2012 and 2011 was performed by an authorized auditing company KPMG B-H d.o.o. for auditing, Branch Office Banja Luka, Jovana Dučića 13, 78000 Banja Luka, and an authorized auditor Senad Pekmez.

### 3. Selected Financial Information

Reported values are given in convertible marks (KM).

Description	2012	2011	30 Sept 2013	30 Sept 2012
Balance sheet				
Total assets – net current year	45,169,861	45,308,459	47,507,069	47,727,425
Total liabilities – net current year	45,169,861	45,308,459	47,507,069	47,727,425
Profit and loss balance				
Total income	35,237,962	25,565,313	32,653,959	28,327,174
Total expenditures	36,475,617	30,558,628	30,842,063	28,697,492
Balance of monetary cash flows				
Total incoming cash	78,876,091	47,701,350	63,639,193	54,596,897
Total outgoing cash	78,911,897	50,038,900	62,994,950	54,110,793

Detailed financial information about the property, liabilities, financial business and position of Banjalučka Pivara are explained in **point 9** of this Prospectus.



#### 4. Risk Factors

When investing into securities, the investor, in line with own preferences of risk and return on investment, consciously undertakes certain types of risk. When considering the investment into shares of Banjalučka Pivara, a potential investor should take the below-mentioned risk factors into account, however, the investor is advised to make own evaluation and judgment of financial position of Banjalučka Pivara AD Banja Luka, conditions of business operations, as well as other factors and information that may affect successfulness of the Company. Risks of investment in Banjalučka Pivara are:

- Still underdeveloped and insolvent securities market,
- Changes of the macroeconomic policy,
- Political risk, depending on the relations of the Republic of Srpska and Bosnia and Herzegovina with the neighboring countries, as well as the transition process,
- Huge competition on the brewing market of Bosnia and Herzegovina – 5 breweries operate in BiH,
- Huge import of beer from the neighboring countries (multinational breweries) and export limited with non-customs barriers,
- Inconsistent foreign trade policy,
- Force majeure – the notion force majeure implies events such as, amongst other: war, invasion, terrorist attacks, civil war, riot, epidemics, affecting the employees of the issuer, fires, earthquakes, floods and other climate and natural disasters that may cause damages to the issuer, collective labor disputes, strikes, etc. The aforementioned events may have a negative effect to the financial state of the issuer.

Also, Banjalučka Pivara has been exposed to the following financial risks:

- Credit risk: credit risk is the risk of financial loss of the issuer, if the customer or another contractual party of a financial instrument does not fulfill its contractual right. Credit risk is caused exclusively by receivables from customers,
- Solvency risk: solvency risk implies maintenance of sufficient quantity of cash for payment of current obligations. The issuer is exposed to solvency risk,
- Market risks: market risk is the risk of changing the market prices, such as exchange rates, interest rates and capital, which affects the income of the issuer and values of its financial instruments.

## 5. Data about the Issuer

### 5.1. Basic data and history of the issuer

Banjalučka Pivara was founded in 1873 by the monks of the Monastery Marija Zvijezda of the Trappist order. After the World War II, more precisely in 1950, the Brewery was nationalized and became state-owned.

In 1975, Banjalučka Pivara entered into the composition of agro-industrial complex Bosanska Krajina, whose member it was until 1989, when, by resignation from membership, it became an independent company.

During 1991, there was a change of ownership and Banjalučka Pivara got registered as a joint stock company with mixed ownership, where one part of the capital remained in social ownership and the second part of the capital, by selling shares to the employees, became shareholder-owned. Later, in 1995, on the basis of the then-legislation, the capital in social ownership becomes the state-owned capital. At the same time Banja Luka brewery was declared a company of interest to the Republic of Srpska.

In 2003 there was a transfer of the state capital into shareholding capital, by which Banjalučka Pivara became a joint stock company, while, in 2005, the Government of the Republic of Srpska approved a special privatization program for sale of the state-owned capital (53.81% of the total basic capital) using the method of a tender with variable terms, which was concluded in the beginning of 2006.

During its existence, the Brewery has constantly developed and adjusted to the market conditions. The end of 2004 marked finalization of investments into modernizing and expanding of production space, by which the production capacity was raised to 1,000,000 hl of beer on an annual basis. Having done so, Banjalučka Pivara has grown from a small brewery, which initially served only for the needs of the Monastery, into a large and modern brewery, whose production capacity is sufficient for supply of the whole BiH market.

#### 5.1.1. Business name of the issuer

Full business name of the issuer is: AKCIONARSKO DRUŠTVO „BANJALUČKA PIVARA“ BANJA LUKA.

Abbreviated business name of the issuer is: „BANJALUČKA PIVARA“ AD BANJA LUKA.

#### 5.1.2. The seat of the issuer, registration number, the number of the appropriate registry of business companies, which the issuer is registered at, as well as the sign and registration number of the issuer at the Registry of Issuers of the Securities Commission.

Seat	Slatinska 8, 78000 Banja Luka
Registration number	1041886
Business Entities Registry Excerpt Number	Registry of District Commercial Court in Banja Luka, Republic of Srpska, registration number of the registered entity: 1-29-00
Registration number in the Registry of the Securities Commission	designation BLPV, registration number: 04-491-28/03

### 5.1.3. A legal form of the issuer, address telephone number and e-mail address

Joint Stock Company Banjalučka Pivara Banja Luka is a business company organized as an open joint stock company, in accordance with the law.

Address	Slatinska 8, 78000 Banja Luka
Telephone/fax number	051 334 100 / 051 300 624
E-mail address	info@blpivara.com

### 5.1.4. Date of incorporation and registration of the issuer

Banjalučka Pivara was founded in 1873. The following are the key information about the changes of the form of its organization and registration of the most significant changes in the recent history of Banjalučka Pivara.

Registration of the change of organization form and incorporation of a Labor Organization – RO Banjalučka Pivara, as a part of AIPK Krajina, were performed on the basis of Decision of General Jurisdiction Court in Banja Luka, No. U/I-472/85 of 30<sup>th</sup> September 1985.

Registration of the change of organization form from a Labor Organization – RO Banjalučka Pivara and incorporation of the company Banjalučka Pivara were performed on the basis of Decision of General Jurisdiction Court in Banja Luka, No. U/I-319/89 of 20<sup>th</sup> July 1989.

Registration of the change of organization form from the company and incorporation of Banjalučka Pivara d.d. Banja Luka were performed on the basis of Decision of General Jurisdiction Court in Banja Luka, No. U/I-1529/91 of 5<sup>th</sup> July 1991.

Registration of the change of organization form from a state-owned joint stock company to joint stock company as well as registration of the change in the part of the state-capital with the change in the regime of ownership (registered transfer of the right of disposal and management of the state-capital to the Privatization Agency in full until the privatization was completed) were done on the basis of Decision of General Jurisdiction Court in Banja Luka, No. U/I-143/2003 of 19<sup>th</sup> February 2003.

The founders were registered in the attachment to this Decision: State-owned capital with 53.808391%, PIO Fund with 7.200018%, Restitution Fund with 3.589999%, internal shareholders with 28.223991%, voucher offer with 7.177600% from the total registered and paid basic capital in the amount of KM 39,454,774.00.

Registration of the change of the ownership structure on the side of the investor – the owner of shareholding share, i.e. sale of the state-owned capital was registered on the basis of Decision of General Jurisdiction Court No. 071-0-REG-06-000249 of 17<sup>th</sup> February 2006, while the transfer from the account of the seller of the state-owned capital to the account of the buyer and investor Altima Global Special Situations Fund Ltd., 113 South Church Street, George Town, Grand Cayman, CAYMAN ISLANDS was performed at the Book of Shareholders of the Central Registry of Securities.

Banjalučka Pivara a.d. Banja Luka completed, in 2003, increase of the basic capital by issuance of II emission of ordinary shares in the amount of KM 3,825,934.00. Registration of the basic capital increase in Court was executed on 11<sup>th</sup> July 2003 under the number U/I-2125/03.

II emission was registered at the Central Registry of Securities and subscribed on the accounts of the owners on 11<sup>th</sup> September 2003 in accordance with Notification No. 06-27-II/03.

Banjalučka Pivara a.d. Banja Luka finalized, in 2004, increase of the basic capital by issuance of III emission of ordinary shares in the amount of KM 4,415,595.00. Registration of the basic capital increase in Court was executed on 27<sup>th</sup> August 2004 under the number U/I-1880/04.

The third emission of regular shares was registered at the Central Registry of Securities and subscribed to the accounts of the owners on 9<sup>th</sup> September 2004 in accordance with Notification No. 06-37/03.

In 2006, Banjalučka Pivara a.d. Banja Luka finalized the basic capital decrease by new contributions from IV emission of shares by a closed offer, to a pre-determined buyer in the amount of KM 17,500,000.00. Registration of the basic capital increase in Court was executed on 28<sup>th</sup> September 2006 under the number 071-0-reg-06-001769. Decision of the Securities Commission about declaration of IV emission successful was issued under the number 01-UP-031-3223/06 of 18<sup>th</sup> September 2006.

In 2011, Banjalučka Pivara a.d. Banja Luka brought a resolution on coverage of losses charged to the reserves and the basic capital and basic capital decrease. Registration was implemented with the District Commercial Court of Banja Luka on 8<sup>th</sup> December 2011 under the number 057-0-Reg-11-002087. The basic capital was decreased to the priority to KM 5,680,693.00. This was followed by Decision of the Central Registry of Securities on registration of priority shares number 6-27/03 of 4<sup>th</sup> August 2011, as well as Decision of the Central Registry of Securities on registration of ordinary shares 6-27/03 of 3<sup>rd</sup> August 2011.

Banjalučka Pivara a.d. Banja Luka finalized, at the end of 2013, the basic capital increase by issuing VII emission of regular (ordinary) shares addressed to a qualified investor in the amount of KM 16,619,307.00. The basic capital of the Company, after this capital increase, amounts to KM 22,300,000.00. Registration of the basic capital increase at District Commercial Court of Banja Luka was performed on 12<sup>th</sup> December 2013 under the registration number 057-Reg-13-002458.

#### **5.1.5. Events significant for development of the issuer**

The most significant events for further development of Banjalučka Pivara are mentioned in the previous point (5.1.4.), as well as in point 5.1. In addition to this, we would like to emphasize that, in 2005, Banjalučka Pivara obtained a certificate for the quality system in line with the ISO standards, which are confirmed each year.

### **5.2. Significant investments**

#### **5.2.1. Description of all the significant investments of the issuer for each financial year for the given previous period**

Total capital investment, in 2012, amounted to KM 5.5 million, out of which the biggest part, around KM 4 million, was invested in packaging, primarily as follows: replacement of bottles (which has, along with other undertaken activities in 2012, greatly contributed to significant increase of sales that year), as well as purchasing of crates and kegs. Around KM 0.7 million was invested in commercial-promotional fixed assets (coolers, umbrellas, draft beer systems, awnings, etc.). Also, in 2012, three replacement commercial vehicles were purchased (replacement done due to their being worn-out and due to the lack of maintenance of the old vehicles) and one forklift of the total value of around KM 100,000 (purchasing of vehicles and forklifts was financed by leasing). The difference goes to investments (investment maintenance) in production and IT equipment of Banjalučka Pivara.

The total capital investment in 2011 amounted to around KM 1.7 millions. Out of that, approximately KM 0.7 million was invested in packaging (replacement bottles, new crates and kegs), whereas KM 0.5

millions were invested in commercial-promotional fixed assets. In 2011, another forklift was purchased for the needs of Dispatch work and three replacement commercial vehicles of the total value of approximately KM 150,000 were also purchased (purchasing of vehicles and forklifts was financed by leasing). The difference was invested (investment maintenance) in production and IT equipment of Banjalučka Pivara.

### **5.2.2. Description of the most significant current investments of the issuer, as well as the manner of financing the investments**

For the first six months of 2013, the total capital investments amounted to around KM 3.6 millions. Out of that, approximately KM 1.6 millions were invested in packaging and around 1.1 million in commercial-promotional fixed assets, primarily because of the expansion of business in the core market and expansion of work in the developing markets. In 2013, also, due to being worn-out, lack of cost-effective maintenance and expansion of business, replacement commercial and passenger vehicles, as well as one forklift of the total value of approximately KM 0.6 millions were purchased (purchasing of vehicles and the forklift was financed by leasing; note: a part of vehicles was purchased after the semi-annual accounts). The difference was invested (investment maintenance) in production and IT equipment of Banjalučka Pivara.

### **5.2.3. Information on future significant investments of the issuer, for which the Company's Management has undertaken firm commitments**

Banjalučka Pivara has, in quarter IV of 2013, concluded contracts about purchasing of a beer canning line, as well as a blow molding machine for PET bottles, in line with the Decision of the Shareholder Assembly adopted at an extraordinary Shareholder Assembly session held on 3<sup>rd</sup> October 2013. The total value of investment in purchasing and installation of this equipment amounts to around KM 3 million. Purchasing of equipment is financed by the capital increase funds.

## 6. Review of Business Operations

### 6.1. Core business activities

The core business activities of the issuer are production of beer, production of malt and production of other food products.

#### 6.1.1. Description of the subject of business, core business activities and key activities on the basis of which the issuer realizes the biggest incomes, with emphasizing of significant products or services, it provides

Banja lučka Pivara achieved the biggest income from sales of beer. Recognizable brands, produced by Banja lučka Pivara are: Nektar, Kaltenberg, Crni Đorđe and Kastel. The Brewery is also realizing a certain part of its income from service filling of private label for certain regional and local key accounts.



### 6.1.2. Description of all the new products or services that were introduced

The brand with the longest tradition and the most recognizable brand of Banjalučka Pivara is Nektar beer. Nektar beer was awarded the status of a Superbrand on the market of Bosnia and Herzegovina, by which it was confirmed, once again, that Nektar is one of the leading brands in BiH.

In addition to traditional Nektar beer, light lager beer, the pallet of Nektar products was expanded, in 2012 and 2013, by light lager beers with addition of non-alcoholic drink made of fruit base, thus Nektar brand got Nektar limun, Nektar grejp, Nektar ananas and Nektar ribizla (dark lager beer with addition of black current fruit base).

The story about Crni Đorđe is the story about tradition and pride. Crni Đorđe is premium dark beer with a strong aroma of caramel roasted malt. With its natural color and rich foam, this beer is a real pleasure for connoisseurs.

Banjalučka Pivara has a license for filling of Kaltenberg beer. Kaltenberg beer originated as a result of a personal vision and dedicated work of the Bavarian royal dynasty Wittelbachs, which started own production of beer and opened the first brewery in Bavarska in 1260. The royal Kaltenberg beer is a classical Bavarian pills beer of a refined taste and perfect freshness. It is still produced according to the German Law on Beer Purity, the so-called "Reinheitsgebot" – the oldest law on food safety, of 1516, obliging: "... that nothing may be added or used in beer except barley, hops, natural yeast and crystal clear water!"

Kastel beer, another brand, which was developed some years ago by Banjalučka Pivara, is golden lager beer, of pure aroma and pleasant refreshing taste. It was made of the finest ingredients with specifically added kinds of hops that make it very drinkable and fresh.

### 6.2. Main markets, at which Banjalučka Pivara is present

Banjalučka Pivara achieves the biggest part of its income on the market of Bosnia and Herzegovina. In BiH, the total of 5 breweries operate, and the biggest competitor to domestic breweries are large international brewing corporations, which have purchased almost all the breweries in the neighboring countries, with whom different free trade agreements were signed and which, in no way, limit free entry of numerous brands of beer to BiH. Large multinational breweries, who sell their products on BiH market, and which are dominant producers of beer in the countries where they possess their own breweries, are Carlsberg Group (former breweries of Čelarevo in Serbia and Panonska Pivovara in Croatia), Heineken (Karlovačka Pivovara in Croatia, Heineken Serbia and Montenegro), Molson Coors Group (Zagrebačka Pivovara in Croatia, Apatinska Pivara in Serbia and Nikšićka Pivara in Montenegro). In addition to them, in a significantly smaller quantity, brands of many other European and international breweries may be found on the BiH market.

Banjalučka Pivara realizes a smaller part of its income through export of its products in the countries such as Croatia, Austria, Australia, Sweden, USA, etc.

According to information of a research company Canadean, in 2012, Banjalučka Pivara took the leading position amongst Bosnian and Herzegovinian breweries in terms of the scope of sales in Bosnia and Herzegovina, and the second place in BiH in sale in comparison with all the market participants (domestic and international breweries).

### **6.3. Overview of information about licenses with a degree of influence over business operations of the issuer**

Banjalučka Pivara has a license for production of royal Bavarian beer Kaltenberg and its distribution in Bosnia and Herzegovina, Serbia and Montenegro, which makes it the first brewery in BiH with a license for production of one international beer. At the moment of issuance of this Prospectus, Banjalučka Pivara performs distribution of Kaltenberg beer in Bosnia and Herzegovina, with an intention to expand this distribution in the next few years in the neighboring countries. The license was issued to Banjalučka Pivara until 2020, with a possibility of further extension by agreement of both contractual parties (Banjalučka Pivara a.d. and the license issuer König Ludwig International GmbH &CO. KG) for the period of two times of five years. This license does not have a significant influence over the total business operations of the issuer.

