LAŠKO GROUP

ANNUAL REPORT

2014

ANNUAL REPORT OF THE LAŠKO GROUP AND PIVOVARNA LAŠKO, D. D., FOR THE 2014 FINANCIAL YEAR

SKUPINA LAŠKO

CONTENTS

1 INTRODUCTION

1.1 Address by the Chairman of the Management Board of Pivovarna Laško, d. d.

THE MAIN EVENTS THAT MARKED 2014 IN THE LAŠKO GROUP WERE SIGNING THE AGREEMENT ON RESTRUCTURING AND STANDSTILL BY 2016 WITH ITS CREDITOR BANKS, THE SUCCESSFULLY COMPLETED SALE OF MERCATOR AND BIRRA PEJA, AND THE SIGNING OF THE SHARE PURCHASE AGREEMENT FOR RADENSKA.

Dear shareholders, honourable business partners and cooperators!

All the flowers of all the tomorrows are in the seeds of today and yesterday is the Chinese saying which corresponds to the Slovenian wisdom that you reap what you sow. The main events that marked 2014 in the Laško Group were signing the agreement on restructuring and standstill by 2016 with the creditor banks, the successfully completed sale of Mercator and Birra Peja, and the signing of the share purchase agreement for Radenska, which were the key milestones arising from the agreement with creditor banks. The subsidiary Delo sold its newspaper Večer and met the regulator´s requirements, while the process of capital injection to the parent company Pivovarna Laško was also initiated, with expected conclusion in 2015.

The economic conditions in 2014 were difficult

In 2014 the economic conditions were demanding, especially on the domestic market and partially also on the most important markets in the region. The domestic market is still under a sway of the protracted economic crisis, which has substantially reduced sales of consumer goods, especially beverages. Reduced beverage consumption can be also attributed to bad weather conditions in the entire region, as the rainy months between May and September, the highest sale season of the Laško Group´s beverages, made 2014 one of the rainiest years in the record of the systematic meteorological measurements. Despite all the factors, the Laško Group is satisfied with its annual operating results. Our most important brands retained their market position on the domestic market, while the more pervasive sale approach employed in the recent years on the most important foreign markets has enabled us to even enhance the position of some of our brands on some of these markets.

Completed asset sales have reduced the debt of the Laško Group

As a member of the consortium of sellers of the majority share in Mercator, which in spring 2013 signed the agreement with the then-potential investor, Agrokor, the Laško Group in June 2014 completed the transaction and in that manner deleveraged itself by

EUR 75 million. At the end of 2014, we signed the share purchase agreement for Radenska, which was also one of the key milestones arising from the agreement with the creditor banks. In July 2014, we successfully sold our investment in Birra Peja, including its liabilities due to us. By completing asset sales and initiating the capital injection into the parent company Pivovarna Laško, we follow the Strategy of the Laško Group, which estimates the Group´s companies to reduce their debt approximately to the levels of a threefold EBITDA. In 2014, we also continued the asset sales of Delo, which does not belong to the principal activity of the Laško Group.

Initiation of capital injection into Pivovarna Laško

In 2014, the capital injection into the parent company Pivovarna Laško was also initiated. We invited numerous international financial and strategic investors to take part in this transparent international process. The main objective of the capital injection is to collect at least EUR 75 million of fresh equity for Pivovarna Laško, which would be intended for the settlement of the creditor banks and the parallel take-over of a controlling share in Pivovarna Laško by offering to repurchase Pivovarna Laško´s stocks from their present owners. Unicredit bank was appointed as a consultant in this process. At the end of 2014, the owners of Pivovarna Laško established the Sales Consortium, which signed the Nondisclosure Agreement and Cooperation Agreement with the company´s Management Board. The agreements define the features of mutual cooperation in running the overall capital injection process into Pivovarna Laško and the sale of Pivovarna Laško shares owned by the Sales Consortium. The overall process are progressing according to the set timetable and should be completed in 2015.

New 5-year strategy

In autumn 2014, we adopted the new 5-year strategy for the 2015-2019 period, referring to both breweries. The two breweries are expected to legally merge in 2016. The strategy estimates a growth in volume and revenues, therefore planning to reach total revenues of EUR 175 million and an EBITDA of EUR 52 million by 2019.

Care for brands and 150 years of Pivovarna Union

The Laško Group´s brands in 2014 continued with their great success at international quality competitions, where Monde Selection certainly stands out as the most important and prestigious quality selection, awarding the brands Grand Gold, gold and silver medals. Year after year, this is one more way to prove the excellence of our brands in the international scope, the diligence of our brewing experts and the Group´s commitment to its customer care.

The celebration of the venerable 150th anniversary of Pivovarna Union was also one of the 2014 highlights. Among the numerous activities which we organized on the occasion of this important jubilee, I would like to point out the Summer Union Fest, successfully organized in the Tivoli Park in Ljubljana, and the autumn opening of the Pub, which evidently proved that such a bar was exactly what Ljubljana needed to diversify its touristic and hospitality offer, whereby the Slovenian and other beer and different beverage lovers appreciated a new bar that offers a complete palette of beers and refreshing beverages produced by the Laško Group. The summer 2014 in Laško was also marked by the jubilee 50th Beer and Flowers Festival, one of the oldest and most visited tourist entertainment events in Slovenia, which has in the recent years become a well-established event among summer music festivals in Slovenia and in the region, every year visited by increasingly more foreign guests. 2014 will be also remembered by a completely new edition of special beers which Pivovarna Laško and Pivovarna Union launched to the market.

The operating results and the most important events in 2014 which I tried to capture in this introduction can only fill us with optimism regarding the future business performance and development of the companies gathered in the Laško Group.

mag. Dušan Zorko
Chairman of the Management Board of Pivovarna Laško, d. d.

1.2 Report of the Supervisory Board on its verification of the audited Annual Report of the Laško Group and Pivovarna Laško for 2014

THE SUPERVISORY BOARD HAD NO OBJECTION TO THE AUDITED ANNUAL REPORT OF THE LAŠKO GROUP AND PIVOVARNA LAŠKO, D. D. FOR 2014 AND APPROVED IT AT ITS 24TH SESSION HELD ON 20 APRIL 2015.

1.2.1 COMPOSITION OF THE SUPERVISORY BOARD

In the 2014 financial year, the Supervisory Board of the Company was comprised of the following members:

Capital representatives:
Mr Goran Brankovič, Chairman (since 27 May 2014)
Mr dr. Peter Groznik, Member (Chairman until 27 May 2014)
Mr Jože Bajuk, Member
Mr mag. Janez Škrubej, Member (since 30 June 2014)

Employee representatives:
Mr Bojan Cizej, Deputy Chairman
Ms mag. Dragica Čepin, Member

Composition of the Supervisory Board committees

In 2014, the Audit Committee, the Human Resources Committee (established at the 15th regular Supervisory Board session on 3 September 2014) and the Benchmark Committee (dismissed at the 15th regular Supervisory Board session on 3 September 2014) operated as part of the Supervisory Board.

Audit Committee
Mr Jože Bajuk, Chairman
Mr Bojan Cizej, Member
Mr Igor Teslić, External Member
Mr Aleksander Igličar, External Member (since 8 December 2014)

Human Resources Committee (established on 3 September 2014)
Mr mag. Janez Škrubej, Chairman
Mr Goran Brankovič, Member
Mr Jože Bajuk, Member
Ms mag. Dragica Čepin, Member

Benchmark Committee (dismissed on 3 September 2014)
Mr Goran Brankovič, Chairman
Ms mag. Dragica Čepin, Member
Mr dr. Peter Groznik, Member (until 31 March 2014)
Mr Keith Miles, External Member (since 1 April 2014)

1.2.2 FUNCTIONING OF THE SUPERVISORY BOARD

The operations of Pivovarna Laško, d. d. and the Laško Group in 2014 were monitored by the Supervisory Board of Pivovarna Laško, d. d., in accordance with the statutory provisions and the Articles of Association of Pivovarna Laško, d. d. In 2014, the Supervisory Board met at 15 regular and one correspondence session.

The Supervisory Board continuously reviewed the work of the Management Board throughout 2014. The Supervisory Board paid special attention to monitoring the key capital adequacy and solvency ratios of Pivovarna Laško, d. d., the disposal of the investments of companies in the Laško Group, activities related to the restructuring of the financial liabilities of Pivovarna Laško, d. d. and Laško Group companies, the capital injection process into Pivovarna Laško, d. d., cost management, important legal issues and verifying the achievement of the operating results. The Supervisory Board continuously focused on the above topics, which were regular items on the agenda of Supervisory Board sessions.

Key resolutions of the Supervisory Board in 2014

In addition to the above-mentioned issues, the Supervisory Board also discussed other current matters and adopted the following key resolutions:

- the Supervisory Board was briefed on Annex 1 to the share purchase agreement for Poslovni sistem Mercator, d. d. and gave its consent to Pivovarna Laško, d. d. selling 317,498 ordinary registered shares with the MELR ticker symbol issued by Poslovni sistem Mercator, d. d., representing a 8.43% share at a fixed price of EUR 86 per share, to Agrokor, d. d., Trg Dražena Petrovića 3, Zagreb; the Supervisory Board consented to the Management Board's proposal that Pivovarna Laško, d. d., as the majority owner of Pivovarna Union d. d., votes at the mandatory General Meeting of Pivovarna Union in accordance with Article 330 of the Companies Act in favour of the resolution allowing Pivovarna Union to sell 464,390 ordinary registered shares with the MELR ticker symbol issued by Poslovni sistem Mercator, representing a 12.33% share at a fixed price of EUR 86 per share, to Agrokor, d. d., Trg Dražena Petrovića 3, Zagreb,
- the Supervisory Board consented to the proposed covering of the loss of Jadranska Pivovara - Split, d. d. by covering the loan provided by Pivovarna Laško, d. d. in the amount of EUR 2,048,203 to the Company's equity reserves,

- the Supervisory Board agreed to the Management Board of Pivovarna Laško, d. d., signing the Standstill and Restructuring Agreement, the contents of which essentially match that the Supervisory Board was briefed on at its session,
- the Supervisory Board agreed to the Management Board of Pivovarna Laško, d. d., after the signing of the Standstill and Restructuring Agreement, beginning the transparent capital injection process into Pivovarna Laško, d. d., and regularly informing the Supervisory Board thereof,
- the Supervisory Board approved the audited Annual Report of Pivovarna Laško, d. d. and the Laško Group for 2013,
- the Supervisory Board was briefed on the fact that Pivovarna Laško, d. d., Pivovarna Union, d. d., and Radenska, d. d., Radenci signed the Standstill and Restructuring Agreement with all 18 creditor banks on 30 April 2014,
- the Supervisory Board was briefed on the resignation of Mr Peter Groznik as Chairman of the Supervisory Board (who remained Member of the Supervisory Board) and appointed Mr Goran Brankovič as Chairman of the Supervisory Board,
- the Supervisory Board was briefed on the fact that the Supervisory Board of Pivovarna Union, d. d. on 11 June 2014 consented to the Management Board of Pivovarna Union, d. d. beginning implementation of the sales agreement on the sale of 14,620 shares in Birra Peja, Sh. a., Peć, Kosovo, representing a 57.63% stake in the Company, as well as the claim of Pivovarna Union, d. d. to Birra Peja, Sh. a., Peć, Kosovo,
- the Supervisory Board was briefed on the beginning of the process of searching for an investor to provide a capital increase into Pivovarna Laško, d. d. in the amount of at least EUR 75 million, as provided in the Standstill and Restructuring Agreement concluded with the crediting banks,
- the Supervisory Board was briefed on the review of the Laško Group Strategy for the 2015 - 2019 period and approved the strategy,
- the Supervisory Board consented to the Management Board's proposal for the selection of the potential investors invited to inject capital into Pivovarna Laško, d. d., and consented to the proceedings continuing with the potential investors on the short list,
- the Supervisory Board was briefed on the letter sent by the BAMC on the formation of the sales consortium and with the Management Board's positive opinion on the formation of the sales consortium; the Supervisory Board's opinion on the formation of the sales consortium was also positive,
- the Supervisory Board approved the Business Plan of the Laško Group and Pivovarna Laško, d. d. for the 2015 financial year.

Functioning of the Audit Committee

The Audit Committee met five times in 2014. The Audit Committee monitored the progress of the audit of the Annual Report of Pivovarna Laško, d. d. and the Laško Group for 2013, discussed the audited Annual Report of Pivovarna Laško, d. d. and the Laško Group for 2013, and was briefed of the Auditor's draft of the management letter.

Furthermore, it was briefed on the work of the Internal audit department and approved the proposal to select Deloitte Revizija d.o.o., Ljubljana as the provider as internal audit services; it discussed the report on the agreed-upon procedures relating to the acquisition of Birra Peja Sh. a., Peć, Kosovo shares and the financing thereof, and was briefed on the audit schedule for 2014 and was continuously briefed on the current operating results and costs of services incurred by Pivovarna Laško, d. d. and the Laško Group. The Audit Committee regularly reported to the Supervisory Board on its findings.

Functioning of the Human Resources Committee

The Human Resources Committee was established at the 15th regular Supervisory Board session on 3 September 2014. The Human Resources Committee met once in 2014. At its first session, the Human Resources Committee verified the composition of the Human Resources Committee and found it appropriate, with the exception of human resources issues and the remuneration policy. As a result, it will engage an expert in this area if necessary. Furthermore, the Human Resources Committee was briefed on the contents of the managerial agreements concluded with the Chairman and Members of the Management Board and concluded that the further cooperation with the Management Board should be agreed separately, if possible 6 months before the expiry of the Management Board's term of office. Finally, it began activities aimed at drafting the criteria for assessing the Management Board's performance. The Human Resources Committee regularly reported to the Supervisory Board on its findings.

Functioning of the Benchmark Committee

The Benchmark Committee met once in 2014. At its first session, the Benchmark Committee was briefed on the strategy and performance of the sales department of the Laško Group and on its key goals. The Benchmark Committee briefed the Supervisory Board of its findings. The Benchmark Committee was dissolved at the 15th regular Supervisory Board session on 3 September 2014.

1.2.3 ANNUAL REPORT VERIFICATION

The Audit Committee performed a prior review of the audited Annual Report of the Laško Group and Pivovarna Laško, d. d. for 2014 at its 7th regular session on 17 April 2014, which the certified Auditor also attended. The Audit Committee briefed the Supervisory Board of its findings at the 24th Supervisory Board session held on 20 April 2015.

The Supervisory Board reviewed the audited Annual Report of the Laško Group and Pivovarna Laško, d. d. for 2014 at its 24th session held on 20 April 2015. The Annual Report was audited by the audit firm Ernst & Young, d. o. o., Ljubljana. The audit firm issued its unqualified opinion on the Annual Report of the Laško Group and Pivovarna Laško, d. d. on 16 April 2015. The Supervisory Board had no objection to the Auditor's reports dated 16 April 2015 and approved it.

The Supervisory Board had no objection to the audited Annual Report of the Laško Group and Pivovarna Laško, d. d. for 2014 and approved it at its 24th session held on 20 April 2015.

In 2014, Pivovarna Laško, d. d. recorded a net loss of EUR 9,847,908, which the Company covered by retained earnings of EUR 215,384 and capital reserves of EUR 9,632,524. Thus the distributable profit or loss of Pivovarna Laško, d. d. in 2014 amounts to EUR 0 (zero).

The Supervisory Board believes that in light of the difficult economic situation, the performance of Pivovarna Laško, d. d. and the Laško Group in 2014, as well as the performance of the Management Board, were as expected.

The Supervisory Board has drawn up this report for the General Meeting of the Company in accordance with Article 282 of the Companies Act (ZGD-1).

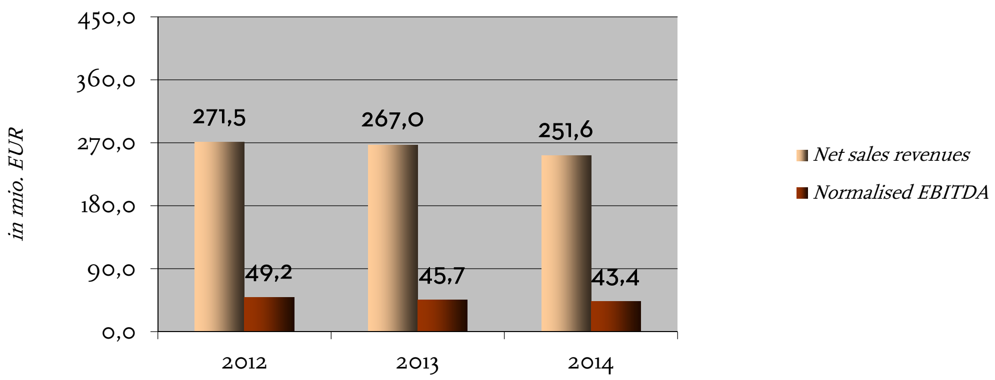
Laško, 20 April 2015

Goran Brankovič
Chairman of the Supervisory Board

1.3 Data on the operations of the Laško Group

WE PLAN TO INCREASE SALES OF THE GROUP'S OWN PRODUCTS INCLUSIVE OF PRODUCTS MADE UNDER OUR LICENCES BY OTHER PRODUCERS (IN TERMS OF VALUE AND QUANTITY), THUS INCREASING THE LAŠKO GROUP'S MARKET SHARE ON ITS KEY MARKETS.

Sales revenues and operating profit
including amortisation (EBITDA)



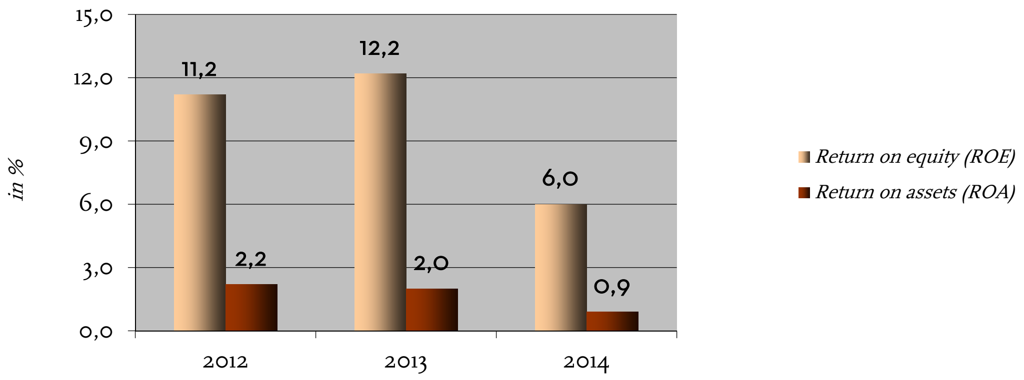
Sales revenues fell by 5.8% in 2014 compared to the previous year, while normalised operating profit including amortisation (EBITDA) decreased by 5.0%.

The Business report provides total net sales revenues unless expressly stated otherwise, while only revenues from continued operations are shown in the consolidated income statement.

Normalised EBIT is calculated from operating profit increased or decreased by the impact of one-off business events such as the revaluation of real estate and investment property and the formation of more significant revaluation adjustments. Normalised EBITDA is the sum of normalised EBIT and normalised depreciation.

In addition to the listed adjustments, normalised EBIT is also adjusted for the impairment of investments and accrued deferred tax receivables.

Return on assets (ROA) and return on equity (ROE)



Key data on the operations of the Laško Group (continued and discontinued operations)

(in EUR)	2012	2013	2014
Net sales revenues	271,548,163	267,020,040	251,588,149
EBIT	21,766,861	10,530,503	18,285,653
Normalised EBIT	**29,096,657**	**28,085,876**	**28,390,962**
EBITDA	41,831,060	28,149,931	33,300,305
Normalised EBITDA	**49,160,855**	**45,705,304**	**43,405,614**
Net interest expense[1]	-21,446,176	-17,406,476	-14,112,668
Net profit or loss	-32,938,018	-30,157,611	3,673,462
Normalised earnings	**13,379,599**	**9,798,867**	**14,318,800**
Non-current assets	301,979,359	284,057,058	238,353,317
Property, plant and equipment	194,465,281	170,065,814	133,339,070
Current assets including deferred and accrued items	203,749,234	170,434,237	113,820,029
Equity	87,978,879	58,213,883	62,289,213
Long-term liabilities including provisions and accrued costs and deferred income	32,998,565	31,155,169	115,887,195
Current liabilities including accrued costs and deferred income	384,751,149	365,122,243	173,996,939
Net current assets or liabilities [2]	-181,001,915	-194,688,006	-60,176,910
Net financial debt [3]	232,115,204	235,885,133	215,769,657
Net financial debt less investments in subsidiaries[4]	231,687,841	235,457,720	215,974,449
Cash flows from operating activities	42,134,920	49,985,697	46,029,201
Cash flows from investing	-8,904,359	-672,340	76,838,306
Cash flows from financing	-52,545,710	-48,497,249	-120,255,744
Net cash flows	-19,315,149	816,108	2,611,763

[1] *Interest income - interest expense*
[2] *Current assets including deferred costs and accrued income - current liabilities including deferred costs and accrued income*
[3] *(Non-current and current financial liabilities) - (non-current and current investments + cash)*
[4] *(Non-current and current financial liabilities) - (non-current investments less interests in subsidiary companies + current investments and cash)*

Indicators

	2012	2013	2014
Share of normalised EBIT in sales revenue	10.7 %	10.5 %	11.3 %
Share of normalised EBITDA in sales revenue	18.1 %	17.1 %	17.3 %
Interest coverage[5]	1.357	1.614	2.012
Normalised earnings or loss in sales revenue	4.9 %	3.7 %	5.7 %
Return on equity (ROE)[6]	11.2 %	12.2 %	6.0 %
Return on assets (ROA)[7]	2.2 %	2.0 %	0.9 %
Liabilities /equity[8]	4.748	6.807	4.654

[5] *Normalised EBIT/net interest expense*
[6] *Normalised net earnings or loss / average equity in the period*
[7] *Normalised net earnings or loss / average assets in the period*
[8] *(Liabilities + accruals and deferrals + provisions /equity*

Number of employees

(as at 31 December)	2012	2013	2014
In the Laško Group, excluding the Delo	1,180	1,196	990
In the Delo Group	412	395	389
Total	**1,592**	**1,591**	**1,379**
Average number of employees accordir	1,607	1,565	1,565
Net sales revenue per employee[9] (EUR / employee)	168,978	170,620	160,759

[9] *Net sales revenue (overall operations) / average number of employees according to hours*

The number of employees as at 31 December 2014 includes 30 managerial employees employed part time by Pivovarna Laško and by Pivovarna Union. As at 31 December 2013, 5 persons were employed part time by both breweries - namely the Chairman and four Members of the Management Board.

The employees of the Delo Group are displayed separately since the Delo Group does not fall under the same activity as the other companies in the Laško Group.