### **6.4. Source of information about the position of Banjalučka Pivara on the market**

Source of information about the beer market share in Bosnia and Herzegovina: one of the leading international companies, specialized for market research Canadean (<http://www.canadean.com>).



## 7. Organizational Structure

### 7.1. Organizational structure – group membership

Banjalučka Pivara is not a part of the group (concern), thus, in line with the aforementioned, it is not in a dependant position.

### 7.2. List of companies, which the issuer has an ownership share in

Banjalučka Pivara owns shares of the following companies:

Company	Address	Share in the capital (KM)	Share in the capital (%)
Dunav osiguranje a.d. Banja Luka	Veselina Masleše br. 28	165,400.00 KM	1.2086%
Krajina osiguranje a.d. Banja Luka	Braće Pantića br. 2	14,450.00 KM	0.2135%
Ekopak d.o.o. Sarajevo	Zmaj od Bosne broj 7-7a, objekat O3, Novo Sarajevo	20,000.00 KM	14.2857%

## 8. Real estates, plants and equipment

### 8.1. Information about the existing and planned long-term material assets, including assets under leasing, as well as overview of burdens on the real estates

Below is the overview of the state of construction buildings, equipment and packaging and assets in the preparation of Banjalučka Pivara for 2012 and 2011 (**revised** reports).

	Buildings KM	Equipment and packaging KM	Construction in progress KM	Total KM
<b><i>Purchasing value</i></b>				
<b>Balance on 1 January 2011</b>	<b>40,427,830</b>	<b>95,047,998</b>	<b>69,858</b>	<b>135,545,686</b>
Purchases	-	22,877	1,689,857	1,712,734
Transfers	-	1,686,282	(1,686,282)	-
Disposals	-	(1,494,584)	-	(1,494,584)
<b>Balance on 31 December 2011</b>	<b>40,427,830</b>	<b>95,262,573</b>	<b>73,433</b>	<b>135,763,836</b>
<b>Balance on 1 January 2012</b>	<b>40,427,830</b>	<b>95,262,573</b>	<b>73,433</b>	<b>135,763,836</b>
Purchases	-	-	6,324,665	6,324,665
Transfer from spare parts	-	-	514,807	514,807
Transfer of spare parts	-	514,807	(514,807)	-
Transfers	23,354	6,259,125	(6,282,479)	-
Surplus/(Deficit)	-	(134,848)	-	(134,848)
Disposals	-	(3,865,614)	-	(3,865,614)
Transfer to intangible assets	-	(6,474)	-	(6,474)
<b>Balance on 31 December 2012</b>	<b>40,451,184</b>	<b>98,029,568</b>	<b>115,619</b>	<b>138,596,371</b>
<b><i>Accumulated Depreciation and Impairment Losses</i></b>				
<b>Balance on 1 January 2011</b>	<b>(26,296,799)</b>	<b>(74,529,799)</b>	-	<b>(100,826,598)</b>
Cost for the year	(827,491)	(5,094,732)	-	(5,922,223)
Disposals	-	1,429,518	-	1,429,518
<b>Balance on 31 December 2011</b>	<b>(27,124,290)</b>	<b>(78,195,013)</b>	-	<b>(105,319,303)</b>
<b>Balance on 1 January 2012</b>	<b>(27,124,290)</b>	<b>(78,195,013)</b>	-	<b>(105,319,303)</b>
Cost for the year	(827,705)	(5,535,970)	-	(6,363,675)
(Surplus)/Deficit	-	217,264	-	217,264
Disposals	-	2,654,962	-	2,654,962
Correction of packaging	-	(411,138)	-	(411,138)
Transfer to intangible assets	-	3,889	-	3,889
<b>Balance on 31 December 2012</b>	<b>(27,951,995)</b>	<b>(81,131,158)</b>	-	<b>(109,083,153)</b>
<b><i>Net current value</i></b>				
<b>Balance on 31 December 2011</b>	<b>13,303,540</b>	<b>17,067,560</b>	<b>73,433</b>	<b>30,444,533</b>
<b>Balance on 31 December 2012</b>	<b>12,499,189</b>	<b>16,898,410</b>	<b>115,619</b>	<b>29,513,218</b>

Banjalučka Pivara has pledged the total value of assets as collateral, on the basis of loans taken from the banks (Hypo-Alpe-Adria bank a.d. Banja Luka and Hypo-Alpe-Adria bank d.d. Mostar).

Present value of transportation vehicles of Banjalučka Pivara, as of 31st December 2012, amounts to KM 356,050 (purchasing value KM 2,041,587, correction of value 1,658,537), out of which the vehicles of the total present value of KM 307,338 are still under leasing.

Below is the overview of construction buildings, equipment and packaging and construction in progress of Banjalučka Pivara, as of 30<sup>th</sup> June 2013 (**unaudited** report).

	<b>Construction buildings KM</b>	<b>Equipment and packaging KM</b>	<b>Construction in progress KM</b>	<b>Total KM</b>
<b><i>Purchasing value</i></b>				
<b>Balance on 1 January 2012</b>	<b>40,427,830</b>	<b>95,262,573</b>	<b>73,433</b>	<b>135,763,836</b>
Purchases	-	-	6,324,665	6,324,665
Transfer from spare parts	-	-	514,807	514,807
Transfer of spare parts	-	514,807	(514,807)	-
Transfers	23,354	6,259,125	(6,282,479)	-
Surplus/(Deficit)	-	(134,848)	-	(134,848)
Disposals	-	(3,865,614)	-	(3,865,614)
Transfer to intangible assets	-	(6,474)	-	(6,474)
<b>Balance on 31 December 2012</b>	<b>40,451,184</b>	<b>98,029,568</b>	<b>115,619</b>	<b>138,596,371</b>
<b>Balance on 1 January 2013</b>	<b>40,451,184</b>	<b>98,029,568</b>	<b>115,619</b>	<b>138,596,371</b>
Purchases	-	-	3,107,897	3,107,897
Transfers	58,686	2,733,692	(2,792,378)	-
Disposals	(18,262)	(20,514,685)	(774)	(20,533,721)
<b>Balance on 30 June 2013</b>	<b>40,491,608</b>	<b>80,248,575</b>	<b>430,364</b>	<b>121,170,547</b>
<b><i>Accumulated Depreciation and Impairment Losses</i></b>				
<b>Balance on 1 January 2012</b>	<b>(27,124,290)</b>	<b>(78,195,013)</b>	<b>-</b>	<b>(105,319,303)</b>
Cost for the year	(827,705)	(5,535,970)	-	(6,363,675)
(Surplus)/Deficit	-	217,264	-	217,264
Disposals	-	2,654,962	-	2,654,962
Correction of packaging	-	(411,138)	-	(411,138)
Transfer to intangible assets	-	3,889	-	3,889
<b>Balance on 31 December 2012</b>	<b>(27,951,995)</b>	<b>(81,131,158)</b>	<b>-</b>	<b>(109,083,153)</b>
<b>Balance on 1 January 2013</b>	<b>(27,951,995)</b>	<b>(81,131,158)</b>	<b>-</b>	<b>(109,083,153)</b>
Cost for the year	(91)	(3,171,213)	-	(3,171,304)
Disposals	11,596	20,369,203	-	20,380,799
<b>Balance on 30 June 2013</b>	<b>(27,940,490)</b>	<b>(63,933,168)</b>	<b>-</b>	<b>(91,873,658)</b>
<b><i>Net present value</i></b>				
<b>Balance on 31 December 2012</b>	<b>12,499,189</b>	<b>16,898,410</b>	<b>115,619</b>	<b>29,513,218</b>
<b>Balance on 30 June 2013</b>	<b>12,551,118</b>	<b>16,315,407</b>	<b>430,364</b>	<b>29,296,889</b>

Banjalučka Pivara has pledged the total value of assets as collateral, on the basis of loans taken from the banks (Hypo-Alpe-Adria bank a.d. Banja Luka and Hypo-Alpe-Adria bank d.d. Mostar).

Present value of transportation vehicles of Banjalučka Pivara, as of 30 June 2013, amounts to KM 738,971 (purchasing value KM 2,181,091, correction of value 1,442,120), out of which the vehicles of the total present value of KM 738,971 are still under leasing (this value does not include the vehicles purchased in July 2013, of the total value of KM 150,000, which have also been financed by leasing).

Below is the overview of construction buildings, equipment and packaging and construction in progress of Banjalučka Pivara, as of 30<sup>th</sup> September 2013 (**unaudited** report).

	<b>Construction buildings KM</b>	<b>Equipment and packaging KM</b>	<b>Constructi on in progress KM</b>	<b>Total KM</b>
<b><i>Purchasing value</i></b>				
<b>Balance on 1 January 2012</b>	<b>40,427,830</b>	<b>95,262,573</b>	<b>73,433</b>	<b>135,763,836</b>
Purchases			6,324,665	6,324,665
Transfer from spare parts			514,807	514,807
Transfer of spare parts		514,807	(514,807)	-
Transfers	23,354	6,259,125	(6,282,479)	-
Surplus/(Deficit)		(134,848)		(134,848)
Disposals		(3,865,614)		(3,865,614)
Transfer to intangible assets		(6,474)		(6,474)
<b>Balance on 31 December 2012</b>	<b>40,451,184</b>	<b>98,029,568</b>	<b>115,619</b>	<b>138,596,371</b>
<b>Balance on 1 January 2013</b>	<b>40,451,184</b>	<b>98,029,568</b>	<b>115,619</b>	<b>138,596,371</b>
Purchases	-	-	3,780,771	3,780,771
Transfers	58,685	3,726,433	(3,785,118)	-
Disposals	(18,262)	(20,744,078)	(774)	(20,763,114)
<b>Balance on 30 September 2013</b>	<b>40,491,607</b>	<b>81,011,923</b>	<b>110,498</b>	<b>121,614,028</b>
<b><i>Accumulated Depreciation and Impairment Losses</i></b>				
<b>Balance on 1 January 2012</b>	<b>(27,124,290)</b>	<b>(78,195,013)</b>	-	<b>(105,319,303)</b>
Cost for the year	(827,705)	(5,535,970)	-	(6,363,675)
(Surplus)/Deficit		(6,882)		(6,882)
Disposals		358,994		358,994
Correction of packaging		2,654,962		2,654,962
Transfer to intangible assets		(411,138)		(411,138)
<b>Balance on 31 December 2012</b>		<b>3,889</b>		<b>3,889</b>
	<b>(27,951,995)</b>	<b>(81,131,158)</b>	-	<b>(109,083,153)</b>
<b>Balance on 1 January 2013</b>				
Cost for the year	<b>(27,951,995)</b>	<b>(81,131,158)</b>	-	<b>(109,083,153)</b>
Disposals	(91)	(4,836,343)	-	(4,836,434)
<b>Balance on 30 September 2013</b>	<b>11,596</b>	<b>20,532,595</b>	-	<b>20,544,191</b>
	<b>(27,940,490)</b>	<b>(65,434,906)</b>	-	<b>(93,375,396)</b>
<b><i>Net present value</i></b>				
<b>Balance on 31 December 2012</b>	<b>12,499,189</b>	<b>16,898,410</b>	<b>115,619</b>	<b>29,513,218</b>
<b>Balance on 30 September 2013</b>	<b>12,551,117</b>	<b>15,577,017</b>	<b>110,498</b>	<b>28,238,632</b>

Banjalučka Pivara has pledged the overall value of assets as collateral on the basis of bank loans (Hypo-Alpe-Adria Bank a.d. Banja Luka and Hypo-Alpe-Adria Bank d.d. Mostar).

The present value of transportation vehicles of Banjalučka Pivara, as of 30<sup>th</sup> September 2013, amounts to KM 874,156 (purchasing value is KM 2,394,218, correction of value is 1,520,062), out of which the vehicles of a total present value of KM 874,156 are still under leasing.

Banjalučka Pivara has, in quarter IV of 2013, concluded contracts about purchasing of a beer canning line, as well as a blow molding machine for PET bottles, in line with the Decision of the Shareholder Assembly adopted at an extraordinary Shareholder Assembly session held on 3<sup>rd</sup> October 2013. The total value of investment in purchasing and installation of this equipment amounts to around KM 3 million. Purchasing of equipment is financed by the capital increase funds.

## **8.2. Description of all the problems related to environmental protection, which could affect usage of material long-term property**

Banjalučka Pivara owns a Water Permit, necessary for its business operations, valid until 31<sup>st</sup> December 2013. Its extension is conditioned by the beginning of works on regulation of the Raškovac spring, as well as separation of waste waters until the end of 2013.

Also, Banjalučka Pivara has received an Environmental Permit, necessary for business operations, valid until 21<sup>st</sup> February 2013. Its renewal was conditioned by building of a waste waters treatment plant until the end of 2016.

Banjalučka Pivara adheres to all the measures with the aim to protect the health of people and the environment, as set out by the applicable legal regulations. Pivara has been an active member of the Company for Management of Packaging and Packaging Waste in BiH, and it does pay maximum attention to handling of all kinds of waste and by-products.

## 9. Financial Data on Property, Liabilities, Financial Position, as well as Profit and Losses of the Issuer

### 9.1. Financial data about previous business results

Below is a summary of the most significant **audited** financial information **for the business 2012 and 2011** (report on the total result, report on financial position, report on capital changes, report on cash flow).

#### Statement of comprehensive income

	I-XII-2012 KM	I-XII-2011 KM
Revenue	33,385,161	24,082,363
Other income	1,278,669	875,476
<b>Total revenue</b>	<b>34,663,830</b>	<b>24,957,839</b>
Increase (decrease) in inventory	571,679	604,462
Raw materials, consumables and services used	(14,815,765)	(11,021,865)
Staff costs	(5,465,340)	(5,125,440)
Depreciation costs and amortization expenses	(6,379,775)	(5,932,654)
Other operating costs	(7,699,934)	(5,944,996)
<b>Operating profit (loss)</b>	<b>874,695</b>	<b>(2,462,654)</b>
Financial income	2,453	3,012
Financial expenses	(2,114,803)	(2,533,672)
<b>Net financial loss</b>	<b>(2,112,350)</b>	<b>(2,530,660)</b>
<b>Loss before taxation</b>	<b>(1,237,655)</b>	<b>(4,993,314)</b>
Income tax expense	-	-
<b>Loss for the year</b>	<b>(1,237,655)</b>	<b>(4,993,314)</b>
Other losses:		
Change in fair value of available-for-sale securities	(54,722)	(50,931)
<b>Total comprehensive loss for the year</b>	<b>(1,292,377)</b>	<b>(5,044,245)</b>
<b>Loss per share</b>	<b>(0.23)</b>	<b>(0.89)</b>

**Statement of financial position**

	I-XII-2012 (in KM)	I-XII-2011 (in KM)
<b>ASSETS</b>		
Intangible assets	5,942,576	5,956,091
Real estates, plants and equipment	29,513,218	30,444,532
Long-term financial assets	448,748	479,236
<b>Total non-current assets</b>	<b>35,904,542</b>	<b>36,879,859</b>
Inventories	4,623,054	5,181,417
Trade receivables	3,837,618	2,859,255
Other receivables	123,193	285,532
Cash and cash equivalents	66,590	102,396
<b>Total current assets</b>	<b>8,650,455</b>	<b>8,428,600</b>
<b>Total assets</b>	<b>44,554,997</b>	<b>45,308,459</b>
<b>Loss above capital</b>	<b>614,864</b>	<b>-</b>
<b>Total assets</b>	<b>45,169,861</b>	<b>45,308,459</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,680,693	5,680,693
Fair value reserve	(64,588)	(9,866)
Accumulated loss	(5,616,105)	(4,993,314)
<b>Total equity (without loss above capital)</b>	<b>-</b>	<b>677,513</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Loans and borrowings	12,965,818	14,891,472
Other long-term provisions	3,011,714	2,878,075
<b>Total long-term liabilities</b>	<b>15,977,532</b>	<b>17,769,547</b>
<b>Short-term liabilities</b>		
Loans and borrowings	18,280,376	18,862,031
Trade payables and other payables	10,911,953	7,999,368
<b>Total short-term liabilities</b>	<b>29,192,329</b>	<b>26,861,399</b>
<b>Total liabilities</b>	<b>45,169,861</b>	<b>44,630,946</b>
<b>Total equity and liabilities</b>	<b>45,169,861</b>	<b>45,308,459</b>

## Statement of changes in equity

in KM	Issued capital	Fair value of reserves	Other reserves	Retained earnings (loss)	Total capital/ (loss above capital)
<b>Balance on 1 January 2011</b>	<b>65,196,303</b>	<b>41,066</b>	<b>9,556,800</b>	<b>(69,072,410)</b>	<b>5,721,759</b>
Transfer	(59,515,610)		(9,556,800)	69,072,410	-
Loss for the year	-	-	-	(4,993,314)	(4,993,314)
Change of fair value of available-for-sale securities	-	(50,932)	-	-	(50,932)
<b>Balance on 31 December 2011</b>	<b>5,680,693</b>	<b>(9,866)</b>	<b>-</b>	<b>(4,993,314)</b>	<b>677,513</b>
<b>Balance on 1 January 2012</b>	<b>5,680,693</b>	<b>(9,866)</b>	<b>-</b>	<b>(4,993,314)</b>	<b>677,513</b>
Loss for the year	-	-	-	(1,237,655)	(1,237,655)
Change of fair value of available-for-sale securities	-	(54,722)	-	-	(54,722)
<b>Balance on 31 December 2012</b>	<b>5,680,693</b>	<b>(64,588)</b>	<b>-</b>	<b>(6,230,969)</b>	<b>(614,864)</b>

## Statement of cash flows

	I-XII-2012 (in KM)	I-XII-2011 (in KM)
<b>Cash flow from operating activities</b>		
Cash receipts from customers and received advance payments	45,307,095	34,229,569
Other cash received from operating activities	599,510	428,728
Cash paid to suppliers for raw materials, expenses and advanced payments	(20,677,525)	(16,904,359)
Cash paid to and for employees	(5,354,773)	(4,929,956)
Interest paid	(1,643,568)	(1,590,200)
Non-income taxes and other duties paid	(11,009,028)	(9,291,574)
<i>Net cash from operating activities</i>	<b>7,221,711</b>	<b>1,942,208</b>
<b>Cash flow from investing and placement activities</b>		
Increase in short-term financial placements	29,237	39,707
Interest received	2,442	2,543
Decrease in other long-term financial placements	(68,907)	(9,856)
Purchases of fixed assets	(5,102,975)	(1,225,336)
<i>Net decrease of cash from placement and investment activities</i>	<b>(5,140,203)</b>	<b>(1,192,942)</b>
<b>Cash flow from financing activities</b>		
(Decrease)/increase in short-term borrowings	(2,117,314)	(3,086,816)
<i>Net cash (decrease)/increase from financing activities</i>	<b>(2,117,314)</b>	<b>(3,086,816)</b>
<b>Net (decrease)/increase in cash</b>	<b>(35,806)</b>	<b>(2,337,550)</b>
<b>Cash and cash equivalents at year beginning</b>	<b>102,396</b>	<b>2,439,946</b>



Cash and cash equivalents at year beginning

66,590

102,396

## 9.2. Annual report on business operations of Banjalučka Pivara, prepared by the Company's Management

Below are the Annual Reports on Business Operations of Banjalučka Pivara for 2011 and 2012.