Share of exports in total sales of beverages of the Laško Group

(in hl)	2012	2013	*2014
Sales of all beverages	3,788,929	3,894,939	3,742,141
Sales on the markets outside Slovenia	1,221,596	1,346,026	1,294,536
Share in %	32.2	34.6	34.6

**Including the sales of Birra Peja for the first 6 months due to the sale of the company in July 2014.*

Summary of the 2015 Laško Group business plan

In October 2014, the Supervisory Board of Pivovarna Laško approved the Strategy of the Laško Group for the 2015 - 2019 period, thus setting the framework of further development of the Group over the next five years. The 2015 business plan of the Laško Group and thus also of Pivovarna Laško belongs to a wider context of the Laško Group's strategic objectives, which include:

- Increasing sales of the Group's own products inclusive of products made under our licences by other producers (in terms of value and quantity), thus increasing the Laško Group's market share on its key markets.
- Increasing profitability.
- Improving operational excellence.
- Deleveraging.
- Our strategic objectives are based on the strategic guidelines, divided into two main areas: Stabilisation and Restructuring as well as Focus and Excellence. By following these guidelines we will ensure realisation of our objectives and long-term and sustainable operations of the Group.
- In drafting the Strategy, we considered the key challenges posed by the brewers' market and the position of the Laško Group on the market. We also took into consideration future development of the Slovenian economy, which is the Group's most significant market, as well as likely development of other markets where the Laško Group is present.
- In global terms, the brewers' industry is a mature, consolidated industry that is facing numerous challenges associated with its further growth and profitability. The size of mature markets has been levelled off, there is a strong competition on developing markets and organic growth is limited also due to the pressure of strong international players. Differentiation is of key importance, however this requires vast marketing investments. Pressure on prices has been growing due to the presence of low-cost brands of beer and restructuring of consumption which is slowly moving from hospitality to the trade sector. Retailers are consolidated and have gained ever increasing negotiating power, along with further growth in the market share of discount retailers.
- The Laško Group is well positioned on all its key markets. After two years of recession, the Slovenian economy will once again record growth this year, which is an opportunity to consolidate the Slovenian market that may be hit by the

announced introduction of excise duty on sweet drinks. Therefore, the neighbouring markets where the Laško Group's market share is rather small, offer opportunity for growth. In line with the adopted Strategy, we shall take advantage of all the resources to optimise business operations with the aim of improving our competitiveness.

- The capital increase of the controlling entity Pivovarna Laško that began in 2014, is expected to be completed in 2015. The key objective of this is to find a suitable investor willing to provide a minimum EUR 75 million capital injection into the parent company. This capital injection will drastically reduce the level of indebtedness of the parent Pivovarna Laško, while at the same time provide an ownership structure that will support the long-term development of the Laško Group and above all its brands.
- The next financial year will be a decisive one for the Laško Group also due to the planned legal merger of Pivovarna Laško and Pivovarna Union, which will result in synergies in all fields of activity. A leaner organisation will be stronger to face market challenges and will find it easier to position itself against the pressures of competitive brands.
- Growth on foreign markets will be in the long-term achieved through cooperation with subcontractor bottlers on individual markets, appropriate marketing support, improved distribution channels and assumption of key customer relationship management. The Laško Group will continue to develop new products which will ensure stable sales and maintain brand innovation. We shall actively take advantage of opportunities provided by the growth of market share of supermarket brands since through supply chain optimisation we can realise profit and growth also on markets where our presence is very low.

In 2015 we shall follow our adopted strategy of protecting our position on the domestic market and furthering growth in foreign markets. In 2015, the Laško Group plans on selling 3.0 million hl of beer, soft drinks and water, 67.3% of which will be sold on the Slovenian market and the rest on foreign markets.

The Group expects to generate EUR 23.6 million of operating profit or an EBITDA of EUR 36.1 million on EUR 205.0 million of net sales revenue.

Investments of EUR 10.4 million in 2015, which does not include investments made by Radenska and the Delo Group due to their disposal, will be spent on renovating the technological equipment, as well as on IT development and market investments.

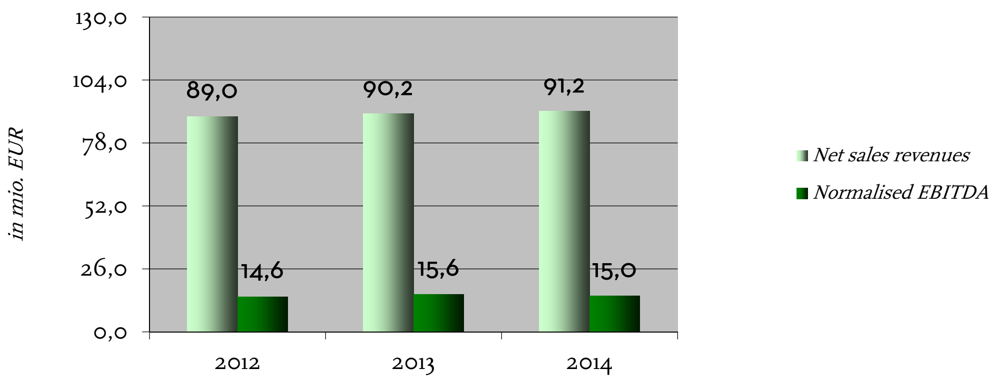
In its 2015 Business Plan, the Laško Group has envisaged reducing its debt to banks by EUR 119 million. The Group will deleverage on account of the proceeds received from the sale of its investments in Radenska and Delo, on account of the planned capital injection, as well as from current operations and the elimination of Radenska and the Delo Group from the consolidation. As at 2015 year-end, the Group's anticipated financial liabilities will amount to EUR 118.6 million.

In 2015, the Group's environmental goals will continue towards reducing our environmental footprint in the form of waste water and waste, as well as more rational use of energy sources. Protecting our own water sources and preventing any potential negative impacts also remains an important goal. To achieve competitive advantages we plan to continue investment activities to increase the use of refundable packaging as this improves profitability while also complying with the ecological objectives of all production companies in the Laško Group.

1.4 Data on the operations of Pivovarna Laško, d. d.

OUR SALES STRATEGY ON FOREIGN MARKETS IS BEING SUCCESSFULLY IMPLEMENTED. IN 2014, THE SHARE OF EXPORTS IN THE ENTIRE SALES QUANTITIES REACHED 42 PERCENT AND IS 17 PERCENT HIGHER THAN IN THE PREVIOUS YEAR.

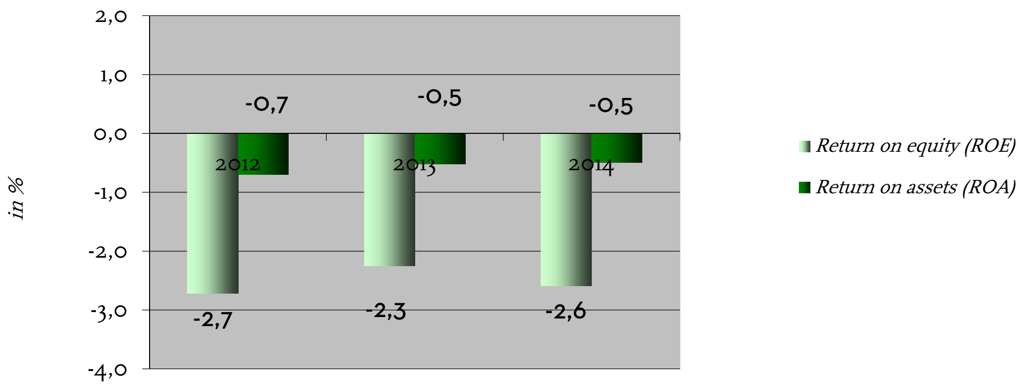
Sales revenues and operating profit
including amortisation (EBITDA)



Sales revenues increased by 1.2% in 2014 compared to the previous year, while normalised operating profit including amortisation (EBITDA) decreased by 3.6%.

Normalised EBIT, EBITDA and net profit have been calculated in the same way as the data on the operations of Laško Group provided in Section 1.3 Data on the operations of the Laško Group herein.

Return on assets (ROA)
and return on equity (ROE)



Key data on the operations of the Pivovarna Laško, d. d.

(in EUR)	2012	2013	2014
Net sales revenues	88,960,946	90,161,103	91,200,214
EBIT	8,690,491	2,993,446	8,059,226
Normalised EBIT	**9,623,538**	**10,797,083**	**10,434,454**
EBITDA	13,634,148	7,754,445	12,619,534
Normalised EBITDA	**14,567,195**	**15,558,082**	**14,994,762**
Net interest expense[1]	-13,741,037	-12,960,348	-12,175,855
Net profit or loss	-17,557,389	-27,912,686	-9,847,908
Normalised earnings or loss	**-2,750,328**	**-1,967,727**	**-1,686,310**
Non-current assets	312,412,713	301,383,218	246,873,598
Property, plant and equipment	46,276,123	43,937,583	43,868,755
Current assets including deferred and accrued items	72,837,802	55,677,706	72,984,027
Equity	96,364,961	68,078,212	58,071,010
Long-term liabilities including provisions and accrued costs and deferred income	4,164,129	9,013,665	78,747,429
Current liabilities + accrued costs and deferred income	284,721,425	279,969,047	183,039,186
Net current assets or liabilities [2]	-211,883,623	-224,291,341	-110,055,159
Net financial debt [3]	-17,970,859	3,662,778	56,665,631
Net financial debt less investments in subsidiaries[4]	219,744,282	228,189,002	225,266,873
Cash flows from operating activities	15,407,650	18,857,704	17,927,593
Cash flows from investing	5,033,916	-1,272,533	26,560,150
Cash flows from financing	-20,485,951	-17,523,417	-44,614,375
Net cash flows	-44,385	61,754	-126,632

[1] *Interest income - interest expense*

[2] *Current assets including deferred costs and accrued income - current liabilities including deferred costs and accrued income*

[3] *(Non-current and current financial liabilities) - non-current and current investments + cash)*

[4] *(Non-current and current financial liabilities) - (non-current investments less interests in subsidiary companies + current investments and cash)*

Indicators

	2012	2013	2014
Share of normalised EBIT in net sales revenue	10.8 %	12.0 %	11.4 %
Share of normalised EBIT in net sales revenue	16.4 %	17.3 %	16.4 %
Interest coverage[5]	0.700	0.833	0.857
Normalised earnings or loss in net sales revenue	-3.1 %	-2.2 %	-1.8 %
Return on equity (ROE)[6]	-2.7 %	-2.3 %	-2.6 %
Return on assets (ROA)[7]	-0.7 %	-0.5 %	-0.5 %
Liabilities /equity[8]	2.998	4.245	4.508

[5] *Normalised EBIT/net interest expense*
[6] *Normalised net earnings or loss / average equity in the period*
[7] *Normalised net earnings or loss / average assets in the period*
[8] *(Liabilities + accruals and deferrals + provisions /equity*

Number of employees

	2012	2013	2014
Employees as at 31 December	324	337	342
Average number of employees according to hours	330	329	330
Added value per employee[9] (EUR / employee)	77,511	63,456	72,229
Net sales revenue per employee[10] (EUR / employee)	269,579	274,046	276,364

[9] *(Operating revenue - costs of goods, materials and services - other operating expense) / average number of employees according to hours*
[10] *Net sales revenue / average number of employees according to hours*

The number of employees as at 31 December 2014 includes 30 managerial employees employed part time by Pivovarna Laško and by Pivovarna Union. As at 31 December 2013, 5 persons were employed part time by both breweries - namely the Chairman and four Members of the Management Board.

Share of export in total sales of beverages Pivovarna Laško, d. d.

(in hl)	2012	2013	2014
Sales of all beverages	942,183	1,017,145	1,077,321
Exports	330,213	384,324	449,824
Share in %	35.0	37.8	41.8

Market share of the beer sales on the Slovenian market

(in %)	2012	2013	2014
Pivovarna Laško	38.1	39.0	37.3
Pivovarna Union, d. d.	45.9	45.0	41.8
Imported beer	16.0	16.0	20.9
Total	100.0	100.0	100.0

Data on the PILR share

	2012	2013	2014
Total shares issued	8,747,652	8,747,652	8,747,652
Normalised earnings or loss per share in EUR	-0.31	-0.22	-0.19
Share market value on 31 December in EUR	6.99	4.01	23.50
Share carrying value on 31 December in EUR[11]	11.02	7.78	6.64
Share MV / share CV	0.63	0.52	3.54
Market capitalisation in EUR[12]	61,146,087	35,078,085	205,569,822

[11] *Kapital na dan 31. 12. / skupno število delnic*
[12] *Skupno število izdanih delnic x tržna vrednost delnice na dan 31. 12.*

Summary of the 2015 Pivovarna Laško business plan

The 2015 Operating plan of Pivovarna Laško is part of the broader context of the Laško Group strategic goals which are, together with the environmental goals, described in Chapter 1.3 Data on the operations of the Laško Group under the title Summary of the 2015 Laško Group business plan.

In 2015 we shall follow our adopted strategy of protecting our position on the domestic market and furthering growth in foreign markets. In 2015, Pivovarna Laško plans on selling 1.1 million hl of beer, soft drinks and water, 57.2% of which will be sold on the Slovenian market and the rest on foreign markets.

The Company expects to generate EUR 11.2 million of operating profit or an EBITDA of EUR 15.9 million on EUR 91.0 million of net sales revenue.

Investments of EUR 4.3 million will be spent in 2015 on upgrading technological equipment, with a smaller part spent on IT development and market investments.

In its 2015 Business plan, Pivovarna Laško has envisaged to reduce its bank borrowings by EUR 109 million and its debt to Radenska by EUR 33 million on account of the proceeds received from the sale of its investments in Radenska and Delo, on account of the planned capital injection, as well as from current operations. As at 2015 year-end, the Company's anticipated financial liabilities will amount to EUR 88.9 million, of which EUR 79.5 million will be due to banks and the remaining amount due to Group companies.

1.5 Vision, mission, values and strategic goals

TO BECOME THE LEADING PRODUCER OF BEER AND NON-ALCOHOLIC BEVERAGES. BY 2025, OUR BRANDS WILL RANK US AMONG THE THREE LARGEST BEER PRODUCERS IN SOUTH-WESTERN EUROPE.

The vision of the Laško Group is to become the leading regional producer of beer and non-alcoholic beverages. By 2025, our brands will rank us among three largest beer producers in South-western Europe. We strive for innovativeness of beer and non-alcoholic beverage products and for operative exellence:

- diferentiation as a key for the success of beer and non-alcoholic beverage brands,
- the long term coherent strategy of brands and communications,
- maximalization of price competativeness.

The main pillars of the Laško Group´s vision

The mission of the Laško Group is to create brands and pursue efficient, responsible and environmental-friendly added value business performance both for our buyers and shareholders, therefore, striving for topmost business results.

The most important values in the Group are knowledge, entrepreneurship, partnership, responsibility and respect. Based on these values, we implement our policies through thought-through strategies employed in the spheres of marketing and development of offer, human resources organization and management, technological development, management of financial assets and positive attitude in relation to a wider community.

Strategic goals which we set for the upcoming period are increase in sales of beer and non-alcoholic products, mantaining the market positions of our brands on the domestic market and increase in market shares on the key foreign markets. The planned cost-effectiveness is to be achieved through the operative and financial restructuring, which will abide by the guideliness of the Laško Group owners.

1.6 Presentation of the Laško Group

THE LAŠKO GROUP BRINGS TOGETHER PRODUCERS OF BEER, MINERAL, SPRING AND NATURAL WATER, SOFT DRINKS, SPIRITS AND OTHER ALCOHOLIC BEVERAGES, SYRUPS FOR BEVERAGE PRODUCTION, NEWSPAPER AND PUBLISHING ACTIVITIES, AS WELL AS RETAIL AND WHOLESALE TRADE.

Shareholders and their holdings as at 31 December 2014:

CONTROLLING COMPANY

- **PIVOVARNA LAŠKO, d. d.,** Slovenia

SUBSIDIARIES

- **RADENSKA, d. d., Radenci,** Slovenia
  82.130% ownership stake
  An explanation of the shareholding and voting rights is provided in Section 2.4.2 OWNERSHIP STRUCTURE OF EQUITY under the Ownership structure of the equity of subsidiaries heading.
- **PIVOVARNA UNION, d. d., Ljubljana,** Slovenia
  98.078% ownership stake
- **JADRANSKA PIVOVARA – Split, d. d.,** Croatia
  99.460% ownership stake
- **VITAL MESTINJE, d. o. o.,** Slovenia
  96.920% shareholding
- **DELO, d. d., Ljubljana,** Slovenia
  100% ownership stake – of that Pivovarna Laško holds an 80.834% stake and Radenska holds a 19.166% stake
- **LAŠKO GRUPA, d. o. o., Sarajevo,** Bosnia and Herzegovina
  100% ownership stake – of that Pivovarna Laško holds a 69.22% stake, Radenska holds a 15.39% stake
  and Pivovarna Union a 15.39% stake
- **FIRMA DEL, d. o. o., Laško,** Slovenia
  100% shareholding
- **LAŠKO GRUPA, d. o. o., Zagreb,** Croatia
  100% shareholding
- **LAŠKO GRUPA Kosovo, Sh. p. k.**
  100% shareholding

Pivovarna Laško draws up the consolidated Annual Report for the parent company and for the subsidiaries in the Laško Group. Due to their material irrelevance, the following companies are not included in the consolidation: Firma Del, d. o. o., Laško, Laško

Grupa, d. o. o., Sarajevo, Laško Grupa Kosovo, Sh. p. k., as well as Radenska Miral, d. o. o., Radenci, Radenska, d. o. o., Zagreb and Radenska, d. o. o., Beograd. All other subsidiaries are consolidated using the full consolidation method.

ASSOCIATED COMPANIES

- **THERMANA, d. d., Laško**, Slovenia
  20.63% ownership stake
- **SLOPAK, d. o. o., Ljubljana,** Slovenia
  29.22% shareholding

Organisational structure of the Laško Group as at 31 December 2014

LAŠKO GROUP

as at 31 December 2014

Controlling company

PIVOVARNA LAŠKO

Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
RADENSKA, d. d., Radenci Ownership: 82.130% No of sh: 4,157,327	PIVOVARNA UNION, d. d., Ljubljana Ownership: 98.078% No of sh: 442,443	JADRANSKA PIVOVARA - Split, d. d. Ownership: 99.460% No of sh: 5,396,932	VITAL Mestinje, d. o. o. Holding: 96.920%	DELO, d. d., Ljubljana Ownership: 100% No of sh: 667,464	LAŠKO GRUPA, d. o. o., Sarajevo Holding: 100%	COMPANY NAME DEL, d. o. o., Laško Holding: 100%	LAŠKO GRUPA, d. o. o., Zagreb Holding: 100%	LAŠKO GRUPA Kosovo, Sh. p. k. Holding: 100%
RADENSKA MIRAL, d. o. o. Radenci Holding: 100%				Pivovarna Laško Ownership in Delo 80.834% No of sh: 539,536	Pivovarna Laško Holding in Laško Grupa Sarajevo 69.22%			
RADENSKA, d. o. o., Zagreb Holding: 100%				Radenska Ownership in Delo 19.166% No of sh: 127,928	Radenska Holding in Laško Grupa Sarajevo 15.39%			
RADENSKA, d. o. o., Belgrade Holding: 100%				Subsidiary of Delo: IZBERI, d.o.o. Ljubljana Holding: 100%	Pivovarna Union Holding in Laško Grupa Sarajevo 15.39%			

An explanation of the shareholding and voting rights of Radenska is provided in Section 2.4.2 OWNERSHIP STRUCTURE OF EQUITY under the Ownership structure of the equity of subsidiaries heading.

1.7 Presentation of the parent company Pivovarna Laško

FROM A HISTORICAL STANDPOINT, THE ORIGINS OF PIVOVARNA LAŠKO LIE IN 1825 WHEN THE MEAD AND GINGERBREAD MAKER FRANZ GEYER SET UP A BREWERY IN THE FORMER VALVASOR HOSPITAL - TODAY THE LOCATION OF THE SAVINJA HOTEL.

1.7.1 COMPANY PROFILE

PIVOVARNA LAŠKO, Trubarjeva 28, 3270 Laško, registered with the District Court in Celje under the registration No. Srg 95/00673 and under the application No. 1/00171/00 dated - September 1995.

Abbreviated company name:	PIVOVARNA LAŠKO, d. d.
Organisational form:	public limited company
Share capital:	EUR 36,503,305
Number of issued shares:	8,747,652 no par-value shares
Listing of shares:	Ljubljana Stock Exchange, stock exchange listing of regular shares
Ticker symbol:	PILR
Company registration number:	5049318
Tax number:	SI90355580
Activity code:	11.050

Type of business and principal activity:
BEER PRODUCTION

Management Board: composition as at 31 December 2014	mag. Dušan Zorko, Chairman Marjeta Zevnik Mirjam Hočevar Gorazd Lukman Matej Oset
Supervisory Board: composition as at 31 December 2014	Goran Brankovič, Chairman dr. Peter Groznik Jože Bajuk Janez Škrubej Bojan Cizej mag. Dragica Čepin

Transaction accounts:

- Nova Ljubljanska banka, d. d., Ljubljana — IBAN SI56 0223 2002 0104 463
- Hypo Alpe-Adria-bank, d. d. — IBAN SI56 3300 0000 2722 975

Nova Kreditna banka Maribor, d. d.	IBAN SI56 0451 5000 0909 883
Raiffeisen Krekova banka, d. d.	IBAN SI56 2430 0900 0054 863
Unicredit banka Slovenije, d. d.	IBAN SI56 2900 0000 1820 159
Banka Celje, d. d., Bančna skupina Celje	IBAN SI56 0600 0000 1199 122
Abanka Vipa, d. d.	IBAN SI56 0510 0801 2922 332
Banka Sparkasse, d. d.	IBAN SI56 3400 0100 1922 773
Probanka, d. d.	IBAN SI56 2510 0970 0565 280
Podravska banka, d. d., Koprivnica	IBAN HR61 2386 0021 1600 120 84

Telephone:	+386 3 734 80 00
Fax:	+386 3 573 18 17
E-mail:	info@pivo-lasko.si
Website:	http://www.pivo-lasko.si

2 BUSINESS REPORT

2.1 Corporate Governance

THE COMPANY IS MANAGED ACCORDING TO A TWO-TIER SYSTEM WHEREBY THE COMPANY IS MANAGED BY THE MANAGEMENT BOARD AND ITS OPERATIONS ARE SUPERVISED BY THE SUPERVISORY BOARD.

The corporate governance principles of Pivovarna Laško are in accordance with the applicable legal provisions in the Republic of Slovenia, the internal by-laws of the Company and established best practices. The Company is managed according to a two-tier system whereby the Company is managed by the Management Board and its operations are supervised by the Supervisory Board.

The General Meeting of shareholders, the Supervisory Board and the Management Board are the Company's bodies.

2.1.1 GENERAL MEETING OF SHAREHOLDERS

In accordance with the provisions of the Companies Act, the General Meeting of shareholders is the supreme body of the Company. This is where the shareholders' will is directly realised and fundamental and statutory decisions are adopted. One share represents one vote at the General Meeting. Pivovarna Laško has no shares with limited voting rights. Treasury shares do not convey voting rights at the General Meeting.