„BANJALUČKA PIVARA“ AD  
BANJA LUKA  
- Management Board -

Ref: 02-121-1/2012

Date: 25 May 2012

### Report on Business Operations in 2011

#### Introduction

*There were a number of trends that marked 2011 in the brewing industry. The beer market in Bosnia and Herzegovina and the neighbouring countries continued threading on its slowly shrinking path, increasing the pressure on all of its participants. The biggest competitors of Banjalučka pivara, the multinational breweries operating in the region, all changed their packaging to align with the world trends. Flavoured beers echoed in the summer season throughout the region.*

#### The Company

*In all that surrounds it, Banjalučka pivara still stands as one of the few remaining independent breweries in the region. It continues to fight off the pressures it is faced with. Despite the shrinking market and the reducing purchase power of final consumers of its products, its focus on quality in all aspects of its operations has helped to move its position one step further. The Brewery's sales volume increased by 3% in 2011, and net sales revenue increased by 2%, compared with 2010, however this positive trend has not been reflected in EBITDA, which fell from 3.7 million KM to 3.4 million KM. This drop in EBITDA was largely due to increases in employee taxes and contributions introduced by the RS government, which cost the Brewery additional 300.000KM. A portion of the drop is contributed by the continued rise in raw material prices in the world markets, and marketing related expenses, a necessity driven by the fierce competition in the market. The impact of financial charges of 2.5 million KM, and 6 million KM of depreciation on previous years' investments gives a final result of -5 million KM, vs. -6.7 million KM in 2010.*

*The focus on improving operational cash flow remains unchanged; it has increased to 4 million KM (from 3 million KM in 2010). Thanks to extensive negotiations with the Brewery's main lender and improvement in key financial indicators, Banjalučka pivara has successfully repaid its loan obligations for the year, 1.8 million KM in principal, and 1.6 million KM in interest. In 2011, a medium-term solution to reschedule bank debt has been reached, to fit within the Brewery's cash flow projections. Its debt obligations were repacked, in a single long-term loan, with scheduled monthly repayments, which have been serviced regularly, and several short-term loans (all due in Jun 2012), with level of repayment up for negotiations on an annual basis. Nonetheless the Company operates with an excessive debt burden, and shareholders will be asked to consider ways to reduce the debt the burden in the future.*

*In May 2011, the Assembly voted for a capital decrease to reduce equity to balance accumulated losses from previous years. This was a painful step for all shareholders large and small, affecting both ordinary and preference shareholders equally. Nonetheless it was a necessary step towards rebuilding the balance sheet of the Company and looking to future expansion, as well as a vote of confidence in the strategy of the management team.*

*The process of improving management processes has continued, with a focus upon clearer responsibilities throughout the business, with greater accountability. It is the management aim to build strength in depth throughout the Company. The Company is committed to its employees, and in particular the long term stability of the workforce, recognising that maintaining and developing a motivated and focused workforce lead by managers with extensive business experience, energy and resourcefulness is imperative in fully catering to the needs of a modern business, and to our market demands. The Company also seeks and supports young, dedicated and ambitious talents in all areas of its operations, and is fully supportive of continuous development of its employees' skills.*

### *The beer Market in 2011*

*The competitive landscape on the BiH beer market continues to become more intensive. Our key competitors CVC Serbia (Jelen) and Carlsberg Serbia (Lav) have both changed their bottles in the last 18 months and have started a policy of exclusivity contracts with bars to drive out Nektar. Despite this, we have been able to use our regional strength and loyal consumer base to maintain our position.*

*Most concerning are developments in the HoReCa (hotels, bars, restaurants, cafes) segment. Over the past two years, total 33cl bottle sales have fallen across the market, particularly for premium brands such as Tuborg and Bavaria. At the same time, and largely thanks to packaging changes by both Jelen and Lav, Nektar has been steadily losing share of 33cl bottle sales particularly outside Banja Luka. In particular it is noticeable that Lav has succeeded in building a strong share in fashionable and youth oriented bars and clubs. A growing portion of the marketing budget is now focused upon this segment, as it is a strong indicator of future preferences and trends in the 50cl returnable crate segment where most volumes are made. Activities such as the Nektar fast drinking tournament held in November and December helped to maintain volumes.*

*The take home market is evolving due to the high number of closures of small retail outlets, leaving a smaller number of better selling outlets. In addition to this there has been an accelerating process of consolidation of ownership or retailers particularly in cities and towns where there are significant local and national key accounts. These retailers will constantly consolidate over the next few years, as they have done in neighbouring markets. Banjalučka pivara is working to develop strong relations with these accounts.*

*Jelen Pivo succeeded in taking share from Nektar in May and June, by changing their bottle from the shared BNR standard industry bottle to their own highly designed and stylised bottle. The impact of this bottle was felt most strongly in areas where the brand is already well established and in HoReCa as already mentioned. It was however encouraging to notice that after the initial impact, Nektar sales recovered and remained stable for the rest of the year.*

*In 2011 the Radler phenomenon that has been sweeping across South East Europe arrived in BiH. Both our major competitors launched lemon flavoured beers which became the summer hit of 2011. This is a really exciting development for the beer industry, and one that holds great opportunities for the future because they will bring new consumers who normally do not drink beers within reach of our*

industry. We believe that around 30% of Radler consumption is by beer drinkers and 70% is by consumers who would normally be drinking fruit juices or soft drinks.

### **Product Quality & Production Efficiency**

Producing consistent high quality products remains our business priority, and our efforts have once again been confirmed by the gold medal won at the internationally recognised quality competition in Brussels, for the second year in succession.

Our investment in top technology, which has enabled us a far greater control over brewing process, and continuous efforts at rebuilding the Nektar brand are finally paying off, and we are now seeing the technical superiority of this Brewery fully reflected in the product quality, daily confirmed in the recommendations of our product.

A two year programme of careful monitoring of our utilities showed good results in 2011. Reduced levels of water consumption per HL of sold beer, as well as better use of low tariff electricity at night and weekends, as well as better insulation and heat recovery all contributed to greater efficiency. These issues are of ever growing importance as the cost of energy is still rising sharply.

Our environmental programme is focused upon reducing our environmental impact. A noticeable success has been the capture and sale of edible bi-products such as spent grains and yeast for animal and fish foods, as well as separation packaging waste for safe disposal. In the area of waste waters Banjalučka pivara has successfully recorded steadily improving run-off due to careful management.

A significant investment was made in 2011 in upgrading the brew house, enabling us to use the latest system management software. This will yield important benefits in product consistency and efficient use of raw materials especially malt.

### **Sales and Marketing**

According to our retail census some 20% of shops selling beer have closed in the last three years. This presents a major problem for our distributors who have experienced more unpaid debts and consequently for us as payment problems pass up the distribution chain. Banjalučka pivara has taken steps to secure payment through the distribution contract and introduction of bank guarantees from major buyers. As a result, the Company experienced the lowest levels of bad debt in recent years. With the continued recession and difficulty obtaining bank lending for any small business, payment for goods will continue to be one of the most of important tasks for our sales team.

After the successful re-launch of Crni Đorđe in November 2010, the Company has undertaken a deliberate policy to expand its portfolio of products to compliment and leverage the strength of Nektar. This policy is designed to attract more consumers to Banjalučka pivara brands and use the capability of the installed capacity in which so much has been invested in previous years.

In April 2011, Banjalučka pivara launched Kastel Pivo in 2Litre bottles in the low priced segment. This launch was in direct response to imports of low priced PET products from Serbia, and it was also aimed at strengthening our business through key accounts where PET bottles have a large share of sales. The launch was a significant success generating over 400,000 units sales by the year end.

*In May 2011, Banjalučka pivara completed a license agreement with Prince Luitpold Von Bayern, for production of Kaltenberg beer for Bosnia, Serbia and Montenegro. The agreement helps to expand our portfolio of beers with a Premium Reinheitsgebot beer. After a very strong roll out and high acceptance of the product, sales were weaker than expected, reflecting the general decline of premium products but also underlining the need to invest more in a product roll out of this scale. This brand will play a key role in the future of the Company as we seek to expand our sales area and distribution coverage.*

### **Prices and Margins**

*Banjalučka pivara increased prices by 5% in November 2011, in response to steadily rising raw material and energy prices. This increase ensured that margins have been sustained and improved into 2012. Despite the risks to volume in such a price sensitive market of raising prices, the Company pricing policy has been maintained throughout the last three years, with important benefits for the profitability of the Company.*

### **Corporate Governance – application of Standards**

*Commitment of the Brewery management to transparency of its operations and application of recognised Standards of corporate governance (adopted by the Republic of Srpska Securities Commission) is unchanged. The Standards Governing Joint Stock Companies (applying to companies enlisted on the official stock exchange) are applied in daily practices of the Company. In 2011, the Company made a step further in its commitment. Namely, in March 2011, Banjalučka pivara adopted its own Code of Conduct and Management, and it has further developed its corporate website, to include all relevant, timely available investor information – company financials, the most important information on business operations, its governing bodies and members of the management team, etc.*

*In addition to this, Banjalučka pivara is fully implementing various imperative norms, regulated and sanctioned by various laws (Law on Enterprises, Law on Securities Market, Law on Accounting and Audit, etc.) and acts of the Commission for Securities and Stock Exchange Rules, incorporated in the Brewery's Articles of Association, Rulebook on Procedures of the Assembly and other acts of the Company.*

### **Conclusion**

*In 2011, the Company succeeded in taking important steps forward in its financial restructuring through the capital decrease and loan portfolio agreement with our lenders. This restructuring has now opened the way forward for the Company to press on with raising new equity in 2012.*

*A fierce focus on cost control has continued to shield the Company from the worst impact of the financial crisis, however we are reaching the limits of those costs reductions and future costs are far more dependent on external factors such as the price of fuel and barley, both of which appear to be on the increase.*

The launch of Kaltenberg and Kastel has demonstrated the ability of the Company to successfully expand our portfolio into premium and low priced beer segments. These brands and other launches will become increasingly important for the Company in future years. However the successful development of these brands and opening up segments such as dark beer and Radler will have to be done from a position of strength with Nektar. The key task for the business in 2012 will be to make Nektar more competitive versus Serbian beers and recover our position in cafes, bars and clubs.

Given the gloomy projections for domestic and global economic development, the distress in global financial markets, all external pressures exerted on the Company and our obligation to start paying back the loans used to invest in the most modern brewing equipment in previous years, Banjalučka pivara will now more than ever look for support from all its stakeholders – its shareholders, its employees, the banks and the state.

CHAIRMAN of  
MANAGEMENT BOARD  
Ragnar Tryggvason

GENERAL MANAGER  
Nicholas Penny

„BANJALUČKA PIVARA“ AD  
BANJA LUKA  
- Management Board -

Ref: 02-161-1/2013  
Date: 25 Apr 2013

## **Report on Business Operations in 2012**

### **Introduction**

2012 stands as a year of significant achievements for Banjalučka pivara. After a number of years of decline or low growth, the company achieved a huge step forward in 2012. The re-launch of Nektar pivo, our main brand, in new green glass bottles combined with the introduction of a new range of flavoured beers, resulted in a 32% volume increase in a stable market. With this increase Banjalučka pivara overtook Sarajevo Brewery in beer volume to retake the position of a leading brewery in Bosnia and Herzegovina.

### **The Company**

In March 2012, Nektar was re-launched nationwide with a one off 5 million KM investment in new packaging. The packaging change had a near instant impact on sales, particularly in and around the Banja Luka region, where consumers who had started drinking competitor brands returned to Nektar in large numbers.

Total volume increase through the year reached 88,000 HL to achieve a total of 364,000. As a direct result of sales increase the Company took an important step back towards profitability. EBITDA margin increased from 14% in 2011 to 20% in 2012 thanks to this volume increase and better amortisation of fixed costs. This strong picture demonstrates the potential in the Company if sales volumes keep on

growing in the following years. Another significant achievement has been that whilst volumes increased, we were able to keep fixed costs under control leading to the big improvement in operating profitability.

On the negative side it was noticeable that variable costs continue to rise year on year and we were unable to increase prices significantly. As a result, direct product margins did not improve at all and in some cases, particularly low price segments such as PET, saw margins significantly reduced. We anticipate that these pressures will continue in the foreseeable future.

Despite the positive trend and volume gains, the Company is still at least 10% below its breakeven point of 400,000 HL. Final results for 2012, are a net loss of 1,238,000 KM versus a loss of 4,993,000 KM in 2011 on net sales growth from 23.8 million KM to 32.7 million KM.

The process of improving management processes has continued, with a focus upon clearer responsibilities throughout the business, with greater accountability. It is the management aim to build strength in depth throughout the Company. The Company is committed to its employees, and in particular the long term stability of the workforce, recruiting and maintaining good skills and experienced employees. The Company also seeks and supports young, dedicated and ambitious talents in all areas of its operations, and is fully supportive of continuous development of its employees' skills.

### **The Beer Market in 2012**

The competitive landscape on the BiH beer market continues to become more intensive. Our key competitors Molson Coors Serbia (Jelen) and Carlsberg Serbia (Lav) have both continuously increased their investment levels in the market. In particular these two brands changed their bottles in 2011, with a very positive impact on sales volumes and consumer perceptions. Consequently it was absolutely necessary to respond with the bottle change for Nektar. What was very encouraging was that this had a more positive impact on consumer perceptions than anticipated, particularly in the HoReCa channel. This has helped us to some extent to resist the actions of our large competitors who are signing exclusivity contracts with bars to drive out Nektar.

Thanks to a good summer and the continued growth of Radler (lower strength flavoured beer segment) the total BiH beer market was stable. There were some important changes in the overall structure of beer sales. In particular, among the domestic breweries Sarajevska pivara has lost market share and Nektar has gained share. Overall the domestic breweries are still in decline due to aggressive expansion of the international breweries that are able to use their massive scale advantage to squeeze out the independent breweries. The industry as a whole is losing money and the need for help from the BiH government is more urgent than ever.

Radler continued to grow strongly in the summer season. This is a really exciting development for the beer industry, and one that holds great opportunities for the future because it brings new consumers who normally do not drink beers within reach of our industry. We believe that around 30% of Radler consumption is by beer drinkers and 70% is by consumers who would normally be drinking fruit juices or soft drinks. After a good start in 2012, Banjalučka pivara will continue to develop in this segment.

### **Product Quality & Production Efficiency**

*Product quality was again a major focus during 2012. We have taken a number of important new steps in our technical process to improve the fresh taste and drinkability of Nektar beer in particular. These include better yeast management and rapid bottling of filtered beer, both of which lead to better microbiology and product quality impression overall.*

*Our investment in top technology, which has enabled us a far greater control over brewing process, and continuous efforts at rebuilding the Nektar brand are finally paying off, and we are now seeing the technical superiority of this Brewery fully reflected in the product quality, daily confirmed in the recommendations of our product. CO2 management in the bottling hall has improved, with better recovery and less waste through the process. As a result we expect to be largely self-sufficient in 2013, which means a better carbon footprint and lower costs.*

*Our utilities programme is now in its third year where, through careful monitoring of our utilities, it showed good results in 2012. Reduced levels of water consumption per HL of sold beer, as well as better use of steam energy through more efficient brewing regimes have shown up in 12% reduction in steam per HL of produced beer. These issues are of ever growing importance as the cost of energy and even water are still rising sharply.*

### **Sales and Marketing**

*The main focus of marketing in 2012 was around the new design of Nektar which was launched in spring. The Company also continued to improve and develop the range of brands and SKUs in 2012.*

*Two new flavoured beers Nektar Lemon and Nektar Grapefruit were launched in May in both 50cl and 33cl glass bottles. They were an instant success, and very much appreciated for their excellent flavour. Volumes were well ahead of expectation and already show a good contribution to profitability just six months after launch. Consequently in December we launched 'winter' flavour in Nektar Blackcurrant, which has been well received. This segment will require constant innovation and development, and the Company intends to lead the market in future developments.*

### **Prices and Margins**

*Banjalučka pivara increased prices by 5% in November 2011, in response to steadily rising raw material and energy prices. This increase ensured that margins were sustained but not improved into 2012.*

### **Corporate Governance – Application of Standards**

*Commitment of the Brewery management to transparency of its operations and application of recognised Standards of corporate governance (adopted by the Republic of Srpska Securities Commission) is unchanged. The Standards Governing Joint Stock Companies (applying to companies enlisted on the official stock exchange) are applied in daily practices of the Company. In March 2011, Banjalučka pivara adopted its own Code of Conduct and Management, and Banjalučka pivara continues to further develop its corporate website, to include all relevant, timely available investor information – company financials, the most important information on business operations, its governing bodies and members of the management team, etc.*

*In addition to this, Banjalučka pivara is fully implementing various imperative norms, regulated and sanctioned by various laws (Law on Enterprises, Law on Securities Market, Law on Accounting and Audit, etc.) and acts of the Commission for Securities and Stock Exchange Rules, incorporated in the Brewery's Articles of Association, Rulebook on Procedures of the Assembly and other acts of the Company.*

## **Conclusion**

*In 2012, the Company succeeded in its most important task of rejuvenating Nektar pivo through the investment in new green glass bottles. This gives the management the confidence to look to continue its brand building program for the future. The goal of the Company in 2013 will be to build on the new found strength of Nektar and build our business in the domestic market.*

*A fierce focus on cost control has continued to shield the Company from the worst impact of the financial crisis, however we have reached the limits of those costs reductions and future costs are far more dependent on external factors such as the price of fuel and barley, both of which are still rising into 2013.*

*Despite the improvements in 2012, the Company still lost money and is now in a position of cumulative losses which are greater than shareholder equity. This must be addressed in 2013 by all shareholders. We believe that the steps taken in the last three years demonstrate that the Company has a bright future, and that the right course of action is a new injection of equity through a new share issue in 2013.*

CHAIRMAN of  
MANAGEMENT BOARD  
Ragnar Tryggvason

GENERAL MANAGER  
Nicholas Penny

### **9.3. Auditing of financial reports, which are included in the registration document**

This Prospectus includes audited financial reports of Banjalučka Pivara for 2012 and 2011. Auditing of financial reports of Banjalučka Pivara for the business 2012 and 2011 was performed by an authorized auditing company KPMG B-H d.o.o.

#### **Report of Independent Auditor of Banjalučka Pivara for 2011:**

##### **Report of Independed Auditor to the shareholders of Banjalučka Pivara a.d. Banja Luka**

*We have audited the accompanying financial statements of Banjalučka Pivara a.d. Banja Luka (hereinafter: "Company"). Financial reports consists of the reports of financial position as of 31<sup>st</sup> December 2011, the statements of comprehensive income, changes in equity and cash flows for the year that ended at the time, and notes, comprising a summary of significant accounting policies and other information.*

#### **Responsibility of the Management for the financial statements**

*Management is responsible for the preparation and fair presentation of these financial reports in accordance with the legal framework of financial reporting in the Republic of Srpska, for such internal control as Management determines necessary for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.*



### **Auditor's responsibility**

*It is our responsibility to express an opinion on these financial statements on the basis of our auditing. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.*

*An audit involves performing of procedures to obtain audit evidence on the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of materially significant misstatement in the financial statements that may occur as consequences of fraud or error. In assessment of those risks, we consider internal controls relevant for the preparation and objective reporting in those financial reports comprised by the Company for the purpose of implementation of auditing procedures in accordance with the existing circumstances, and not for the purpose of expressing our opinion on efficiency of internal controls of the Company. The auditing also includes assessment of the applied accounting policies, application of the accounting evaluations defined by the Company, as well as the evaluation of the overall presentation of the financial statements.*

*We believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our opinion.*

### **Opinion**

*According to our Opinion, financial statements give a true and fair view of the financial position of the Company as of 31<sup>st</sup> December 2011, and of its performance and its cash flows for the year in accordance with the financial reporting framework of the Republic of Srpska.*

KPMG B-H d.o.o za reviziju  
Branch Office Banja Luka  
Jovana Dučića 13  
78000 Banja Luka  
Republic of Srpska, Bosnia and Herzegovina

3<sup>rd</sup> March 2012

*In the name and on behalf of:  
KPMG B-H d.o.o for auditing*

Vedran Vukotić  
Manager of Branch Office Banja Luka

Senad Pekmez  
FBiH authorized auditor  
License No. 3090044102

### **Report of Independent Auditor of Banjalučka Pivara for 2012:**

#### **Report of Independent Auditor to the shareholders of Banjalučka Pivara a.d. Banja Luka**

*We have audited the accompanying financial statements of Banjalučka Pivara a.d. Banja Luka (hereinafter: "Company"). Financial reports consists of the reports of financial position as of 31<sup>st</sup> December 2012, the statements of comprehensive income, changes in equity and cash flows for the year that ended at the time, and notes, comprising a summary of significant accounting policies and other information.*

### **Responsibility of the Management for the financial statements**

*Management is responsible for the preparation and fair presentation of these financial reports in accordance with the legal framework of financial reporting in the Republic of Srpska, for such internal control as Management determines necessary for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.*

### **Auditor's responsibility**

*It is our responsibility to express an opinion on these financial statements on the basis of our auditing. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.*

*An audit involves performing of procedures to obtain audit evidence on the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of materially significant misstatement in the financial statements that may occur as consequences of fraud or error. In assessment of those risks, we consider internal controls relevant for the preparation and objective reporting in those financial reports comprised by the Company for the purpose of implementation of auditing procedures in accordance with the existing circumstances, and not for the purpose of expressing our opinion on efficiency of internal controls of the Company. The auditing also includes assessment of the applied accounting policies, application of the accounting evaluations defined by the Company, as well as the evaluation of the overall presentation of the financial statements.*

*We believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our opinion.*

### **Opinion**

*According to our Opinion, financial statements give a true and fair view of the financial position of the Company as of 31<sup>st</sup> December 2012, and of its performance and its cash flows for the year in accordance with the financial reporting framework of the Republic of Srpska.*

*KPMG B-H d.o.o za reviziju  
Branch Office Banja Luka  
Jovana Dučića 13  
78000 Banja Luka  
Republic of Srpska, Bosnia and Herzegovina*

*6<sup>th</sup> March 2012*

*In the name and on behalf of:  
KPMG B-H d.o.o for auditing*

*Vedran Vukotić  
Manager of Branch Office Banja Luka*

*Senad Pekmez  
FBiH authorized auditor  
License No. 3090044102*

Financial statements for the first quarter, the first half and the third quarter of 2013 have not been audited.

### **9.4. Financial statements for the period shorter than a business year**

Below is a summary of the most significant **unaudited** financial information **for the first quarter of the business 2013** (report on the total result, report on financial position, report on capital changes and report on cash flow).

#### **Statement of comprehensive income**

**in KM**

Revenue

**I-III 2013**

**6,843,105**

**I-III 2012**

**4,660,389**

Other income	176,205	172,614
<b>Total revenue</b>	<b>7,019,310</b>	<b>4,833,003</b>
Increase (decrease) in inventory	447,233	136,010
Raw materials, consumables and services used	(3,100,357)	(2,468,891)
Staff costs	(1,225,021)	(1,278,787)
Depreciation and amortization expense	(1,555,784)	(1,440,697)
Other operating expenses	(1,740,671)	(1,369,531)
<b>Operating profit (loss)</b>	<b>(155,290)</b>	<b>(1,588,893)</b>
Financial income	1,479	2,414
Financial expenses	(515,512)	(546,545)
<b>Net financial loss</b>	<b>(514,033)</b>	<b>(544,131)</b>
<b>Loss before taxation</b>	<b>(669,323)</b>	<b>(2,133,024)</b>
Income tax expense	-	-
<b>Loss for the year</b>	<b>(669,323)</b>	<b>(2,133,024)</b>
Other loss:		
Change in fair value of available-for-sale securities	-	(54,722)
<b>Total loss</b>	<b>(669,323)</b>	<b>(2,187,746)</b>
<b>Loss per share</b>	<b>(0.12)</b>	<b>(0.39)</b>

<b>Statement of financial position</b>		
<b>in KM</b>	<b>I-III 2013</b>	<b>I-XII 2012</b>
<b>ASSETS</b>		
Intangible assets	5,938,496	5,942,576
Real estates, plants and equipment	28,987,484	29,513,218
Long-term financial placements	448,748	448,748
<b>Total long-term assets</b>	<b>35,374,728</b>	<b>35,904,542</b>
Inventories	5,541,106	4,623,054
Trade receivables	4,448,328	3,837,618
Other receivables	240,534	123,193
Cash and cash equivalent	444,883	66,590
<b>Total current assets</b>	<b>10,674,851</b>	<b>8,650,455</b>
<b>Total assets</b>	<b>46,049,579</b>	<b>44,554,997</b>
<b>Loss above capital</b>	<b>1,284,186</b>	<b>614,864</b>
<b>Total assets</b>	<b>47,333,765</b>	<b>45,169,861</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,680,693	5,680,693
Accumulated loss	(5,680,693)	(5,680,693)
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Loans and borrowings	12,965,818	12,965,818
Other long-term provisions	3,775,137	3,011,714
<b>Total long-term liabilities</b>	<b>16,740,955</b>	<b>15,977,532</b>
<b>Short-term liabilities</b>		
Loans and borrowings	18,988,698	18,280,376
Trade payables and other payables	11,604,112	10,911,953
<b>Total long-term liabilities</b>	<b>30,592,810</b>	<b>29,192,329</b>
<b>Total liabilities</b>	<b>47,333,765</b>	<b>45,169,861</b>
<b>Total equity and liabilities</b>	<b>47,333,765</b>	<b>45,169,861</b>

### Statement of changes in equity

in KM	Issued capital	Fair value reserves	Other reserves	Retained earnings (loss)	Total capital/ (loss above capital)
<b>Balance on</b>					
<b>1 January 2012</b>	5,680,693	(9,866)	-	(4,993,314)	677,513
Loss for the year	-	-	-	(1,237,655)	(1,237,655)
Change in fair value of available-for-sale securities	-	(54,722)	-	-	(54,722)
<b>Balance on</b>					
<b>31 December 2012</b>	5,680,693	(64,588)	-	(6,230,969)	(614,864)
<b>Balance on</b>					
<b>1 January 2013</b>	5,680,693	(64,588)	-	(6,230,969)	(614,864)
Loss for the year	-	-	-	(669,322)	(669,322)
Losses of the period shown directly in equity	-	64,588	-	(64,588)	-
<b>Balance on 31 March 2013</b>	5,680,693	-	-	(6,964,879)	(1,284,186)

### Statement of cash flows

in KM	I-III 2013	I-III 2012
<b>Cash flow from operating activities</b>		
Cash receipts from customers and received advance payments	8,607,352	4,731,774
Other cash received from operating activities	132,660	98,169
Cash paid to suppliers – raw materials, expenses and advance payments	(4,427,957)	(1,944,239)
Cash paid to and for employees	(1,218,330)	(1,222,184)
Interest paid	(363,048)	(463,480)
Non-income taxes and other duties paid	(2,274,896)	(1,563,720)
<i>Net (incoming)/outgoing cash from business activities</i>	455,781	(363,680)
<b>Cash flow from investing and placement activities</b>		
Increase in short-term financial placements	18,524	8,261
Interest received	1,469	2,409
Decrease in other long-term financial placements	-	(39,985)
Purchases of fixed assets	(805,803)	(666,301)
<i>Net decrease of cash from placement and investing activities</i>	(785,810)	(695,616)
<b>Cash flow from financing activities</b>		
(Decrease)/increase based on short-term financial obligations	708,322	1,053,172
<i>Net cash (decrease)/increase from financing activities</i>	708,322	1,053,172
<b>Net (decrease)/increase in cash</b>	378,293	(6,124)

<b>Cash and cash equivalents at year beginning</b>	<b>66,590</b>	102,396
<b>Cash and cash equivalents at year end</b>	<b>444,883</b>	96,272

Below is a summary of the most significant **unaudited** financial information **for the first half of the business 2013** (report on the total result, report on financial position, report on capital changes, report on cash flow).

<b>Statement of comprehensive result</b>		
<b>in KM</b>	<b>I-VI-2013</b>	<b>I-VI-2012</b>
Revenue	<b>19,205,577</b>	15,096,623
Other income	<b>420,002</b>	848,383
<b>Total revenue</b>	<b>19,625,579</b>	15,945,006
Increase (decrease) in inventory	<b>676,994</b>	454,685
Raw materials, consumables and services used	<b>(8,164,802)</b>	(6,882,106)
Staff costs	<b>(2,585,214)</b>	(2,618,813)
Depreciation and amortization expense	<b>(3,179,621)</b>	(3,035,663)
Other operating expenses	<b>(5,011,459)</b>	(4,145,133)
<b>Operating profit (loss)</b>	<b>1,361,477</b>	(282,024)
Financial income	<b>1,487</b>	2,417
Financial expenses	<b>(1,032,721)</b>	(1,055,130)
<b>Net financial loss</b>	<b>(1,031,234)</b>	(1,052,713)
<b>Profit / loss before taxation</b>	<b>330,243</b>	(1,334,737)
Income tax expense	-	-
<b>Profit /loss for the year</b>	<b>330,243</b>	(1,334,737)
Other losses:		
Change in fair value of available-for-sale securities	<b>(8,625)</b>	(54,722)
<b>Total profit / loss</b>	<b>321,618</b>	(1,389,459)
<b>Profit /loss per share</b>	<b>0.06</b>	<b>(0.24)</b>

**Statement of financial position**  
in KM

	I-VI-2013	I-XII-2012
<b>ASSETS</b>		
Intangible assets	5,934,261	5,942,576
Real estates, plants and equipment	29,296,889	29,513,218
Long-term financial placements	441,444	448,748
<b>Total long-term assets</b>	<b>35,672,594</b>	<b>35,904,542</b>
Inventories	5,646,861	4,623,054
Trade receivables	7,860,079	3,837,618
Other receivables	165,895	123,193
Cash and cash equivalent	254,616	66,590
<b>Total current assets</b>	<b>13,927,451</b>	<b>8,650,455</b>
<b>Total assets</b>	<b>49,600,045</b>	<b>44,554,997</b>
<b>Loss above capital</b>	<b>293,246</b>	<b>614,864</b>
<b>Total assets</b>	<b>49,893,291</b>	<b>45,169,861</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,680,693	5,680,693
Accumulated loss	(6,010,936)	(5,680,693)
Unallocated profit	330,243	-
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Loans and borrowings	13,392,075	12,965,818
Other long-term provisions	4,723,432	3,011,714
<b>Total long-term provisions</b>	<b>18,115,507</b>	<b>15,977,532</b>
<b>Short-term liabilities</b>		
Loans and borrowings	17,397,759	18,280,376
Trade payables and other payables	14,380,025	10,911,953
<b>Total short-term liabilities</b>	<b>31,777,784</b>	<b>29,192,329</b>
<b>Total liabilities</b>	<b>49,893,291</b>	<b>45,169,861</b>
<b>Total equity and liabilities</b>	<b>49,893,291</b>	<b>45,169,861</b>

### Statement of changes in equity

in KM	Issued capital	Fair value reserves	Other reserves	Retained earnings (loss)	Total capital/ (loss above capital)
<b>Balance on 1 January 2012</b>	<b>5,680,693</b>	<b>(9,866)</b>	-	<b>(4,993,314)</b>	<b>677,513</b>
Transfer	-	-	-	-	-
Loss for the year	-	-	-	(1,237,655)	(1,237,655)
Change of fair value of available-for-sale securities	-	(54,722)	-	-	(54,722)
<b>Balance on 31 December 2012</b>	<b>5,680,693</b>	<b>(64,588)</b>	-	<b>(6,230,969)</b>	<b>(614,864)</b>
<b>Balance on 1 January 2013</b>	<b>5,680,693</b>	<b>(64,588)</b>	-	<b>(6,230,969)</b>	<b>(614,864)</b>
Transfer	-	-	-	-	-
Loss for the year	-	-	-	330,243	330,243
Change of fair value of available-for-sale securities	-	(8,625)	-	-	(8,625)
<b>Balance on 30 June 2013</b>	<b>5,680,693</b>	<b>(73,213)</b>	-	<b>(5,900,726)</b>	<b>(293,246)</b>

### Statement of cash flows

in KM	I-VI-2013	I-VI-2012
<b>Cash flow from operating activities</b>		
Cash receipts from customers and received advance payments	22,214,382	18,858,961
Other cash received from operating activities	376,703	264,205
Cash paid to suppliers – raw materials, expenses and advance payments	(10,921,672)	(7,831,387)
Cash paid to and for employees	(2,553,356)	(2,544,527)
Interest paid	(795,707)	(856,387)
Non-income taxes and other duties paid	(5,489,176)	(3,878,234)
<i>Net (incoming)/outgoing cash from business activities</i>	<b>2,831,174</b>	4,012,631
<b>Cash flow from investing and placement activities</b>		
Increase in short-term financial placements	23,531	15,010
Interest received	1,470	2,410
Decrease in other long-term financial placements	(20,532)	(49,445)
Purchases of fixed assets	(1,756,354)	(2,834,932)
<i>Net decrease of cash from placement and investing activities</i>	<b>(1,751,885)</b>	(2,866,957)
<b>Cash flow from financing activities</b>		
(Decrease)/increase based on short-term financial obligations	(891,263)	(1,021,942)
<i>Net cash (decrease)/increase from financing activities</i>	<b>(891,263)</b>	(1,021,942)
<b>Net (decrease)/increase in cash</b>	<b>188,026</b>	123,732



<b>Cash and cash equivalents at year beginning</b>	<b>66,590</b>	102,397
<b>Cash and cash equivalents at year end</b>	<b>254,616</b>	226,129

A shortened overview of **unaudited** most significant financial information for the **third quarter of the business 2013** is given below (report on the comprehensive results, statement of financial position, statement of changes in equity, statement of cash flows).