The General Meeting of Shareholders is convened by the Management Board at its own initiative, at the request of the Supervisory Board or at the written request of the shareholders of the Company possessing at least a 5% equity stake in the Company. The Supervisory Board may also convene a General Meeting. Shareholders can exercise their rights arising from their shares directly at the General Meeting or through their representatives.

The General Meeting decides by a majority of the votes cast (simple majority) except where otherwise provided so by law or the Articles of Association. A qualified three-quarters majority is prescribed for the following matters:

- modifying the Articles of Association,
- approving an increase or decrease in share capital,
- status changes and winding up of the Company,
- exclusion of the shareholders' preferential rights when issuing new shares,
- discharge of the Supervisory Board members,
- other matters, if so prescribed by law or the Articles of Association.

The General Meeting decides whether to grant discharge to the Company's Management and Supervisory Boards and how to use the distributable profit. By granting discharge, the General Meeting confirms and approves the work of the Management and Supervisory Boards for the financial year. Discussions regarding the granting of discharge are carried out in parallel with discussions on the use of distributable profit. If the General Meeting does not grant discharge, it is not considered that the Management Board was given a vote of no confidence.

Whenever the General Meeting of shareholders decides that the distributable profit is to be distributed as dividends, the dividends belong to the shareholders who have been registered as owners in the central register of securities at the Central Securities Clearing Corporation on the cut-off date which shall be decided in each decision on the use of distributable profit.

Attendance at General Meetings

Those shareholders who are entered into the share register at the end of the fourth day prior to the convocation of a General Meeting (cut-off date) and who personally, or through a representative or nominee, gave written notification of their attendance to the Management Board of the Company by the end of the fourth day prior to the convocation of the General Meeting have the right to participate and vote at the General Meeting.

The Management Board members and the Supervisory Board members may attend the General Meeting even if they are not shareholders. Media representatives may also attend the General Meeting if they give notification of their attendance to the Management Board of the Company in writing within three days at the latest prior to the convocation of the General Meeting.

Convening and organising General Meetings of shareholders

A General Meeting of shareholders is convened when necessary for the benefit of the Company or when necessary in accordance with law and the Articles of Association.

The 22nd General Meeting of shareholders of Pivovarna Laško was convened on 29 May 2014 and held of 30 June 2014.

Resolutions of the 22nd General Meeting of Shareholders of Pivovarna Laško

The General Meeting was briefed on the audited Annual Report for 2013, the Report of the Supervisory Board on its verification of the Annual Report, on the cover of net loss, on the remuneration of the Management and Supervisory Board members and granted discharge to the Management Board and the Supervisory Board. The General Meeting appointed Mr Janez Škrubej as new member of the Supervisory Board (capital representative) from 30 June 2014 to 31 August 2017. The General Meeting appointed Ernst & Young as the as the auditor of the Company's 2014 financial statements.

The General Meeting was also briefed on the signing of the Restructuring and Standstill Agreement and the beginning of the search for an investor.

The resolutions of the General Meeting are published on the SEOnet portal of the Ljubljana Stock Exchange and on the Company's website www.pivo-lasko.si.

2.1.2 SUPERVISORY BOARD

The fundamental function of the Supervisory Board is to supervise the management of the Company's operations. The Supervisory Board appoints and discharges the members and Chairman of the Management Board.

The composition of the Supervisory Board is determined by the Articles of Association. The Supervisory Board of Pivovarna Laško, d. d. has six members, each of whom has the same rights and responsibilities unless otherwise stipulated by the Articles of Association. Four members of the Supervisory Board elected by the General Meeting of Shareholders are capital representatives, while the other two Supervisory Board members are employee representatives and are elected by the Worker's Council.

The Supervisory Board members – capital representatives – are appointed by the General Meeting of shareholders through a simple majority vote of the shareholders, whereas the two members of the Supervisory Board who are employee representatives are elected by the Worker's Council. The Supervisory Board members are elected for a period of four years and their appointment is renewable following the expiry of their term of office. The Supervisory Board elects its own Chairman and Deputy Chairman among its members.

The Chairman convenes and chairs the sessions of the Supervisory Board and is authorised to declare its will and announce decisions adopted by the Supervisory Board. The Chairman of the Supervisory Board represents the Company with respect to the members of the Management Board. The Chairman of the Supervisory Board is always a representative of the shareholders. Sessions of the Supervisory Board are convened by the Chairman at his own initiative, at the initiative of any member of the Supervisory Board, or at the initiative of the Management Board. The Supervisory Board takes decisions at sessions.

Within one month of the Annual Report being submitted, the Supervisory Board must verify the Annual Report and profit distribution proposal and draft a written report for the General Meeting, which it provides to the Management Board. If the Supervisory Board approves the Annual Report, the Annual Report is deemed adopted.

Composition of the Supervisory Board as at 31 December 2013

Capital representatives:
dr. Peter Groznik – Chairman
Goran Brankovič, Member
Jože Bajuk, Member

Employee representatives:
Bojan Cizej, Deputy Chairman
mag. Dragica Čepin, Member

Composition of the Supervisory Board as at 31 December 2014

Capital representatives:
Goran Brankovič – Chairman
dr. Peter Groznik, Member
Jože Bajuk, Member
Janez Škrubej, Member

Employee representatives:
Bojan Cizej, Deputy Chairman
mag. Dragica Čepin, Member

Chairman of the Supervisory Board

Goran Brankovič

Education: BSc in Electrical Engineering, Faculty of Electrical Engineering, University of Ljubljana.

Employment: deputy executive director of Triglav osiguruvanje, a. d., Skopje.

Member of the Supervisory Board

Peter Groznik

Education: DSc in Finance, Kelley School of Business, Indiana University Bloomington (United States of America).

Employment: member of the Management Board of Gorenje, d. d.

Jože Bajuk

Education: BSc in Law, Faculty of Law, University of Ljubljana.

Employment: Regional Director of Interenergo, Ljubljana.

Janez Škrubej

Education: MSc in Economy, Faculty of Economics and Business, University of Ljubljana.

Employment: executive director of Družba za upravljanje terjatev bank, d. d. (DUTB or BAMC).

Bojan Cizej

Education: BSc in Food Technology, Biotechnology Faculty, University of Ljubljana.

Employment: Director of the Production and Technical Unit of Pivovarna Laško.

Dragica Čepin

Education: MSc in Economy, Faculty of Economics and Business, University of Maribor.

Employment: Director of Accounting at Laško Group.

COMMITTEES OF THE SUPERVISORY BOARD OF PIVOVARNA LAŠKO

1. Audit Committee

The tasks of the Audit Committee are specified in Article 280 of the Companies Act, with the key ones comprising:

- monitoring the financial reporting process,

- monitoring the efficiency of the Company's internal controls, its internal audit function (if one exists) and risk management systems,
- monitoring the statutory audit of the annual and consolidated financial statements,
- reviewing and monitoring the independence of the auditor of the Company's annual report, especially with respect to providing additional non-audit services,
- submitting a proposal to the Supervisory Board for the appointment of the auditor of the annual report,
- supervising the integrity of the financial information provided by the Company,
- evaluating the drafting of the annual report, including forming its proposal for the Supervisory Board,
- participating in determining the material audit areas,
- participating in drafting the agreement between the auditor and the Company,
- performing other tasks as provided by the Articles of Association or the resolution of the Supervisory Board, and
- cooperating with the auditor auditing the Company's annual report, especially with respect to the mutual exchange of data concerning the main points of the audit.

Composition of the Audit Committee as at 31 December 2013

Jože Bajuk – Chairman
Bojan Cizej, Member
Igor Teslić, External Member

Composition of the Audit Committee as at 31 December 2014

Jože Bajuk – Chairman
Bojan Cizej, Member
Igor Teslić, External Member
Aleksander Igličar, External Member

Changes in the composition of the Audit Committee

At its 19th regular session on 8 December 2014, the Supervisory Board appointed Aleksander Igličar as an additional external member of the Audit Committee of the Supervisory Board.

2. Human Resources Committee

At its 15th regular session on 3 September 2014, the Supervisory Board established the Human Resources Committee with the following members: Mr Janez Škrubej – Chairman, Mr Goran Brankovič – Member, Mr Jože Bajuk – Member and Ms Dragica Čepin – Member.

The Companies Act does not define the tasks of the Human Resources Committee. In accordance with point B.2 of Appendix B to the Corporate Governance Code (Ljubljana, 8 December 2009), the Human Resources Committee is mainly responsible for:

- providing assistance to the Supervisory Board and drafting proposals on criteria and candidates for the Management Board members whereby it needs to balance the skills, knowledge and experience and prepare a description of the qualifications required for each individual post,

- assessing the size, composition and functioning of the Management Board at regular intervals,
- providing support in evaluating the work of the Management Board and preparing reasoned grounds for the recall of individual board members if required,
- providing support in the design and implementation of the remuneration system for the Management Board.

Composition of the HR Committee as at 31 December 2013	Composition of the HR Committee as at 31 December 2014
/	Janez Škrubej, Chairman
/	Goran Brankovič, Member
/	Jože Bajuk, Member
/	Dragica Čepin, Member

Changes to the composition of the Human Resources Committee

There were no changes to the composition of the Human Resources Committee.

3. Benchmark Committee

At its 15th regular session on 3 September 2014, the Supervisory Board established the Benchmark Committee.

Composition of the BC as at 31 December 2013	Composition of the BC as at 31 December 2014
Goran Brankovič, Chairman	/
mag. Dragica Čepin, Member	/
dr. Peter Groznik, Member (up to 31 March 2014)	/
Keith Miles, Member (since 1 April 2014)	/

Changes in the supervisory boards of subsidiaries

Pivovarna Union, d. d., Ljubljana

At its 33rd regular session held on 17 July 2014, the Supervisory Board of Pivovarna Union was briefed of the resignation of Bojan Cizej from the position of member of the Supervisory Board, effective as at the date of the appointment of a new member at the company's General Meeting. At the 23rd General Meeting of the shareholders of Pivovarna Union held on 27 August 2014, Goran Brankovič was appointed new member of the Supervisory Board of Pivovarna Union as of 27 August 2014 and until 22 June 2015. On 2 November 2014, dr. Peter Groznik gave his irrevocable and immediate resignation as member of the Supervisory Board of Pivovarna Union.

Jadranska pivovara - Split, d. d.

The two existing members of the supervisory board, Mr Gorazd Lukman and Mr Pavel Teršek (both capital representatives) were reappointed at the general meeting held on 12 June 2014 for a four year term of office beginning on 16 July 2014. On 5 September 2014, the term of office of Mr Goran Domljanović, member of the Supervisory Board (employee representative), expired. As of 5 September 2014, Ms Silvana Radovčić was appointed member of the Supervisory Board (employee representative) for a four year term of office.

2.1.3 MANAGEMENT BOARD

The Management Board runs the Company and adopts business decisions independently and at its own risk and represents the Company in disputes with third parties, adopts the Company's development strategy, ensures proper risk treatment and management, acts with due care and diligence and protects the business secrets of the Company.

The Company's Management Board is comprised of the following five members: mag. Dušan Zorko – Chairman of the Management Board, Marjeta Zevnik – Management Board member responsible for legal affairs, human resources and general affairs, Mirjam Hočevar – Management Board member responsible for finance, Gorazd Lukman – Management Board member responsible for sales and commerce and Matej Oset – Management Board member responsible for the production and technical sector.

The Chairman and the Management Board members are appointed and recalled by the Supervisory Board, whereby members of the Management Board are appointed upon the proposal of the Chairman of the Management Board. The term of office of the Chairman and members of the Management Board is five years. The Chairman of the Management Board and one of the Management Board members together represent and act on behalf of the Company. The Management Board may appoint a procurator.

Management Board of Pivovarna Laško

Composition of the Management Board as at 31 December 2013	Composition of the Management Board as at 31 December 2014
mag. Dušan Zorko, Chairman	mag. Dušan Zorko, Chairman
Marjeta Zevnik, Member	Marjeta Zevnik, Member
Mirjam Hočevar, Member	Mirjam Hočevar, Member
Gorazd Lukman, Member	Gorazd Lukman, Member
Matej Oset, Member	Matej Oset, Member

Changes in the composition of the Management Board

There were no changes to the composition of the Management Board.

Chairman of the Management Board. - mag. Dušan Zorko

Education: Master's degree in economic sciences, VKEŠ Maribor.

Areas of expertise:

- organising, coordinating and chairing the Management Board of Pivovarna Laško, d. d., and coordinating the activities of the Laško Group,
- carrying out tasks of strategic importance,
- public relations.

Member of the Management Board responsible for legal, human resources and general affairs – Marjeta Zevnik

Education: BSc in Law, Faculty of Law, University of Ljubljana.

Areas of expertise:

- carrying out tasks of strategic importance and coordinating the following areas: the legal department, HR & administration department, workplace health and safety department,
- coordinating the legal, human resources and general affairs of the Laško Group.

Member of the Management Board responsible for finance – Mirjam Hočevar

Education: BSc in Mathematics Engineering, Faculty of Mathematics and Physics, University of Ljubljana.

Areas of expertise:

- carrying out tasks of strategic importance and coordinating the following areas: the finance department, the accounting department, the controlling department and the IT department,
- coordinating the finance, controlling, accounting and IT functions of the Laško Group.

Member of the Management Board responsible for sales and commerce – Gorazd Lukman

Education: Sales Clerk, Business Commercial College Celje.

Areas of expertise:

- carrying out tasks of strategic importance and coordinating the following areas: retail and wholesale operations on the Slovenian market, export operations, marketing and development functions, sales logistics and servicing beverage pumping devices, and the sales promotion department,
- coordinating the sales, marketing and development functions of the Laško Group.

Member of the Management Board responsible for the production-technical sector and procurement – Matej Oset

Education: MBA from IEDC Bled, BSc in Food Technology, Biotechnological Faculty, University of Ljubljana.

Areas of expertise:

- carrying out tasks of strategic importance and coordinating the production-technical sector and procurement department,
- coordinating the production-technical sector and procurement department of the Laško Group.

Changes in the composition of management boards of subsidiaries

Jadranska pivovara - Split, d. d.

At the 1st regular session of the supervisory board of Jadranska pivovara - Split held on 26 November 2014, Mr Zlatko Bebić was again appointed director of the company for a term of office from 1 January 2015 and 31 December 2015.

2.1.4 MANAGEMENT IN THE LAŠKO GROUP

The Laško Group consists of the parent company Pivovarna Laško, five subsidiaries in Slovenia and four subsidiaries abroad. All subsidiaries are in the majority ownership of the controlling entity (for further details, see Section 1.6 Presentation of the Laško Group).

Members of the management and administrative bodies of the subsidiaries as of 31 December 2014:

RADENSKA, d. d., Radenci

Director	Milan Hojnik	
Supervisory Board	Capital representatives: mag. Dragica Čepin – Chairwoman mag. Brigita Oplotnik Rajh – Member Pavel Teršek – Member	Employee representatives: Franko Lipičar – Deputy Chairman Dominik Omar – Member

RADENSKA MIRAL Radenci, d. o. o.

(subsidiary of Radenska)

Director	Milan Hojnik
Supervisory Board	The company has no supervisory board.

PIVOVARNA UNION, d. d., Ljubljana

Management Board	mag. Dušan Zorko – Chairman Gorazd Lukman – Member Mirjam Hočevar – Member Marjeta Zevnik – Member Matej Oset – Member	
Supervisory Board	Capital representatives: dr. Vladimir Malenković – Chairman Goran Brankovič – Member	Employee representatives: Terezija Peterka – Deputy Chairwoman Primož Mlekuš – Member

JADRANSKA PIVOVARA - Split, d. d.

Director	Zlatko Bebić	
Supervisory Board	Capital representatives: Gorazd Lukman – Chairwoman Pavel Teršek – Deputy Chairman	Employee representatives: Silvana Radovčić – Member

VITAL Mestinje, d. o. o.

Director	Mira Močnik
Supervisory Board	The company has no supervisory board.

DELO, d. d., Ljubljana

Management Board	Irma Gubanec – Chairwoman Nada Jakopec – Member	
Supervisory Board	**Capital representatives:** Marjeta Zevnik – Chairwoman mag. Dragica Čepin – Deputy Chairwoman mag. Brigita Oplotnik Rajh – Member	**Employee representatives:** Branimir Piano – Member Jure Flerin – Member

IZBERI, d. o. o., Ljubljana

(subsidiary of Delo)

Director	Alojz Slavko Bogataj
Supervisory Board	The company has no supervisory board.

LAŠKO GRUPA, d. o. o., Sarajevo

Director	Haris Hadžić
Supervisory Board	Matjaž Zupin – Chairman Pavel Teršek – Deputy Chairman mag. Dragica Čepin – Member

FIRMA DEL, d. o. o., Laško

Director	mag. Dušan Zorko
Supervisory Board	The company has no supervisory board.

LAŠKO GRUPA, d. o. o., Zagreb

Director	Boris Matijaščić
Supervisory Board	mag. Dragica Čepin – Chairwoman Tatjana Fintić – Deputy Chairwoman Matjaž Zupin – Member

LAŠKO GRUPA, Sh. p. k. (d. o. o.), Kosovo

Director	Petra Matjašič Nader
Supervisory Board	Sebastjan Gergeta – Chairman Goran Brankovič – Deputy Chairman Aleš Praznik – Member

2.2 Statement on corporate governance and compliance with the Corporate Governance Code

THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF PIVOVARNA LAŠKO HEREBY DECLARE THAT THE COMPANY COMPLIES WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE.

2.2.1 COMPLIANCE OF COMPANY MANAGEMENT WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of Pivovarna Laško hereby declare that the Company observes the provisions of the Corporate Governance Code of 8 December 2009 that entered into force on 1 January 2010 (hereinafter: the Code), with some exceptions that do not intervene in good management practices and which are explained in this Statement. The Statement is a constituent part of the Annual Report for 2014 and is also available on the website of the Ljubljana Stock Exchange at www.ljse.si.

The Statement refers to the 2014 financial year, i.e. from 1 January 2014 to 31 December 2014. No changes have occurred in the Company's corporate governance since the conclusion of the accounting period up to the Statement's publication.

The explanations regarding discrepancies from individual provisions of the Code are given by the Management and Supervisory Board of the Company below:

- Provision 1; The Company operates in accordance with its key objective, which is to maximise the Company's value, and other objectives such as long-term value creation for shareholders, observance of social and environmental aspects of operations with the aim of ensuring sustainable development of the Company, even though these objectives are not stated in the Company's Articles of Association;
- Provision 2; the Company's corporate governance is focused on implementing the goals of the Laško Group Strategy up to 2019; the Management and Supervisory Boards of the company failed to adopt the special document entitled Corporate Governance Policy;
- Provision 8 (paragraph 2) and 17.2; The Supervisory Board members did not sign individual statements regarding the fulfilment of the independence criteria as denoted in Point C.3 Annex C of the Code;
- Provision 8.7; The Rules of Procedure of the Supervisory Board do not contain any provisions regarding communications with the public in connection to decisions adopted at its sessions. The Chairman of the Management Board is, on the basis of a decision of the Supervisory Board, authorised to communicate with the public. Important decisions of the Supervisory Board are published on the SEOnet website of the Ljubljana Stock Exchange and on the website of the Company;
- Provision 11; The Supervisory Board does not have a secretary. The tasks of the secretary of the Supervisory Board are performed by the General Sector employees;
- Provision 20; The Company has not defined a Communications Strategy as a constituent part of the Corporate Governance Policy. Expert services draft Company communications and ensure transparency of operations;

- Provision 21.3; in the second half of 2014, the Company began publishing notices in the English language.

2.2.2 MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE FINANCIAL REPORTING PROCEDURE

Pivovarna Laško, d. d., manages risks and implements internal control procedures at all levels. The purpose of internal controls is to ensure the accuracy, reliability, transparency and visibility of all processes and the management of risks related to financial reporting. At the same time, the internal control system establishes a mechanism for preventing irrational use of assets and contributes to cost-effectiveness.

The system of internal controls includes procedures that ensure:

- transactions are recorded on the basis of credible accounting documents, based on which transactions are recorded accurately and fairly, providing a guarantee that the company disposes of its assets in an honest and fair manner;
- transactions are recorded and financial statements drawn up in accordance with the applicable legislation;
- unauthorised acquisition, use and disposal of company assets, which would have a material impact on the financial statements, are prevented or detected in a timely manner.

In 2014, an internal assessment of the Company was carried out by the Finance, Accounting and Controlling Department which is responsible for bookkeeping and the preparation of financial statements in accordance with applicable accounting, tax and other regulations and by the Internal audit service, which is tasked with providing assurances as to risk management and the appropriateness of processes relating to evaluating and managing risks. The adequacy of control operations within the scope of the information system is examined by the authorised external contractors on an annual basis.

2.2.3 EXTERNAL AUDIT

Regular external audit

To ensure consolidation and standardisation within the Laško Group, the General Meetings of Pivovarna Laško, Pivovarna Union, Radenska and Delo appointed the audit firm Ernst & Young, Dunajska cesta 111, Ljubljana as the certified auditor for the 2014 financial year, which within the scope of auditing the financial statements reports to the Management Board, Supervisory Board and Audit Committee of the Supervisory Board on its findings.

2.2.4 DATA IN ACCORDANCE WITH POINTS 3, 4, 6, 8 and 9 of PARAGRAPH 6 of ARTICLE 70 OF THE COMPANIES ACT

Significant direct and indirect ownership of the Company's securities

Data on significant direct ownership of the Company's securities is given in 2.4.2 OWNERSHIP STRUCTURE OF EQUITY 2014 Annual Report.

Holders of securities granting specially controlling rights

The Company's Articles of Association do not contain any provisions granting holders of securities any special controlling rights.

Limitations to voting rights

The Articles of Association of the Company do not contain limitations regarding particular shares or a defined number of votes. The Articles of Association of the Company prescribe that shareholders intending to attend a General Meeting need to register at the headquarters of the Company by the end of the fourth day at the latest prior to the convocation of the General Meeting or they will not be able to attend the General Meeting or exercise their voting rights.

Company rules on the appointment and replacement of members of the management or supervisory bodies and on changes to the Articles of Association

In accordance with the Articles of Association of the Company, the Management Board may have a maximum of five members, one of whom shall be appointed the Chairman of the Management Board. The Chairman and members of the Management Board are appointed and recalled by the Supervisory Board, whereby members of the Management Board are appointed at the Chairman of the Management Board’s recommendation. The Supervisory Board may also prematurely recall the Chairman of the Management Board or an individual Management Board member in accordance with the law.

Pursuant to the Company’s Articles of Association the Supervisory Board consists of six members of whom four are capital representatives and two are employee representatives. The Supervisory Board members – capital representatives – are appointed by the General Meeting of shareholders through a simple majority vote of the shareholders whereas the members of the Supervisory Board who are employee representatives are elected by the simple majority vote of the Worker’s Council. At least a three-quarters majority of the votes cast by the shareholders present is needed to dismiss the Supervisory Board members who are capital representatives, while a two-thirds majority of all members of the Worker's Council is needed to dismiss the Supervisory Board members who are employee representatives.