#### Report on the comprehensive results

	<b>I-IX-2013</b>	I-IX-2012
	<b>KM</b>	KM
Revenue	<b>31,602,036</b>	26,802,479
Other income	<b>545,425</b>	909,524
<b>Total revenue</b>	<b>32,147,461</b>	27,712,003
Increase (decrease) in inventory	<b>505,005</b>	612,722
Raw materials, consumables and services used	<b>(12,811,120)</b>	(11,612,720)
Staff costs	<b>(3,947,711)</b>	(3,966,162)
Depreciation and amortization expense	<b>(4,848,986)</b>	(4,708,771)
Other operational expenses	<b>(7,693,921)</b>	(6,813,058)
<b>Operating profit (loss)</b>	<b>3,350,728</b>	1,224,014
Financial income	<b>1,493</b>	2,448
Financial expenses	<b>(1,540,325)</b>	(1,596,781)
<b>Net financial loss</b>	<b>(1,538,832)</b>	(1,594,333)
<b>Profit / loss before taxation</b>	<b>1,811,896</b>	(370,319)
Income tax expense	-	-
<b>Profit / loss for the year</b>	<b>1,811,896</b>	(370,319)
Other losses:		
Change in fair value of available-for-sale securities	<b>(10,070)</b>	(54,722)
<b>Total profit / loss</b>	<b>1,801,826</b>	(425,041)
<b>Profit / loss per share</b>	<b>0.32</b>	<b>(0.07)</b>

## Statement of financial position

	I-IX-2013 (in KM)	I-XII-2012 (in KM)
<b>ASSETS</b>		
Intangible assets	5,930,026	5,942,576
Real estates, plants and equipment	28,238,632	29,513,218
Long-term financial placements	468,778	448,748
<b>Total long-term assets</b>	<b>34,637,436</b>	<b>35,904,542</b>
Inventories	4,987,469	4,623,054
Trade receivables	7,046,484	3,837,618
Other receivables	124,847	123,193
Cash and cash equivalent	710,833	66,590
<b>Total current assets</b>	<b>12,869,633</b>	<b>8,650,455</b>
<b>Total assets</b>	<b>47,507,069</b>	<b>44,554,997</b>
<b>Loss above capital</b>	<b>-</b>	<b>614,864</b>
<b>Total assets</b>	<b>47,507,069</b>	<b>45,169,861</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,680,693	5,680,693
Accumulated loss	(6,305,627)	(5,680,693)
Unallocated profit	1,811,896	-
<b>Total capital (excluding loss above capital)</b>	<b>1,186,962</b>	<b>-</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Loans and borrowings	13,501,032	12,965,818
Other long-term provisions	5,029,055	3,011,714
<b>Total long-term provisions</b>	<b>18,530,087</b>	<b>15,977,532</b>
<b>Short-term liabilities</b>		
Loans and borrowings	16,319,957	18,280,376
Trade payables and other payables	11,470,063	10,911,953
<b>Total short-term liabilities</b>	<b>27,790,020</b>	<b>29,192,329</b>
<b>Total liabilities</b>	<b>46,320,107</b>	<b>45,169,861</b>
<b>Total equity and liabilities</b>	<b>47,507,069</b>	<b>45,169,861</b>

## Statement of changes in equity

in KM	Issued capital	Fer value reserves	Other reserves	Retained earnings (loss)	Total capital/ (loss above capital)
<b>Balance on 1 January 2012</b>	<b>5,680,693</b>	<b>(9,866)</b>	-	<b>(4,993,314)</b>	<b>677,513</b>
Loss for the year	-	-	-	(1,237,655)	(1,237,655)
Change of fair value of available-for-sale securities	-	(54,722)	-	-	(54,722)
<b>Balance on 31 December 2012</b>	<b>5,680,693</b>	<b>(64,588)</b>	-	<b>(6,230,969)</b>	<b>(614,864)</b>
<b>Balance on 1 January 2013</b>	<b>5,680,693</b>	<b>(64,588)</b>	-	<b>(6,230,969)</b>	<b>(614,864)</b>
Loss for the period directly in the capital	-	64,588	-	(64,588)	-
Profit for the year	-	-	-	1,811,896	<b>1,811,896</b>
Net losses of the period directly in the capital	-	-	-	(10,070)	<b>(10,070)</b>
<b>On 30 Sept 2013</b>	<b>5,680,693</b>	-	-	<b>(4,493,731)</b>	<b>1,186,962</b>

## Statement of cash flows

	I-IX-2013 (in KM)	I-IX-2012 (in KM)
<b>Cash flow from operating activities</b>		
Cash receipts from customers and received advance payments	<b>40,173,041</b>	35,232,309
Other cash received from operating activities	<b>567,622</b>	457,939
Cash paid to suppliers – raw materials, expenses and advance payments	<b>(19,704,007)</b>	(15,296,186)
Cash paid to and for employees	<b>(3,906,844)</b>	(3,896,805)
Interest paid	<b>(1,146,728)</b>	(1,180,682)
Non-income taxes and other duties paid	<b>(10,261,736)</b>	(8,004,101)
<i>Net (incoming)/outgoing cash from business activities</i>	<b>5,721,348</b>	7,312,474
<b>Cash flow from investing and placement activities</b>		
Increase in short-term financial placements	<b>31,078</b>	22,435
Interest received	<b>1,472</b>	2,441
Decrease in other long-term financial placements	<b>(49,326)</b>	(68,907)
Purchases of fixed assets	<b>(3,043,861)</b>	(4,915,475)
<i>Net decrease of cash from placement and investing activities</i>	<b>(3,060,637)</b>	(4,959,506)
<b>Cash flow from financing activities</b>		
(Decrease)/increase based on short-term financial obligations	<b>(2,016,468)</b>	(1,866,864)
<i>Net cash (decrease)/increase from financing activities</i>	<b>(2,016,468)</b>	(1,866,864)
<b>Net (decrease)/increase in cash</b>	<b>644,243</b>	486,104
<b>Cash and cash equivalents at year beginning</b>	<b>66,590</b>	102,396

Cash and cash equivalents at year end

710,833

588,500

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### 9.5. Dividend policy

Having in mind the results of business operations and realized losses in the previous years, Banjalučka Pivara has not defined yet a dividend payment policy. We believe that, with having a more profitable business operations, Banjalučka Pivara will develop and adopt a certain dividend policy.

The rights to dividend of authorized shares (participatory-cumulative) from IV emission of shares are defined by the Articles of Association of Banjalučka Pivara and are in accordance with the Law on Business Companies and Resolution of the Shareholder Assembly of Banjalučka Pivara on VI emission of shares No. 01-71/2006 of 27<sup>th</sup> July 2006. Banjalučka Pivara, until the day of publication of this Prospectus, has not paid dividend for the privileged shares.

### 9.6. Court, administrative and arbitration procedures

Banjalučka Pivara is involved in a number of court cases, resulting from its regular business operations which are related to commercial and contractual issues, as well as the issues related to labor relations, which are resolved or considered during regular business operations. As of 30<sup>th</sup> June 2013, the total estimated amount of the Company's liabilities amounted to KM 383,655, excluding interest. As of 30<sup>th</sup> September 2013, the total estimated amount of the Company's obligation amounted to KM 452,631, excluding the interest.

A part of disputes, initiated by Banjalučka Pivara, is covered with bills-of-exchange, which were used to request payment, and, when it comes to possible compensations of damage to third parties under legal relations or a certain characteristic, as a source of danger, Banjalučka Pivara is covered with insurance for such cases.

### 9.7. Significant change of financial or market position of the issuer

Except for the basic capital increase by VII emission of 16,619,307 ordinary shares, at the price of KM 1.00, of the total nominal value of the emission being KM 16,619,307.00, there were no significant changes of financial or market position of the issuer, which occurred until the completion of the last financial period, for which revised financial information were published.

## 10. Sources of Funds

### 10.1. Information on sources of funds of the issuer (short-term and long-term)

The following is overview of the sources of funds of Banjalučka Pivara.

#### Cash and cash equivalents:

in KM	I-XII-2012	I-XII-2011
Cash in bank	66,428	101,414
Cashier's office	162	982
	<b>66,590</b>	<b>102,396</b>

in KM	I-VI-2013	I-XII-2012
Cash in bank	247,799	66,428
Cashier's office	6,817	162
	<b>254,616</b>	<b>66,590</b>

in KM	I-IX-2013	I-XII-2012
Cash in bank	707,649	66,428
Cashier's office	3,184	162
	<b>710,833</b>	<b>66,590</b>

#### Loans and borrowings:

in KM	I-XII-2012	I-XII-2011
<b>Long-term obligations</b>		
Hypo Alpe Adria a.d. Banja Luka	12,764,300	14,641,489
Grad Banja Luka, Republika Srpska	133,650	155,924
UniCredit Leasing d.o.o. Sarajevo	50,796	94,059
Raiffeisen Leasing d.o.o.Sarajevo	17,072	-
	<b>12,965,818</b>	<b>14,891,472</b>
<b>Short-term obligations</b>		
Altima Global Special Situations Master Fund Ltd	782,332	782,332
Altima Global Special Opportunities Master Fund Ltd	1,466,873	1,466,873
Altima Partners LLP	4,400,618	4,400,618
Hypo Alpe Adria a.d. Banja Luka	8,122,317	8,224,317
Hypo Alpe Adria d.d. Mostar	3,380,000	3,380,000
Grad Banja Luka, Republika Srpska	22,275	22,275
Riverwood GmbH, Njemačka	-	489,003
UniCredit Leasing d.o.o. Sarajevo	96,430	96,613
Raiffeisen Leasing d.o.o.Sarajevo	9,531	-
	<b>18,280,376</b>	<b>18,862,031</b>
	<b>31,246,194</b>	<b>33,753,503</b>

in KM	I-VI-2013	I-XII-2012
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**Dugoročne obaveze**

Hypo Alpe Adria a.d. Banja Luka	12,764,300	12,764,300
Grad Banja Luka, Republika Srpska	133,650	133,650
UniCredit Leasing d.o.o. Sarajevo	246,653	50,796
Raiffeisen Leasing d.o.o. Sarajevo	247,472	17,072
	<b>13,392,075</b>	<b>12,965,818</b>

**Kratkoročne obaveze**

Altima Global Special Situations Master Fund Ltd	782,332	782,332
Altima Global Special Opportunities Master Fund Ltd	1,466,873	1,466,873
Altima Partners LLP	4,400,618	4,400,618
Hypo Alpe Adria a.d. Banja Luka	7,065,392	8,122,317
Hypo Alpe Adria d.d. Mostar	3,130,000	3,380,000
Grad Banja Luka, Republika Srpska	11,137	22,275
UniCredit Leasing d.o.o. Sarajevo	36,577	96,430
Rajfazen Leasing d.o.o. Sarajevo	4,830	9,531
Hypo Alpe Adria a.d. Banja Luka	250,000	-
Hypo Alpe Adria d.d. Mostar	250,000	-
	<b>17,397,759</b>	<b>18,280,376</b>
	<b>30,789,834</b>	<b>31,246,194</b>

in KM	I-IX-2013	I-XII-2012
<b>Long-term obligations</b>		
Hypo Alpe Adria a.d. Banja Luka	12,764,300	12,764,300
Grad Banja Luka, Republika Srpska	133,650	133,650
UniCredit Leasing d.o.o. Sarajevo	228,849	50,796
Raiffeisen Leasing d.o.o. Sarajevo	374,233	17,072
	<b>13,501,032</b>	<b>12,965,818</b>

**Short-term obligations**

Altima Global Special Situations Master Fond Ltd	782,332	782,332
Altima Global Special Opportunities Master Fond Ltd	1,466,872	1,466,873
Altima Partners LLP	4,400,618	4,400,618
Hypo Alpe Adria a.d. Banja Luka	6,213,481	8,122,317
Hypo Alpe Adria a.d. Mostar	3,130,000	3,380,000
Grad Banja Luka, Republika Srpska	5,569	22,275
UniCredit Leasing d.o.o. Sarajevo	16,076	96,430
Raiffeisen Leasing d.o.o. Sarajevo	3,235	9,531
Hypo Alpe Adria a.d. Banja Luka	150,871	-
Hypo Alpe Adria a.d. Mostar	150,903	-
	<b>16,319,957</b>	<b>18,280,376</b>
	<b>29,820,989</b>	<b>31,246,194</b>

**Trade payables to suppliers:**

in KM	I-XII-2012	I-XII-2011
Payables to foreign suppliers	3,800,504	2,985,076
Payables to local suppliers	3,368,049	1,758,080

	7,168,553	4,743,156
<b>in KM</b>	<b>I-VI-2013</b>	<b>I-XII-2012</b>
Payables to foreign suppliers	5,671,369	3,800,504
Payables to local suppliers	4,519,712	3,368,049
	<u>10,191,081</u>	<u>7,168,553</u>

	I-IX-2013	I-XII-2012
<b>in KM</b>	<b>I-IX-2013</b>	<b>I-XII-2012</b>
Payables to foreign suppliers	4,212,285	3,800,504
Payables to local suppliers	3,111,136	3,368,049
	<u>7,323,421</u>	<u>7,168,553</u>

## 10.2. Explanation of the amounts and sources of funds, as well as description of cash flow of the issuer

### Short-term obligations:

Taking into account the results of business operations and impossibility to fulfill the obligations under loans, that is, impossibility to repay the principal debt under the existing loans, the Company has restructured its loan obligations for a number of years now. As a security of repayment of the aforementioned loans with Hypo Alpe Adria Bank, the Company has certified adequate own bills-of-exchange "without protesting" and bank transfer orders. Also, the Company has registered mortgage over business buildings and land in the area of beer production factory, as well as the right of pledge over equipment, which was purchased from the aforementioned loans.

The result of negotiations on restructuring of loan obligations in the last two years has been grouping of the loan obligations to the bank in two groups, short-term and long-term loans. Annuities as per long-term loans (KM 20 millions), which were used to finance construction and equipping of beer filling plant, and which are to become due in June 2019, are paid on a regular basis, on a monthly level. Short-term obligations to Hypo Alpe Adria Bank a.d. Banja Luka result from Financial Monitoring Framework, which was approved to the Company for the period of 5 years (becoming due on 30<sup>th</sup> June 2016), from which the Company uses short-term loans in the amounts of KM 5.75 millions, KM 250,000 and overdraft loan in the amount of KM 2.5 million. All these loans become due at the end of December 2013, as well as short-term loans from Hypo Alpe Adria Bank d.d. Mostar of KM 3.13 million and KM 250,000.

The results of negotiations with the bank is further decreased margin of the bank, as well as the interest rate for the long-term loan now 6-months' EURIBOR (rounded to the following bigger quarter) + 5.5% of margin (the full interest rate would be 6-months' EURIBOR + 7% margin) and 7% to short-term loans. This temporary interest rate lasts until 31<sup>st</sup> December 2013.

Earlier negotiations, as a part of rescheduling, resulted in agreement about a write-off of a part of penalty interest (for Hypo Bank Banja Luka, as of 1<sup>st</sup> December 2010, the amount was 338,941.00 convertible marks, whereas for Hypo Bank Mostar, as of 30<sup>th</sup> November 2011, the same interest amounted to 347,465.25 convertible marks), under the condition that the Company, in the next 5 years, is not late in servicing the obligations to the bank, under all the contracts, more than 20 days during the month. Also, in the case that the Company, in the period of regular fulfilling of obligations to the bank, and not later than 31<sup>st</sup> December 2014, reaches a level of annual EBIDTA (profit before interest, tax and amortization) in the amount higher than 10 million convertible marks, it will fulfill 50% of the penalty

interest to the bank, in a way which will be later determined (through the increase of regular interest rate or as a one-time calculation of fees, principal debt, and such).

The Company regularly fulfills its obligations under the long-term loan (repayment of the principal debt and interest). When it comes to short-term loan obligations, the Company regularly performs repayment of the interest under the loans; however, due to impossibility of payment of the total principal debt of short-term loans, the Company still requests a moratorium on repayment of the principal debt of short-term loans. The Company and Hypo Bank together consider every year (every 6 months) financial situation of the Company and they also negotiate about a part of short-term obligations, which the Company is able to repay in the coming period. In the middle of 2013, an agreement was reached with the bank, on the basis of which it is expected that the Company will, to the end of 2013, repay to the banks the total of KM 500,000 of short-term obligations (the loan of KM 250,000 to the Hypo Bank Banja Luka and the loan of KM 250,000 to the Hypo Bank Mostar), whereas for the rest of the short-term loans, the Company requested extension of the moratorium for repayment of the principal debt. In the second half of the year, a framework agreement was reached with the Hypo Bank about repayment of short-term loans in the upcoming years, according to which KM 700,000 should be repaid in 2014, KM 800,000 should be repaid in 2015, while the remaining short-term loans should be repaid in 2016. Revising of the financial state of the Company and possibilities of loan repayment will continue to be performed each year (every 6 months) and corrections of the agreement on repayment of short-term obligations are possible. It is expected that the Company and the banks will continue to resolve the issue of repayment of the Company's loan obligations by mutual agreement.

The obligations from leasing result from purchasing of replacement vehicles and forklift.

In 2008, Banjalučka Pivara has signed, with connected legal entities, Contracts on Short-Term Loans to the amount of maximum EUR 750,000 and to the amount of maximum EUR 2.25 millions. The loans have been approved, for financing of working capital. In February of 2010, the Company has received from a connected legal entity (Altima) a loan for financing of working capital in the amount of the total of EUR 400,000. Banjalučka Pivara repaid in quarter IV of 2013 the loans obtained from the connected legal entities of Altima Global Special Situations Master Fund Ltd., Altima Global Special Opportunities Master Fund Ltd., Altima Partners LLP as well as the accompanying interest.

Reports on cash flows for presenting the periods are under points 9.1 and 9.4 of this Prospectus.



## 11. Managing, Administrative and Supervisory Boards

### 11.1. Names, business addresses and capacities of the issuer, performed by the members of Management and Supervisory Boards

**Management Board** of Banjalučka Pivara consists of:

Name and last name	Business address	Capacity
Ragnar Tryggvason	Slatinska 8, Banja Luka	President
Kevin Smith	Slatinska 8, Banja Luka	Member
Travis Willis Davis	Slatinska 8, Banja Luka	Member
Mirjana Jovanović	Slatinska 8, Banja Luka	Vice President, member

Ragnar Tryggvason is a non-executive member and President of the Management Board of Banjalučka Pivara a.d.

Ragnar brings to the Board extensive technical knowledge of brewing, having served in various roles in the brewing industry for over 30 years. Prior to entering his invaluable advisory role on technical issues on the Board in 2006, Ragnar spent four years working as project director in Heineken Group in Russia, for all projects for 10 Heineken breweries in Russia, with a total of 18 million hectoliters of technical capacity. In the period from 1998 to 2002, he served as technical director for Bravo International in Russia, tasked to build up a brown field brewery with a technical capacity of 5.2 million hectoliters. Prior to that, he spent almost twenty years working as a Technical Director in a variety of bottling plants (Bravo International, Baltic Bottling Plant, Sanitas/Pepsi Cola, Viking brewery) with capacity ranging from 120.000 hectoliters to 650.000 hectoliters, in Russia and Iceland.

Kevin Smith is a non-executive, independent member of the Management Board of Banjalučka Pivara a.d.

Since 2008, Kevin has been working with GRF Advisors - which focuses primarily on the Balkans. For the 10 years prior to that he has worked in Southeast Europe: as CFO for BalkanPharma/Actavis in Bulgaria (1999-2003); as GM for Actavis' newly acquired subsidiary in Turkey (2004-05); GM of the newly privatized Banjalučka pivara (2006) & then Landmark Property Management SA. Before that, over a 25 year period, he had a variety of finance related roles with pharmaceutical and mining companies in Europe and Africa. Originally a Chemical Engineer, Kevin has degrees in Engineering, Economics and Finance and is a UK qualified accountant.

Travis Willis Davis is a non-executive, independent member of the Management Board of Banjalučka Pivara a.d.

Travis graduated from the London School of Economics with a B.Sc. in Economics in 1999. He spent over 5 years as part of the investment banking advisory team at ING Barings in London, advising companies on mergers & acquisitions, raising equity and debt capital, corporate restructurings and public offerings across a wide range of industries. Travis joined Altima Partners LLP in 2004, an alternative investment management firm, and focuses on private and public special situation investments across the globe for Altima's leading investment fund, Altima Global Special Situations. Within his role at Altima, Travis is in direct contact with senior management from a number of large international publicly traded companies in which the fund is invested, where he supports and advises management as a large institutional shareholder. Travis also serves as a board member of Spear Group Holdings Limited, a leading pressure sensitive label supplier to the beverage industry with revenues in excess of USD200m, and as a board member of agri.capital, a leading alternative energy producer in Europe.

Mirjana Jovanović joined our brewing family in late 2007. Having successfully fulfilled all her tasks as Assistant CFO, she was soon to be promoted, and in mid 2008 she was appointed CFO of Banjalučka Pivara a.d. (Director of Finance-IT department). Mirjana brought with her several years of experience in various areas of finance (public & corporate finance, investment banking), management, consulting, etc. Ever since obtaining her Master's degree in Business Administration (finance, general management) from Vanderbilt university, USA, Mirjana has been dedicating her free time to various development projects (head of department for economic affairs of "Club 2015", a Banja Luka based think tank, pro-bono SME consultant, etc.) and lecturing. Mirjana was appointed an executive member and the Vice-President of the Management Board of Banjalučka Pivara a.d. in April 2010.

**Audit Board** of Banjalučka Pivara consists of:

Name and last name	Business address	Capacity
Jonathan Derry-Evans	Slatinska 8, Banja Luka	President
Andrew Stevenson	Slatinska 8, Banja Luka	Member
Gordana Drobnjak	Slatinska 8, Banja Luka / PREF, Bana Milosavljevića 8, Banja Luka	Member

Jonathan Derry-Evans has spent most of his career in the financial services industry, as a private equity fund manager and latterly as a principal investor running his own business, Manfield Partners. He has significant experience of the drinks industry and currently sits on the Board of Spear Group Holdings, the market leader in the supply of pressure sensitive labels to the global drinks manufacturers and Waverley TBS the UK's leading independent drinks wholesaler with revenues of \$ 500 million. Jonathan was appointed President of Banjalučka Pivara a.d. Audit Board in April, 2010, when the Board was constituted in accordance with the Law on Companies. Prior to that, Jonathan presided over the Banjalučka Pivara a.d. Supervisory Board.

Andrew Stevenson has over 20 years' experience as an executive in the international beer business. He has held a number of senior roles in Scottish & Newcastle, one of the world's leading brewery groups, both in the United Kingdom and its worldwide export business. He was a director of Baltic Beverages Holding, the most successful brewery group in Eastern Europe, and Baltika Breweries, the largest brewery company in Russia and owner of Europe's largest beer brand. Andrew joined the Banjalučka Pivara a.d. Audit Board in June 2010.

Gordana Drobnjak graduated from Faculty of Economics at the University of Belgrade - Finance, Banking and Insurance department in 2006, with 9.33/10 average grade. She passed CFA Level I in 2009, CFA Level II in 2010 and CFA Level III in June 2012. She gained Chartered Financial Analyst reference in September of 2012. After passing Republic of Srpska Securities Commission exam in 2007 she obtained investment manager license. Her professional carrier started in 2007 in Balkan Investment Bank ad Banja Luka on custody and brokerage operations. As of January 2008, she begun working for Investment banking department of Hypo Alpe-Adria Bank ad Banja Luka as Head of Corporate finance sub department, and she stayed on that position until September 2010. During that time she led company takeovers, worked as agent for New Securities Offerings (capital increases both private and public placements, bond issuance and commercial papers). From September 2010 until January 2011, she held the position of a Senior Analyst at Chief Economist Department at Hypo Alpe-Adria Bank ad Banja Luka. In period from June 2009 until January 2011 she performed the duty of Head of Supervisory Board of Kristal Invest Fond ad Banja Luka. Since May 2009, she has become a member of Commission for Listing of Banja Luka Stock Exchange a.d. Banja Luka. As of 1<sup>st</sup> January 2011, she took over the duties of an Executive Director for Accounting, General Affairs and

Development of the Management Company of Pension Reserve Fund of the Republic of Srpska. As of June 2011, Gordana has become a member of the Audit Board of the joint stock company Destilacija and she has also joined the Audit Board of Banjalučka Pivara in May 2013.

The role and competences of the Management Board and Audit Board are defined by the Articles of Association of Banjalučka Pivara, Code of Conduct and Management of Banjalučka Pivara, as well as the valid positive legal regulations of the Republic of Srpska and Bosnia and Herzegovina.

According to our knowledge, on the basis of available information, no member of the management of the issuer, in the previous five years, has been criminally persecuted nor has there any verdict brought against them for economic crimes.

According to our knowledge, on the basis of available information, no member of the issuer in the previous five years has been a member of a board of a company which has gone bankrupt.

For managing of Banjalučka Pivara, its **Executive Team** is also of significance, consisting of:

Name and last name	Capacity
Nicholas Penny	Managing Director
Slobodanka Gajić	Logistics Manager
Branislav Ignjatić	Sales Sector Director – Development Market
Mirjana Jovanović	Finance Director, Vice-President of the Management Board
Radovan Rakić	Brewery Manager – Director of Production and Technical Sector
Snježana Granula	Manager for Employment and Development at HR Service
Branko Bašić	Sales Sector Director – Core Market
Dejan Čato	Marketing Service Manager

Nicholas Penny spent the first ten years of his working career in major drinks companies. His first role was in Moët Hennessy group in France where he was involved in PR activities for major global brands such as Moët & Chandon Champagne and Hennessy Cognac in France. Subsequently he joined the Guinness Group Plc in 1990 and worked in a series of sales and marketing roles on Guinness beer and Johnnie Walker whisky, such as sales and marketing manager for Czech Republic and finally International Marketing manager for Johnnie Walker brands. In 1999, following the merger of Guinness Group with Grand Metropolitan to form Diageo, Mr. Penny left to pursue fast moving, smaller scale projects. First among these was the creation of a market leading brewing business in Romania. This company Brewery holdings Romania grew from just 500,000 HL in 1998 to over 2.4 million hectoliters in three years via acquisition and organic growth, and became the market leader in the Romanian beer Industry ahead of the major international companies. Other projects undertaken between 2000 and 2004 include mineral water, chocolate confectionary, bakeries, telecoms and distilling. In 2005 he moved back to London and spent a year working on major strategic consulting projects for companies such as South African Breweries, Coca Cola International, Jim Beam and William Grants. In July 2006 Mr. Penny took over as Director of Banjalučka Pivara a.d.

Slobodanka Gajić, an Economist, was born on 4th December 1955 in Četojevići. To Banjalučka Pivara a.d. she brought many years of rich experience of work on domestic and foreign purchasing, cooperation, wholesale, re-export and loan activities, foreign currency operations, forwarding and customs clearance operations and logistics, all gained at a production company Čajavec, in the period from 1977 to 2002. During this period, she was awarded on several occasions for coordination of commercial and financial operations, preparation of organization of work (work methodology) for the cooperatives – participants in a new product development to the phase of realization. In addition to extensive experience, she has attended a number of professional courses and owns a number of

certificates, with the most significant being: Certificate for Work in Foreign Trade, Certificate in Customs Operations, and Certificate in Forwarding Operations. After she came to Banjalučka Pivara a.d. in 2002, an Export Service was founded, which provided the company a basis to be registered for performance of forwarding duties. The results of her development in work resulted in her promotion to Logistics Manager in 2006.

Before he started working in December 2008 as a Commercial Director of Banjalučka Pivara, Branislav Ignjatić worked as a Sales Director for Republika Srpska at Vitinka AD from Kozluk. In early 2013, Branislav expanded his focus on domestic developing sales regions, export market and development of business operations with supermarket chains in and out of Bosnia and Herzegovina, and took over a position of director of sales-developing market. He has gained extensive experience in sales working for many years at Coca-Cola HBC, where he underwent a lot of training, of which the most significant are: Market Developer Negotiation Skills (Mercuri International), Management and Coaching (Mercuri International), Situational Management, Finance for Non-Finance, Five Sales Steps, Merchandising Standards Principles.

Radovan Rakić, a Technologist (Faculty of Technology; Biochemical and Food Technology), became part of Banjalučka Pivara a.d. team in 1996. He brought with him experience from production companies Unis Adria, where he worked as a Chief of Pasta Production Plant, as well as from Levita from Gradiška, where he worked as a Technologist in charge of all preparatory processes in manufacturing. In the last fifteen years, since he has joined Banjalučka Pivara a.d., Radovan has successfully performed a number of duties, he was entrusted with: he worked as a Technologist in production, Chief of Beer Fermentation, Quality Management Representative (being also one of the persons leading the project for introduction of ISO Standards at Banjalučka Pivara a.d.), Chief of Filtration and Beer Bottling, as well as Manager of Production and Technical Sector. Radovan was appointed Director of Production Sector in 2004 and he has performed duties of a Brewery Manager – Director of Production and Technical Sector since 2008.

Snježana Granula joined the management team of Banjalučka pivara a.d. in early 2007. She brought with her years-long, rich experience in human resources management, focused especially on employment (definition of needs, finding and hiring talented persons, with knowledge, experience and characteristics perfectly matching the needs of a position and work environment) and professional development of human resources, their motivation, performance evaluation and awarding, and the implementation of domestic and international legislation and standards regulating the area. Snježana has been working as a manager for employment and development in the Human Resources Department of Banjalučka Pivara a.d. since 2007.

Branko Bašić, an Economist, joined the team of Banjalučka Pivara a.d. in 2002, and in the following eleven years he has successfully performed a number of tasks he was entrusted with. In the period from 2002 to 2006, he has performed duties of a market developer, working through details of all aspects of sales in a very specific beer market. In 2006, he was promoted to a position of a sales supervisor, carrying the responsibility for building and maintenance of good relationships with the largest distributors of Banjalučka pivara. In early 2013, Branko was appointed to a position of a Director of Sales – Core Market, and thus joined the Executive team of Banjalučka pivara. His previous work experience Branko developed during a number of years working with another domestic firm, trading in alcoholic drinks and tobacco.

Dejan Čato joined the team of Banjalučka Pivara in April 2007. He graduated in 2004 from the Banja Luka College of Communications. He started his professional career in the automobile industry, where he has actively worked and gained significant experiences in sales. He is a winner of the main prize for

the best business idea of the Exit Center and the Government of the Great Britain in 2003, where he participated, together with his team, in several workshops and seminars for introduction of advanced technologies into our society. He has shown his initiatives, pro-activity and dedication quite early, thus he may show off for the title of the best cadet in '99 Class of Infantry Reserve Officers Training Corps in Bileća. At Banjalučka Pivara, he has been through all the marketing segments; in 2009 he was appointed Brand Manager of the company, whereas in 2011 he has moved to the position of Strategic Marketing Manager. He was a member of the jury for Superbrands BiH 2012 and he represented Banjalučka Pivara several times at international beer quality competitions. In the beginning of 2013, Dejan was appointed to the position of Marketing Manager, thus becoming an Executive Marketing Director of Banjalučka Pivara.

## 11.2. Conflict of interest of managing, administrative and supervisory boards and senior management

There is no conflict of interest of the persons referred to in the previous paragraph in terms of functions and activities, which are performed at the issuer and their personal interest, that is, their functions and activities outside the issuer.

## 11.3. Personal income of Management members

Earnings and other fees to the Management	I-XII-2012 KM	I-XII-2011 KM	I-IX-2013 KM	I-IX-2012 KM
Fees to the key Management	187,402	188,405	140,552	140,552

Fees to the key Management are related to gross earnings and other short-term fees received by Managing Director, Management Board members and Audit Board members. Earnings of the Management Board and Audit Board are defined by Resolution of the Shareholder Assembly of Banjalučka Pivara a.d. on determination of fees to Management Board and Audit Board members, No. 01-124/2010 of 27<sup>th</sup> April 2010. Net fees to the authorized person in the issuer, at an annual level, amount to KM 50,400. Net fees to members of the Management Board, at an annual level, amount to KM 18,000. Net fees to the members of the Audit Board, at an annual level, amount to KM 3,600.