A three-quarter majority vote by the General Meeting is required for any amendment of the Articles of Association.

Authorisation granted to members of the management bodies, especially powers to issue or purchase treasury shares

In 2014, members of the management bodies had no power to issue or purchase treasury shares.

2.2.5 DATA ON THE ACTIVITIES OF THE GENERAL MEETING

Data on the activities of the General Meeting and its key competences and a description of shareholders' rights and the method of their implementation are included in Section 2.1 Corporate Governance 2014 Annual Report.

2.2.6 DATA ON THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Data on the composition and activities of the management and control bodies and their committees is provided in Section 2.1 Corporate Governance 2014 Annual Report.

Laško, 16 April 2015

mag. Dušan Zorko
Chairman of the Management Board

Marjeta Zevnik
Member of the Management Board

Mirjam Hočevar
Member of the Management Board

Gorazd Lukman
Member of the Management Board

Matej Oset
Member of the Management Board

Goran Brankovič
Chairman of the Supervisory Board

2.3 Report of the Management Board of Pivovarna Laško on dependency according to Article 545 of the Companies Act (ZGD-1)

IN THIS REPORT PIVOVARNA LAŠKO INDICATES MEASURES TO COMPENSATE THE DAMAGE ARISING FROM HARMFUL LEGAL TRANSACTIONS BY THE FORMER MANAGEMENT BOARD OF THE COMPANY.

2.3.1 DAMAGES

As a subsidiary within a multi-level de-facto group, the former Management Board of Pivovarna Laško concluded legal transactions in 2008 and 2009 which subsequently proved to be damaging. The loans given to the companies Center naložbe and Infond Holding, including interest, were never repaid. The purchase of shares of Thermana – Zdravilišče Laško by Infond Holding was implemented at an acquisition price that was higher than the assessed market value of the Thermana shares at that time. The parent company in the multi-level de-facto group, namely Atka - Prima, did not compensate the damaged party, namely Pivovarna Laško, for the loss either in the relevant financial year or later.

The Management Board of Pivovarna Laško took all measures required with due diligence, namely:

- In 2010, Pivovarna Laško declared its receivables of EUR 1.8 million including default interest in the bankruptcy proceedings against Infond Holding, finančna družba, d. d. – v stečaju. On 24 September 2013, Pivovarna Laško received the partial sum of EUR 89,382.56 and on 1 October 2014 the partial sum of EUR 14,746.71 (final payment) from the bankruptcy estate. The bankruptcy proceedings are ongoing and are currently in their final phase.
- In 2010, Pivovarna Laško declared its receivables of EUR 6.4 million including default interest in the bankruptcy proceedings against Center Naložbe, d. d. – v stečaju. On 30 December 2013, Pivovarna Laško received the partial sum of EUR 410,236.03 and on 19 December 2014 the partial sum of EUR 48,123.84 (final payment) from the bankruptcy estate. The bankruptcy proceedings are ongoing and are currently in their final phase.
- The Company filed an action for damages on 12 January 2011 against the defendants: the company Atka – Prima and Boško Šrot as its co-owner and the legal representative and director of Pivovarna Laško at that time for the payment of EUR 13.3 million with interest and costs (according to the interest calculation due to the partial payment of the receivable by Infond Holding d.d – v stečaju and the partial payment of the receivable by Center Naložbe, d. d. – v stečaju, the amount claimed amounts to EUR 17.3 million as at 13 February 2015). Due to the partial payment from the bankruptcy estate of Infond Holding, d. d. – v stečaju, the claim has been partially revoked for the amount of EUR 89,382.56 and EUR 14,746.71. At the same time, due to the partial payment from the bankruptcy estate of Center Naložbe, d. d. – v stečaju, the claim has been partially revoked for the amount of EUR 410,236.03 and EUR 48,123.84. On 14 July 2014, Pivovarna Laško received the interim judgement of the Celje District Court, which decided that the claim of the plaintiff

for damages arising from the transactions or loan agreements concluded in 2009 by the plaintiff and Infond Holding and the plaintiff and Center naložbe, and the sales agreement concluded in 2008 for the purchase of shares in Thermana between Infond Holding as the seller and the plaintiff Pivovarna Laško as the buyer, is justified. At the same time, the court halted the proceedings for the first two payments made from the bankruptcy estates of Infond Holding, d. d. – v stečaju and Center naložbe, d. d. - v stečaju. The interim judgement and resolution are not yet final as the counter-party appealed to the Higher Court in Celje against the decision.

- On 3 July 2012, an action was brought before the court to challenge the debtor's legal actions together with an application for an interim order (together with the companies Pivovarna Union, d. d., Radenska, d. d., Delo, d. d., and Fructal, d. d.) due to the prohibition of the alienation or disposal of movable property and due to the prohibition of the alienation or disposal of the securities against Anica Šrot Aužner. The reason for bringing an action was the transfer of securities and real estate by Atka-Prima and Boško Šrot to Anica Šrot Aužner. This has resulted in damage to creditors. The court of first instance has so far not scheduled a hearing in the matter. The court of first instance on 8 April 2014 adopted a resolution discontinuing the proceedings until final decisions of the courts in compensatory actions brought by Pivovarna Laško, Pivovarna Union, Radenska, Delo and Fructal against Atka - Prima and Boško Šrot as the defendants. The proceedings for the issue of the interim order were concluded with a final judgement in 2013, in which the court of second instance rejected the defendant's appeal and confirmed the order of the court of first instance issuing the interim order.

The possibility exists that Pivovarna Laško will file additional lawsuits in the future for damages since the entire scope of damages suffered is not yet known. Two potential damages exist according to the currently known facts:

- The pledge of 345,304 RARG shares of Radenska, whose owner is Pivovarna Laško, to secure a loan from NKBM granted to the company Center Naložbe in the amount of EUR 6,250,000 on 12 March 2009. In this transaction, Pivovarna Laško acted as the lienee based on the loan agreement on the pledge of book-entry securities of 5 June 2009. The carrying amount of the pledged shares as at 31 December 2013 amounts to EUR 4,454,421.60. On 22 November 2011, Pivovarna Laško received the judgement of the Maribor District Court dated 17 November 2011 allowing the payment of claims from the value of the pledged shares and authorising the enforcement on the pledged shares in order to repay the claim in the amount of EUR 7,349,552.25 and statutory default interest. The judgement is final. Furthermore, on 11 January 2012, Pivovarna Laško received the enforcement order from the Maribor District Court allowing the proposed enforcement by entering the enforcement decision into the register of KDD for the 345,304 RARG pledged shares, the sale of these shares, and repayment of the creditor NKBM from the proceeds of the sale. NKBM proposed deferred enforcement and accordingly on 23 October 2013 the court ruled for the enforcement to be postponed until 1 October 2014. On 17 June 2014, Pivovarna Laško received the decision of the Celje District Court allowing the intervention of the new creditor in the enforcement proceedings. The Bank Asset Management Company (Družba za upravljanje terjatev bank, Ljubljana - DUTB) took the place of the original creditor Nova KBM, Maribor, as the disposal of the underlying claim has resulted in the automatic transfer of the lien from the former to the current creditor.

- Once the shares are sold in the enforcement proceedings and the BAMC is paid from the proceeds, Pivovarna Laško will incur a loss or damages. The amount of damages Pivovarna Laško will incur as a result of this damaging transaction will be known when the RARG shares are sold in the sales proceedings of Radenska. At that time, Pivovarna Laško will file a claim for damages in the criminal proceedings. On 25 October 2013, Pivovarna Laško filed a criminal complaint against its former director, as the Company believes that reasons exist to suspect that the actions of the former director Boško Šrot, who pledged 345,304 RARG shares with NKBM pursuant to the pledge agreement of book-entry securities dated 5 June 2009, constitute an abuse of office or trust in an economic activity, a crime referred to in Article 240 of the Criminal Code (CC).
- Comfort letter dated 31 December 2008 and 10 January 2009; Pivovarna Laško received a letter from Perutnina Ptuj on 23 November 2009 in which the latter indicated that based on the loan agreement with the companies Infond Holding and Center Naložbe, and the comfort letter of 31 December2008 signed by the former Director of Pivovarna Laško, Boško Šrot, it had been paying liabilities on the behalf of Pivovarna Laško. Since the companies had ceased repaying the loans, Perutnina Ptuj demanded payment in the approximate amount of EUR 11 million from Pivovarna Laško based on the comfort letter. Pivovarna Laško did not acknowledge the claim as it was not acquainted with the existence of the comfort letter of 31 December 2008 nor with the circumstances and business relationships among the legal persons involved. Perutnina Ptuj filed a lawsuit for the enforcement of the aforementioned claim; Pivovarna Laško received the lawsuit on 15 February 2011 in which Perutnina Ptuj demands payment in the amount of EUR 10,116,488.71 plus interest and costs from the defendant, Pivovarna Laško. The plaintiff stated in the lawsuit that it had suffered damages since the defendant had failed to fulfil the obligations stemming from the comfort letter of 10 January 2009. Pivovarna Laško responded to the lawsuit and repudiated the claim in full, seeing no grounds for the plaintiff's claim. The court issued a ruling on 22 January 2011 allowing incidental intervention by Boško Šrot, former director of Pivovarna Laško, for the defendant Pivovarna Laško. The Court of first instance has not yet decided the claim. If Perutnina Ptuj succeeds with the lawsuit, Pivovarna Laško will be at a disadvantage and suffer a loss.

2.3.2 SETTLEMENT CLAIMS

On 6 January 2014, Pivovarna Laško received the settlement claims of Pivovarna Union dated 31 December 2013 and of Radenska dated 30 December 2013 pursuant to paragraph 1 of Article 542 of the Companies Act. The companies prepared interim balance sheets on the loss sustained during the period of the contractual group: Pivovarna Union for the period from 11 April 2012 until 26 April 2012 and Radenska for the period from 6 February 2012 until 26 April 2012. Pivovarna Laško concluded a Controlling agreement and Agreement organising a contractual group dated 27 November 2011, which had been approved by both companies' General Meetings. Pursuant to paragraph one of Article 539 of the Companies Act and effective as of 26 April 2012, Pivovarna Laško withdrew from both agreements, this being one of the conditions one of the crediting banks gave to all three companies in order to restructure their financial liabilities. Pivovarna Laško rejected both settlement claims in letters dated 13 February 2014 as they contained no appendices showing the net loss calculation confirmed by the auditors.

On 23 April 2014, Pivovarna Laško received the letters entitled "Settlement claim pursuant to paragraph 1 of Article 542 of the Companies Act", both dated 22 April 2014 and sent by Pivovarna Union and Radenska. In the letters, the aforementioned companies inform Pivovarna Laško of the unaudited amounts of their settlement claims aimed to cover the losses of both companies generated during the contractual group with Pivovarna Laško as the controlling entity. The unaudited amount of the claim of Pivovarna Union for the period from 11 April to 26 April 2012 amounts to EUR 0 (nil), while the unaudited amount of the claim of Radenska for the period from 6 February to 26 April 2012 amounts to EUR 1,044,183.99. An overview of the calculations was attached to the letters.

On 23 April 2014, Pivovarna Laško replied to the letters of Pivovarna Union and Radenska, informing both companies that it has been informed of their claims. At the same time, both companies were requested to provide confirmation of the amounts by auditors. In light of the aforementioned, provisions of EUR 1,044,183.99 were disclosed in the financial statements of Pivovarna Laško for the financial year ended 31 December 2013.