## **12. Management Practice**

### **12.1. Date of expiry of the actual mandate and time period, during which the person has performed this capacity**

Mandate of the Management Board members of Banjalučka Pivara is defined by the Resolution of the Shareholder Assembly of Banjalučka Pivara No. 01-166/2013 of 28<sup>th</sup> May 2013 and it lasts for three years, that is, until 28<sup>th</sup> May 2016 and, at the longest, until the time of holding an ordinary Shareholder Assembly of Banjalučka Pivara in 2016.

Mandate to the Audit Board members of Banjalučka Pivara is not time limited by the Articles of Association of Banjalučka Pivara. It lasts until relieving from duties of the Audit Board members.

### **12.2. Information on contracts of the Management Board and Audit Board members, foreseeing advantages upon termination of engagement, that is, upon termination of employment**

Banjalučka Pivara does not have signed contracts with Management Board and Audit Board members, by which advantages upon termination of performance of their duties in the boards, that is, upon termination of employment, is foreseen.

### **12.3. Information on an audit commission and commission for the issuer's fees**

Banjalučka Pivara does not have an audit commission. The role of a supervisory body at the Company is performed by its Audit Board (more information in point 12.1.). No separate commissions were formed within the Management Board and Audit Board, which would be dealing with certain separate areas.

### **12.4. Corporate management standards – statement on compliance**

Commitment of Banjalučka Pivara Management to transparency in work and application of recognized Corporate Management Standards (which were adopted by the Securities Commission of the Republic of Srpska) is constant. Management standards of joint stock companies (that are applied in companies, which are listed on the official stock market) are applied in daily work of the Company. In March 2011, Banjalučka Pivara has adopted own Code of Conduct and Management, which is revised on a periodic basis. Also, the Brewery continues to develop its websites, in order to include all the relevant, timely available information to investors – financial statements of the Company, the most significant information on business operations, management boards and members of the management team, etc.

In addition to this, Banjalučka Pivara fully implements different imperative norms, set out and sanctioned with different laws (Law on Business Companies, Law on Securities Market, Law on Accounting and Auditing, etc.) and acts of the Commission for Securities and Rules of the Stock Market, which are incorporated in the Articles of Association of the Brewery, Rule Book on Work of the Assembly and other acts of the Company.

### 13. Employees

#### 13.1. The number of employees and classification according to the basic types of activities and geographic locations

Period	2012	2011	I-IX-2013
Average number of employees	236	238	233

All the employees work on the territory of Bosnia and Herzegovina, within the scope of basic business activity of the Company

#### 13.2. Information on ownership over the issuer's shares

Management Board member, Mr. Kevin Smith owns 1,554 ordinary shares with voting rights of Banjalučka Pivara. Other members of the Management and Audit Board do not have ownership over the Issuer's shares.

#### 13.3. Description of all the arrangements in relation to possibility of obtaining shares of the issuer by the employees

When it comes to possibilities of obtaining shares of Banjalučka Pivara by the employees, there are no special arrangements in any of the acts of Banjalučka Pivara. Employees of Banjalučka Pivara may obtain shares of Banjalučka Pivara in the same manner as all the other physical and legal persons by purchasing of shares on the stock market.

## 14. Majority Shareholders

14.1. Name or business name of the person who, directly or indirectly, owns share in the capital of the issuer or in the voting right – 5%, 10%, 15%, 25%, 30%, 50% and 75%, together with the amount of shares of each such person

Below are the data about the ten largest shareholders of Banjalučka Pivara:

Name of the shareholder	% share	% share with voting right
ALTIMA GLOBAL SPECIAL SITUATIONS FUND LTD	39.361324	53.803177
ALTIMA UK VALUE INVESTMENTS LIMITED	26.842007	0.000000
PREF AD BANJA LUKA	5.267368	7.199990
RS RESTITUTION FUND AD BANJA LUKA	2.627268	3.591224
IDEAL-KOMPANI DOO BANJA LUKA	2.166725	2.961707
DOMAZET IVANA	2.076789	2.838772
"R&S COMPANY" DOO PRNJAVOR	1.614028	2.206223
GACK STEFAN	1.565953	2.140509
RAIFFEISEN BANK D.D. BIH SARAJEVO-KASTODI	1.044468	1.427688
ZIF VIB FOND AD BANJA LUKA	0.985338	1.346862

Izvor informacija: Banjalučka berza (<http://www.blberza.com/Pages/issuerdata.aspx?code=blpv>)

## 14.2. Right to vote, based on shares of Banjalučka Pivara

Each ordinary share of Banjalučka Pivara gives an equal right to vote to the Shareholder Assembly of the Company, thus one share always gives the right to one vote.

Each privileged share from VI emission is a privileged, cumulative-participatory share, with a registered owner, and it does not give the right to vote, except in the cases foreseen by the Law on Business Companies, Articles of Association of Banjalučka Pivara and in line with the Law on Business Companies and Resolution on VI emission of shares No. 01-71/2006 of 27<sup>th</sup> July 2006. It gives to the owners the right to vote at a special Shareholder Assembly about questions requiring group voting of shareholders owners of privileged shares of VI emission, as class of shares, in accordance with the Law on Business Companies. Each privileged share of VI emission gives to its owners the right to vote with shareholders, who have ordinary shares if such a privileged share is converted into ordinary shares (when they can have an equal number of votes of ordinary shares which they can be converted into) and if the dividend to privileged shares, which were obtained and the payment of which was required, have not been paid, until their payment.

## 14.3. Data on the person with a control position in the issuer

Majority owner of Banjalučka Pivara is Altima Global Special Situations Fund, Ltd. which acquired the control package of Banjalučka Pivara shares in the process of privatization of Banjalučka Pivara. Namely, the Government of the Republic of Srpska, with its Resolution No. 02/1-020-138/05, on 3<sup>rd</sup> February 2005, approved a special privatization program for sale of the state-owned capital (53.1% of the total basic capital) by the method of a tender with variable conditions. On 28<sup>th</sup> December 2005, a



Contract for Sale of State-Owned Capital was signed between Privatization Agency of the Republic of Srpska and Altima Global Special Situations Fund Ltd., Cayman Islands. According to the Contract, the subject of sale is the state part of the capital presenting 53.81% of the total share capital of the Company, which is 25,662,800 of ordinary shares of the nominal value of 1.00 convertible marks per share. Selling price of the state capital amounts to 23,000,000 of convertible marks.

Banjalučka Pivara has consistently applied Corporate Management Standards and own Code of Conduct and Management, thereby ensuring and confirming transparency of the business operations of the Company, along with it fully implementing different imperative norms, set out and sanctioned by various laws and documents of the Securities Commission and as well as the Stock Market Rules, which have been incorporated in the Articles of Association of the Brewery, Rule Book on Work of the Assembly and other acts of the Company. In addition to this, one position at the Audit Board of Banjalučka Pivara has been reserved for a representative of minority shareholders, which additionally ensures transparency of work of the Company.

## 15. Transaction of Connected Entities

### 15.1. Financial transactions of the issuer and connected persons

Significant transactions with the connected persons were given below:

<b>Balance Sheet</b>	<b>I-IX-2013 (in KM)</b>	<b>I-XII-2012 (in KM)</b>
<i>Loans and borrowings</i>		
Altima Global Special Situations Master Fund Ltd	782,332	782,332
Altima Global Special Opportunities Master Fund Ltd	1,466,872	1,466,872
Altima Partners LLP	4,400,618	4,400,618
	<b>6,649,822</b>	<b>6,649,822</b>
<i>Short-term obligations on the basis of accumulated dividend</i>		
Altima UK Value Investments Limited	2,821,895	2,787,587
	<b>2,821,895</b>	<b>2,787,587</b>
<i>Obligations for the interest</i>		
Altima Grupa (GSO & GSS Master Fund, Altima Partners)	2,242,492	1,909,126
	<b>2,242,492</b>	<b>1,909,126</b>
<b>Income Statement</b>	<b>I-IX-2013, (u KM)</b>	<b>I-IX-2012, (u KM)</b>
<i>Interest</i>		
Altima Grupa (GSO & GSS Master Fund, Altima Partners)	333,366	351,608
<i>Financial cost of preferential shares</i>		
Altima UK Value Investments Limited	34,308	22,872
<i>Consultancy services</i>		
Altima UK Value Investments Limited	429,670	393,235
	<b>797,345</b>	<b>767,716</b>

<b>Balance Sheet</b>	<b>I-IX-2013 (in KM)</b>	<b>I-XII-2012 (in KM)</b>
<i>Loans and borrowings</i>		
Altima Global Special Situations Master Fund Ltd	782,332	782,332
Altima Global Special Opportunities Master Fund Ltd	1,466,872	1,466,872
Altima Partners LLP	4,400,618	4,400,618
	<b>6,649,822</b>	<b>6,649,822</b>
<i>Short-term obligations on the basis of accumulated dividend</i>		
Altima UK Value Investments Limited	2,810,459	2,787,587
	<b>2,810,459</b>	<b>2,787,587</b>
<i>Obligations for the interest</i>		
Altima Grupa (GSO & GSS Master Fund, Altima	2,017,546	1,909,126

Partners)		
	<b>2,017,546</b>	<b>1,909,126</b>
<b>Income Statement</b>	<b>I-VI-2013 (in KM)</b>	<b>I-VI-2012 (in KM)</b>
<i>Interest</i>		
Altima Grupa (GSO & GSS Master Fund, Altima Partners)	<b>216,840</b>	<b>234,406</b>
<i>Financial cost of preferential shares</i>		
Altima UK Value Investments Limited	<b>22,872</b>	<b>22,872</b>
<i>Consultancy services*</i>		
Altima UK Value Investments Limited	<b>317,545</b>	<b>273,394</b>
	<b>557,257</b>	<b>530,672</b>
<b>Balance Sheet</b>	<b>I-XII-2012 (in KM)</b>	<b>I-XII-2011 (in KM)</b>
<i>Loans and borrowings</i>		
Altima Global Special Situations Master Fund Ltd	<b>782,332</b>	<b>782,332</b>
Altima Global Special Opportunities Master Fund Ltd	<b>1,466,872</b>	<b>1,466,872</b>
Altima Partners LLP	<b>4,400,618</b>	<b>4,400,618</b>
	<b>6,649,822</b>	<b>6,649,822</b>
<i>Short-term obligations on the basis of accumulated dividend</i>		
Altima UK Value Investments Limited	<b>2,787,587</b>	<b>2,741,843</b>
	<b>2,787,587</b>	<b>2,741,843</b>
<i>Obligations for the interest</i>		
Altima Grupa (GSO & GSS Master Fund, Altima Partners)	<b>1,909,126</b>	<b>1,461,151</b>
	<b>1,909,126</b>	<b>1,461,151</b>
<b>Income Statement</b>	<b>I-XII-2012 (in KM)</b>	<b>I-XII-2011 (in KM)</b>
<i>Interest</i>		
Altima Grupa (GSO & GSS Master Fund, Altima Partners)	<b>447,975</b>	<b>484,099</b>
<i>Financial cost of preferential shares</i>		
Altima UK Value Investments Limited	<b>45,744</b>	<b>485,062</b>
<i>Consultancy services*</i>		
Altima UK Value Investments Limited	<b>775,872</b>	<b>690,619</b>
	<b>1,269,591</b>	<b>1,659,780</b>

\*Consultancy services result from advisory services provided by Altima UK Value Investments, Ltd. on the basis of the contract concluded between the Company and Altima UK Value Investments, Ltd. on 31<sup>st</sup> October 2006. The prices of services were determined in line with the market conditions. The loans were approved in 2008 and 2010 for financing of working capital (more information on the loans in point 10 of this Prospectus). Banjalučka Pivara repaid in quarter IV of 2013 the loans received from the connected legal entities Altima Global Special Situations Master Fund Ltd., Altima Global Special Opportunities Master Fund Ltd., Altima Partners LLP as well as the accompanying interest.

## 16. Additional Information

### 16.1. Basic capital

The basic capital of Banjalučka Pivara amounts to KM 5,680,693.00 (in writing: five millions six hundred and eighty thousand six hundred and ninety three convertible marks).

The basic capital of the Company is divided to 4,155,881 (in writing: four million one hundred and fifty five thousand eight hundred eighty one) ordinary class "A" share (of the fifth emission) of nominal value of KM 1 (in writing: one convertible mark) per share and 1,524,812 (in writing: one million five hundred and twenty four thousand and eight hundred and twelve) priority, participatory-cumulative shares of "B" class (of the sixth emission) of nominal value of KM 1 (in writing: one convertible mark) per share.

The Company, until the time of publication of this Prospectus, has issued four emissions of ordinary (regular) class "A" shares of nominal value of KM 1.00, as follows:

- 39,454,774 of ordinary shares from the first emission, class "A", with a registered owner, of KM 1 nominal value, in the total amount of KM 39,454,774;
- 3,825,934 of ordinary shares from the second emission, class "A", with a registered owner, of KM 1.00 nominal value, in the total amount of KM 3,825,934;
- 4,415,595 of ordinary shares from the third emission, class "A", with a registered owner, of KM 1.00 nominal value, in the total amount of KM 4,415,595;
- 4,155,881 of ordinary shares from the fifth emission of shares, by the basic capital decrease, class "A", with a registered owner, of KM 1.00 nominal value, in the total amount of KM 4,155,881.

The Company, until the time of publication of this Prospectus, has issued two emissions of priority, participatory-cumulative shares, class "B", of KM 1.00 nominal value, as follows:

- 17,500,000 of priority, participatory-cumulative shares from the fourth emission, class "B", with a registered owner, of KM 1.00 nominal value, in the total amount of KM 17,500,000;
- 1,524,812 of priority, participatory-cumulative shares from the sixth emission of shares by the basic capital decrease, class "B", with a registered owner, of KM 1.00 nominal value, in the total amount of KM 1,524,812.

#### 16.1.1. Amount of subscribed and/or paid for basic capital, as well as the paid capital

in KM	I-IX-2013	I-XII-2012
Subscribed capital	<b>5,680,693</b>	5,680,693
	<b>5,680,693</b>	5,680,693

Share capital structure as of 30<sup>th</sup> September 2013 and 31<sup>st</sup> December 2012 is as follows:

	I-IX-2013 %	I-IX-2013 KM	I-XII-2012 %	I-XII-2012 KM
Altima Global Special Situations Master Fund Ltd	<b>39.4%</b>	<b>2,235,996</b>	39.4%	2,235,996
Altima UK Value Investments Limited	<b>26.8%</b>	<b>1,524,812</b>	26.8%	1,524,812
Internal shareholders and shareholders on the basis of voucher offer	<b>25.9%</b>	<b>1,471,415</b>	25.9%	1,471,415
PREF a.d. Banja Luka	<b>5.3%</b>	<b>299,223</b>	5.3%	299,223

Restitution Fund of the RS AD Banja Luka	2.6%	149,247	2.6%	149,247
		<b>5,680,693</b>		<b>5,680,693</b>

## 16.2. Articles of Association of the Company

### 16.2.1. Description of business activity of the issuer with the mention of Articles of the Articles of Association, which set it all out

Basic business activities of Banjalučka Pivara are:

Business activity code	Description
11.05	Beer production
11.06	Malt production
10.89	Production of other food products

In addition to this, Banjalučka Pivara may perform the following business activities:

Business activity code	Description
11.07	Production of mineral water and refreshing drinks
20.11	Production of industrial gases
38.11	Collection of non-hazardous waste
38.12	Collection of hazardous waste
38.21	Treatment and disposal of non-hazardous waste
38.22	Treatment and disposal of hazardous waste
38.32	Recycling (treatment) of sorted materials
39.00	Repair (remediation) activity of the environment and other waste management services
46.19	Mediation in trade in various products
46.34	Wholesale trade in drinks
46.75	Wholesale trade in chemical products
46.76	Wholesale trade in other semi-products
46.77	Wholesale trade in waste and remains
47.11	Retail trade in non-specialized stores of primarily food products, drinks and tobacco products
47.25	Retail trade in drinks in specialized stores
47.29	Other retail trade in food products in specialized stores
47.78	Other retail trade in new goods in specialized stores
49.41	Road transport of goods
52.10	Warehousing of goods
52.29	Other accompanying activities in transport
56.29	Other activities of preparation and catering (food delivery)
56.30	Activities of preparation and serving of drinks
80.10	Private security activities (services of safekeeping and patrolling)

In addition to the aforementioned activities, Banjalucka Pivara may also perform other activities, without registering them, if those activities serve to the described activities or if they are usually performed with them, to a lesser extent or occasionally. Also, the Brewery may, within the registered activities, perform foreign trade business operations, under set terms, in line with the regulations and its Rule Book on Foreign Trade Business Operations.

This issue is regulated by Article 10 of the Articles of Association of Banjalučka Pivara.

### 16.2.2. Brief overview of provisions of the Articles of Association about the Company boards, as well as possible other acts, which set out division of the issuer to administrative units

Company boards are: Shareholder Assembly, Management Board, Managing Director, Executive Board, Internal Auditor and Audit Board. Management Board, Executive Board and Managing Director of the Company make Management of the Company (Chapter **XI Company Boards**, Articles of Banjalučka Pivara).

Shareholder Assembly is the highest board of the Company, at which shareholders realize its right in the best interest of the Company. Shareholder Assembly of the Company consists of all the shareholders. Shareholder Assembly has the following scope of competence:

- It decides on status changes, changes of a legal form into another form of the Company and termination of the Company,
- It adopts the Articles of Association and changes and amendments of the Articles of Association,
- It decides on acquiring and disposal of high-value assets,
- It decides on distribution of profit and coverage of losses,
- It decides on adoption of financial reports with a report of an independent auditor as well as report of the Management Board in relation to financial reports,
- It elects and releases from duty members of the Company's Management Board,
- It elects and releases from duty Independent Auditor and Audit Board members,
- It decides on policy of fees and compensations to members of the Management Board,
- It elects a Shareholder Assembly President,
- It adopts Rule Book on Work of the Assembly,
- It decides on termination of the Company,
- It decides on issues submitted to the Shareholders Assembly for decision-making from the Company's Management Board,
- It decides on other issues stated in the law or these Articles of Association.

Management Board is a board of management of the Company. Management Board, together with Managing Director and Executive Board, makes Management of the Company.

Management of the Company is competent for independent managing of the Company and it ensures adhering to all the laws and other regulations, as well as to take into account all the interest of the interested parties for working at the Company, in accordance with the business risk that the Company is exposed to. Management Board consists of four members, out of which there are non-executive ones, amongst whom there are at least two independent ones and one member of the Management Board is an executive member. Each member of the Management Board is elected by cumulative voting. Mandate of the Management Board members lasts for 3 days, with a possibility of reelection. Vacant position at the Management Board is filled in by co-opting at the first Board session, except if the number of members is decreased below a half, when the remaining members convene the session of the Shareholder Assembly of the Company in order to fill in the vacant positions.

Management Board of the Company:

- Manages development and strategy of the Company and supervises Executive Directors and Administration of the Company,
- Establishes Business Policy of the Company,
- Establishes and approves the Business Plan of the Company,
- Convenes sessions of the Shareholder Assembly and establishes Agenda proposals,

- Establishes drafts of Assembly Resolutions and control of its implementation,
- Elects and releases from duty Managing Director as well as Executive Directors, who make Executive Board of the Company,
- Approves terms of contracts that the Company concludes with them and determines their fees,
- Adopts general acts of the Company that are not adopted by the Assembly,
- Adopts resolutions on other issues in accordance with the law and these Articles of Association,
- Takes care about preparation of the annual accounts and adopts periodic accounts,
- Prepares annual accounting statements, reports on business operations and implementation of business policy,
- Adopts semi- annual financial reports of the Company,
- Brings decision on establishing of business units (branches),
- Recommends distribution of profit,
- Elects Management Board President and Deputy President amongst its members,
- Provides guidelines to Director for realization of the business policy,
- Appoints Commission for Appointment and Commission for Compensations,
- Decides about permanent business cooperation and connectivity with other companies,
- Brings investment decisions,
- Decides on disposal of shares and contributions of the Company,
- Adopts the Rule Book on its work,
- Elects a Secretary of the Company,
- Adopts or establishes Code of Conduct and Management,
- Performs also other duties set out by the law and Articles of Association.

Management Board of the Company reports to the Shareholder Assembly about:

- Intended Business Policy and other issues related to running of affairs, including differences from earlier reasons established for it, at least once a year,
- Low operating costs, cost-effectiveness and solvency of the Company, at the annual Shareholder Assembly of the Company,
- Business operations of the Company and its financial situation, and in a case the Company operated with a loss, proposes measures for covering that loss.
- Significant business events, that is, affairs that could be of great significance for cost-effectiveness of business operations and solvency of the Company.

Members of the Executive Board are elected and relieved from duty by the Management Board upon proposal of Managing Director, that is, Appointment Commission. Executive Board, as a rule, consists of, in addition to Managing Director, Directors of Sectors and independent services of the Company, who, after election for members of the Executive Board, are considered Executive Directors in the sense of the Law.

Executive Board of the Company performs the following duties:

- Proposes resolutions to the Management Board,
- Implements Resolutions of the Management Board,
- Decides and implements resolutions on all the issues related to running of affairs and current affairs of the Company, except issues that are under the competence of the Management Board and Assembly,
- Reports to the Management Board about every affair that may be of impact to business operations of the Company,
- Submits the annual report to the Management Board.

Managing Director of the Company is elected by the Management Board of the Company for the mandate period of 3 years with a possibility of reelection, and he/she may be relieved from duty prior to the mandate expiry. Managing Director has the rights, obligations and responsibilities set out by the Law, Articles of Association and other general acts of the Company, particularly in performance of the following duties:

- Organizes and manages the process of work and runs business operations of the Company,
- Implements and takes care about implementation of resolutions of the Shareholder Assembly, Management Board and Audit Board,
- Convenes Executive Board sessions, presides over the sessions and organizes work of the Executive Board,
- Brings Rule Book on Internal Organization and Systematization of Positions of the Company,
- Decides on purchasing and sale of fixed assets and concludes other agreements in the name and on behalf of the Company, with the value of each transaction not exceeding the amount of KM 1,000,000,
- Decides on the rights resulting from labor relations in accordance with the Law,
- Approves business trips in the country and abroad,
- Takes care about inventory of the Company's assets,
- Brings individual acts,
- Approves bonuses and other incentive compensations to individual employees on the basis of achieved results, in terms of the scope, quality and financial effects,
- Participates, together with Management Board President, in preparation and convening of the Management Board sessions,
- Reports to the Management Board on his work,
- Performs other duties that are not under exclusive competence of other Company's bodies in accordance with the Law, Articles of Association and other general acts.

Director is authorized to, within the scope of registered activities, represent the Company and conclude legal transactions with third parties in the name and on behalf of the Company, at which each transaction with the value exceeding KM 1,000,000.00 (in writing: one million convertible marks) requires a signature of least one other member of the Management Board, in addition to Director's signature.

The Company must have an internal auditor. The basic task of an Internal Auditor is to point out to the risks that could possibly affect successfulness of business operations and successful fulfilling of business plans. In performance of its duties, the Internal Auditor performs the following:

- Controls and reports to the Audit Board on authenticity and completeness of financial statements,
- Controls and reports to the Audit Board on authenticity and completeness of reporting to the Company's shareholders about financial and other information,
- Controls and reports to the Audit Board about contracts concluded between the Company and members of the Company's Management Board, as well as with connected persons in the sense of the Law on Business Companies,
- Controls conformity of the organization and work of the Company with the Code of Conduct and Management, that is, with Corporate Governance Standards brought by the Securities Commission of Republika Srpska (to the extent of which its application is binding for the Company),
- Controls the procedure of resolving objections of the Company's shareholders, members of the Company boards.



Audit Board of the Company consists of three members, out of which one is President of the Board. Audit Board has the following competence of work:

- Bringing of the plan of work of internal auditing,
- Considering reports of Internal Auditing and giving recommendations on auditing reports,
- Reports to the Management Board about realization of recommendation upon auditing reports,
- Reports to the Shareholder Assembly about accounting, reporting and financial statements of the Company,
- Gives opinion on proposal of resolution on distribution of profit,
- Gives opinion on conformity of Company's operations with the legal and other regulatory requirements,
- Proposes election of an independent auditor to the Assembly,
- Submits a report to the Company's shareholders at every annual Assembly and also at extraordinary Assembly, when it is considered necessary or when this is requested by the Management Board,
- Brings a Rule Book on its work,
- Performs other duties set out by the Law or Articles of Association.

In the functional system and management system, four Sectors and four independent Services are organized within the Company:

- Sales Sector – Core Market,
- Sales Sector – Development Market,
- Production and Technical Sector,
- Finance and IT Sector,
- Human Resource Service,
- Legal Service,
- Logistics Service,
- Marketing Service.

### **16.2.3. Description of the rights, special privileges and limitations, which are valid for each type and class of the already issued shares**

Each ordinary share entitles the shareholder with the following rights:

- Right of participation in legal acts and other documents and information of the Company,
- Right of participation in the work of the Company's Shareholder Assembly,
- Voting rights at the Company's Shareholder Assembly, in such a way that one share always entitles the right to one vote,
- Right to payment of dividend after payment of dividend to all the issued privileged shares in the full amount,
- Right to participation in distribution of liquidation surplus upon liquidation of the Company and after payment of creditors and shareholders of any of the privileged shares,
- Right of preferential acquiring of shares from new emissions and convertible bonds,
- Right of disposal of all types of shares in accordance with the law,
- All other rights set out by the applicable regulations.

Each privileged share from VI emission is a privileged cumulative-participatory share, with a registered owner, not entitling the voting rights except in the cases foreseen by the Law on Business Companies and these Articles of Association, in accordance with the Law on Business Companies and Resolution on VI emission of shares, entitling the following rights:

- Right to annual priority dividend in the amount of 3% of the nominal value of shares, which becomes due for collection of payment on 30<sup>th</sup> June every year;
- Right to payment of dividend belonging to the holders of ordinary shares, in the same amount as to the holders of ordinary shares;
- Right to accumulation of unpaid priority dividends and priority in payment of these dividends in relation to the dividends which belong to the holders of ordinary shares;
- Right to vote at a special Shareholder Assembly about issues requiring group voting of the shareholders-owners of privileged VI emission shares, as a class of shares, in accordance with the Law on Business Companies,
- Right to vote with shareholders who own ordinary shares, if:
  - o Such a privileged share is converted into an ordinary share (when they can have an equal number of votes equal to the number of votes of ordinary shares they can be converted into), and
  - o Dividends to privileged shares which were purchased and the payment of which had been requested but not paid, until their payment;
- Right to conversion into ordinary shares, at any time, on the basis of the Shareholder Assembly Resolution, to be adopted by a simple majority of the shareholders present based on a written proposal of the owners of VI emission shares or with their consent. In the case of conversion to ordinary shares, each privileged share is converted into one ordinary share of the same nominal value as the VI emission share that are being converted (ratio 1:1). All the rights of the owners of privileged shares, that occurred to the date of conversion, whether due or undue (which is, for example, the right to accumulated priority dividend that had not been paid) will also be kept after conversion;
- Right to conversion to shares of the second class of privileged shares, at any time, on the basis of the Shareholder Assembly Resolution, to be adopted by a simple majority of the shareholders present based on a written proposal of the owners of VI emission shares or with their consent. In the case of conversion to shares of the second class of privileged shares, each privileged share of VI emission is converted to one second-class privileged share of the same nominal value as VI emission share being converted (ratio 1:1). All the rights of the owners of privileged VI emission shares, that occurred until the date of conversion, whether due or undue (which is, for example, the right to accumulated priority dividend that had not been paid) will be kept after conversion;
- Right to sale of those shares to the Company, at any time, on the basis of Resolution of the Shareholder Assembly, which is brought by a simple majority of the shareholders present on the basis of a written proposal of the owners of shares from this emission or with their consent, and upon the market value of those privileged shares, or, if it does not exist, upon the value established by the Management Board in accordance with the Law on Business Companies or by an authorized evaluator elected by the Shareholder Assembly, Management Board or disagreeing shareholders in accordance with the Law on Business Companies;
- Right to priority in the payment of liquidation mass and bankruptcy mass, proportional to the nominal value of shares of this emission, with the total amount of the basic capital of the Company;
- Right to access and participation in discussion at the Shareholder Assembly;
- Right to access to documents of the Company, other documents and information in the Company's possession, in the same manner as the shareholders of ordinary shares;
- Right to preferential purchase of shares from new emissions of shares of the same class in accordance with the Resolution of the Shareholder Assembly;
- All other rights defined by the Law and general acts of the Company.

This issue is set out by Article 20 of the Articles of Association of Banjalučka Pivara.

#### **16.2.4. Description of activities which are necessary to change the rights of holders of shares**

The rights of holders of shares may change in accordance with the Law on Business Companies – by decision of a competent board of the issuer in accordance with the legal authorizations.

#### **16.2.5. Convening of the annual and ordinary Shareholder Assemblies**

Company's Shareholder Assembly is regularly convened once a year, as a rule, in premises of the Company's seat, unless the Management Board decides otherwise (annual Shareholder Assembly). Annual Company's Shareholder Assembly session is convened by the Management Board, not later than 6 months from the completion of the business year.

Management Board has the right to convene extraordinary Shareholder Assembly session either upon the request of 1/3 of the Management Board members or upon a written request of the shareholders, who have at least 10% of the total number of the Company's shares, about issues proposed for an extraordinary Assembly in accordance with the Law. Company's Management Board is obliged to adopt a decision on acceptance or rejection of convening extraordinary Assembly within 10 days from the date of acceptance of the request, as well as to inform each person, who has requested convening of an extraordinary Assembly, within 7 days from the date of bringing the decision. Management Board may reject a request from persons authorized to convene an extraordinary Assembly, only if set legal requirements are not met, with an obligation to provide an explanation for it. If the extraordinary Assembly is not held not later than within 30 days from the date of reception of the request or on the date set by the Management Board, the competent court may, in extra-judicial proceedings, order it to be held upon a request of any shareholder which is a signatory of the request for convening. Costs of holding a Shareholder Assembly upon the court's order are borne by the Company.

Shareholder Assembly is convened by invitation to the session, which contains time and place for holding the session, draft agenda as well as other data determined by the law. Invitation to the session is published on the website of the Company and website of Banjaluka Stock Market and is published at least in two daily papers, which are sold on the whole territory of Republika Srpska, not later than 30 days and at most 60 days prior to holding the Shareholder Assembly, in the case of annual Assembly, and at least 15 days and at most 30 days prior to holding an extraordinary Shareholder Assembly. Announcement notice for the Assembly session, as well as of all the Assembly material on the website of the Company lasts intermittently from the date of publication until the date of holding the Assembly. The Company publishes, together with the announcement notice for the Assembly referred to in the previous paragraph, time and place for holding the session, draft agenda, proposals of all the resolutions, financial report with report of an Independent Auditor, report of the Management Board on business operations of the Company, text of any of the proposal for changes of the Articles of Association. Notification about extraordinary Assembly contains description of reasons for which it is convened.

This issue is set out by Articles 28, 29 and 30 of the Articles of Association of Banjalučka Pivara.

#### **16.2.6. Brief description of any provision of the issuer, which provides a possibility to postpone or prevent obtaining of a control package of shares**

The Articles of Association of the issuer does not contain such provisions.

#### **16.2.7. Indication of provisions of the Articles of Association or another acts of the issuer, which set out disclosure of participation in the basic capital of the issuer or in voting rights**

Members of the Management must publish all the information about participation and/or changes in participation in the basic capital of the issuer or in the voting rights in accordance with Chapter V Disclosure and transparency of information of the Code of Conduct and Management of Banjalučka Pivara.

The Articles of Association of the issuer does not have such separately defined provisions, however, Article 47 of the Articles of Banjalučka Pivara sets out obligatory application of the Corporate Management Standards, that is, own Code of Conduct and Management.

#### **16.2.8. Indication of special provisions of the Articles of Association, which are related to the basic capital changes**

Article 15 of the Articles of Association of Banjalučka Pivara sets out increasing and decreasing of the basic capital. The basic capital of the Company may be increased by:

- New contributions,
- Conversion of tax obligations and convertible bonds into shares and subscription of shares on the basis of the right of warranty holders to such registration (conditional increase),
- From the Company's funds.

The share capital of the Company may be decreased in a way set out by the law. Decision on capital decrease is brought by the Company's Shareholder Assembly.

## **17. Significant Contracts**

Banjalučka Pivara does not have significant contracts, except for the contracts concluded in ordinary business operations of Banjalučka Pivara.

## **18. Information, the Source of Which are Third Parties and Statements of Experts**

The source of information about participation on the beer market in Bosnia and Herzegovina (point 6.2 of this Prospectus): one of the leading international companies specialized for research Canadean (<http://www.canadean.com>).

Source of information about the largest shareholders of Banjalučka Pivara (point 15.1 of this Prospectus): Banjalučka berza (<http://www.blberza.com/Pages/issuerdata.aspx?code=blpv>).

Text from the Independent Auditor's Report for 2011 and 2012 (point 9.3 of this Prospectus): Report of Independent Auditor to the shareholders of Banjalučka Pivara a.d. Banja Luka for 2011 of 3<sup>rd</sup> May 2011 and Report of Independent Auditor to the shareholders of Banjalučka Pivara a.d. Banja Luka for 2012 of 6<sup>th</sup> March 2013. The Independent Auditor of Banjalučka Pivara for both years was KPMG B-H d.o.o. for auditing.

## **19. Documents Available for Insight**

All the documents, which this Prospectus is referring to, the Articles of Association of Banjalučka Pivara, all the financial statements and accompanying notes, together with annual reports on business operations, opinions of Independent Auditor, Resolutions of the Management Board and Shareholder Assembly of Banjalučka Pivara, etc. are published on the websites of Banjalučka Pivara at <http://banjaluckapivara.com> and on the website of Banjalučka Berza: [www.blberza.com](http://www.blberza.com).

Insight into these documents, with a prior notice, may also be performed at the seat of Banjalučka Pivara in Banja Luka, at Slatinska 8 – reception of the Management Building, upon a prior notice, during working days from 08:00 to 16:00 hours.