On 13 February 2015, Pivovarna Laško received from Radenska the letter entitled "Settlement claim pursuant to paragraph 1 of Article 542 of the ZGD-1", which was supplemented with the auditor's report dated 12 February 2015. With this letter, Radenska informed Pivovarna Laško that it received on 11 February 2015 the auditor's report on the audited interim balance sheet for the duration of the contractual group, thus fulfilling all the conditions for the recognition of the amount of the settlement claim. The audited amount of Radenska's settlement claim for the period between 6 February 2012 and 26 April 2012 amounts to EUR 1,044,183.99, as evidenced by the Independent Auditor's Report provided by Deloitte Revizija d.o.o. on 11 February 2015 relating to the audit of the net profit or loss generated in the period between 6 February 2012 and 26 April 2012. In light of the closing of the sale of Radenska, on 17 March 2015 Pivovarna Laško recognised and settled the said audited settlement claim of Radenska in full.

2.3.3 TRANSACTIONS WITH GROUP COMPANIES

In 2014, Pivovarna Laško recorded several transactions with Laško Group companies. The sales and purchases, as well as the balances of receivables and liabilities are presented in the Financial Report, namely in Section 4.4.8 RELATED PARTY TRANSACTIONS. The values reflect the actual balances and transactions effected in the 2014 financial year. In 2014, Pivovarna Laško recorded no transactions or business with other legal or natural entities referred to in IAS 24.

Laško, 31 March 2015

mag. Dušan Zorko
Chairman of the Management Board

Marjeta Zevnik
Member of the Management Board

Mirjam Hočevar
Member of the Management Board

Gorazd Lukman
Member of the Management Board

Matej Oset
Member of the Management Board

2.4 Shareholders

PIVOVARNA LAŠKO, A PUBLIC LIMITED COMPANY OWNED BY MORE THAN 7,000 DOMESTIC AND FOREIGN SHAREHOLDERS, HAS BEEN TREADING DOWN THE PATH OF DEVELOPMENT WITH THE FUNDAMENTAL OPERATING ORIENTATION: TO OFFER CONSUMERS THE HIGHEST QUALITY BEER AND ENSURE EXCELLENT MARKET SUPPLY.

Since 1995, Pivovarna Laško has been organised as a public limited company. At the end of the 2014 financial year, it had 7,368 shareholders, which is 321 shareholders or 4.6% more than at the end of 2013.

Number of shareholders

	2012	2013	2014
Shareholders at 31 December	7,209	7,047	7,368
Chain index	/	97.8	104.6

2.4.1 PILR SHARES ON THE STOCK EXCHANGE

In 2014, an average of EUR 218 thousand worth of Pivovarna Laško (PILR) shares were traded each day on the Ljubljana Stock Exchange, with a total of 2.8 million shares changing hands, while the comparable figures for 2013 are significantly lower - only EUR 9 thousand a day, with 479 thousand shares changing hands.

Trading with PILR shares became more lively in the second half of 2014, when the market price of the shares began to rise; other than that, 2013 and the past few years have not been kind to investors in PILR shares, as the share price at the end of 2013 was lower than at the beginning of the year. Such movements of the share price are also the result of the challenging economic situation.

PILR share market price

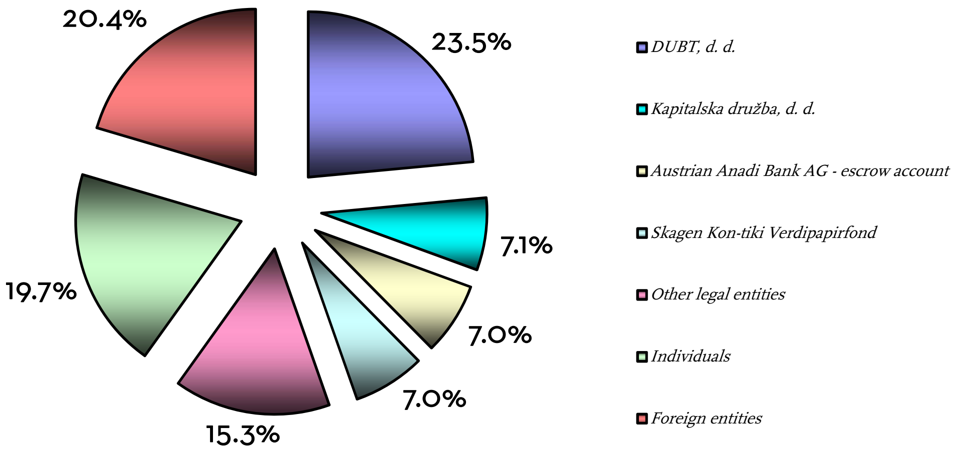
(in EUR)	2012	2013	2014
Highest in the year	11.00	9.90	25.50
Highest in the year	4.00	3.30	3.90
As at 31 December	6.99	4.01	23.50
Chain index	/	57.4	586.0

2.4.2 OWNERSHIP STRUCTURE OF EQUITY

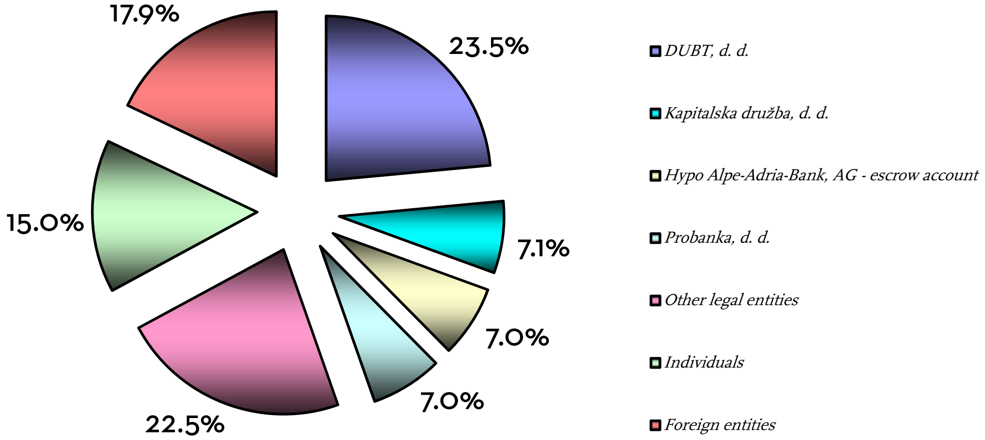
As of 31 December 2014, the share capital of the Company amounts to EUR 36,503,305 and is divided into 8,747,652 no par-value shares all of which have been paid in full. These are all ordinary and registered shares issued in uncertificated form bearing the PILR and PILH ticker symbols.

Ownership structure of the equity of Pivovarna Laško

Ownership structure of the equity of Pivovarna Laško, d. d., as at 31 December 2014



Ownership structure of the equity of Pivovarna Laško, d. d., as at 31 December 2013



(in %)	2012	2013	2014
Legal entities	71.0	67.1	59.9
Individuals	13.7	15.0	19.7
Foreign entities	15.3	17.9	20.4
Total	100.0	100.0	100.0

Major shareholders of Pivovarna Laško

(at 31 December 2014)	no. of shares	in %	position
DUBT, d. d.	2,056,738	23.512	1.
Kapitalska družba, d. d.	617,488	7.059	2.
Austrian Anadi Bank AG - escrow account	613,300	7.011	3.
Skagen Kon-tiki Verdipapirfond	499,286	5.708	4.
Alpen.SI, mešani fleksibilni podsklad	357,265	4.084	5.
SOP Ljubljana	293,946	3.360	6.
Abanka, d. d.	285,463	3.263	7.
Banka Koper, d. d.	225,346	2.576	8.
Zagrebačka banka, d. d. - escrow account	161,222	1.843	9.
Zveza bank, reg. zadr. z omej. jamstvom, Bank und Revisions	150,432	1.720	10.
Total - 10 largest shareholders	5,260,486	60.136	
Other minority shareholders	3,487,166	39.864	
Total - all shareholders	8,747,652	100.000	

(at 31 December 2013)	no. of shares	in %	position
DUBT, d. d.	2,056,738	23.512	1.
Kapitalska družba, d. d.	617,488	7.059	2.
Hypo Alpe-Adria-Bank, AG - escrow account	615,515	7.036	3.
Probanka, d. d.	614,911	7.029	4.
GB, d. d. Kranj	542,448	6.201	5.
Skagen Kon-tiki Verdipapirfond	499,286	5.708	6.
NFD1, mešani fleksibilni podsklad - jug	439,557	5.025	7.
Abanka, d. d.	285,463	3.263	8.
Banka Celje, d. d.	252,500	2.886	9.
Banka Koper, d. d.	230,471	2.635	10.
Total - 10 largest shareholders	6,154,377	70.355	
Other minority shareholders	2,593,275	29.645	
Total - all shareholders	8,747,652	100.000	

As at 31 December 2014, the ten biggest shareholders possessed a total of 5,260,486 shares or 60.1% of total share capital, which is 14.5% less than at 31 December 2013.

Ownership structure of the equity of subsidiaries

Biggest shareholders of Radenska (according to the excerpt from the Central Securities Clearing Corporation (KDD))

(at 31 December 2014)	no. of shares	in %	position
Pivovarna Laško	4,157,327	82.130	1.
*DBS, d. d.	600,000	11.853	2.
Slovenijales, d. d.	22,062	0.436	3.
Radenska, d. d., Radenci	19,236	0.380	4.
INDEKS, d.o.o.	6,357	0.126	5.
Zveza bank, reg. zadr. z omej. jamstvom, Bank und Revisions	3,500	0.069	6.
Potočnik Marko	3,472	0.069	7.
4 F, d. o. o.	1,820	0.036	8.
Žnidar Robert	1,527	0.030	9.
Vrankar Marko	1,500	0.030	10.
Total - 10 largest shareholders	4,816,801	95.159	
Other minority shareholders	245,055	4.841	
Total - all shareholders	5,061,856	100.000	

* The ownership of DBS, d. d., of 11.853% of the shares of Radenska is also registered with the Central Securities Clearing Corporation (KDD). In substance, this regards a redemption right, whereby under the contract, the voting rights arising from the ownership lie with the temporary seller, that is, Pivovarna Laško, which as at 31 December 2014 had a total of 93.984% of the voting rights.

(at 31 December 2013)	no. of shares	in %	position
Pivovarna Laško	4,153,644	82.058	1.
*DBS, d. d.	600,000	11.853	2.
Slovenijales, d. d.	22,062	0.436	3.
Radenska, d. d., Radenci	19,236	0.380	4.
Slatnar Sonja	2,063	0.041	5.
4 F, d. o. o.	1,820	0.036	6.
Žnidar Robert	1,527	0.030	7.
Vrankar Anton	1,500	0.030	8.
Potočnik Marko	1,451	0.029	9.
Camlek Marija	1,164	0.023	10.
Total - 10 largest shareholders	4,804,467	94.915	
Other minority shareholders	257,389	5.085	
Total - all shareholders	5,061,856	100.000	

As at 31 December 2014, the ownership stake of the parent company, Pivovarna Laško in Radenska amounted to 82.130% and is 1% higher than at 2013 year end.

Biggest shareholders of Pivovarna Union

(at 31 December 2014)	no. of shares	in %	position
Pivovarna Laško	442,443	98.078	1.
May Alexander	3,652	0.810	2.
Potočnik Marko	306	0.068	3.
Pintar Nina	100	0.022	4.
Molj Bojan	94	0.021	5.
Srakar Drago	72	0.016	6.
Pivovarna Union	69	0.015	7.
Žnidar Robert	55	0.012	8.
Umer Slavko	40	0.009	9.
Laknar Frančiška	40	0.009	10.
Total - 10 largest shareholders	446,871	99.059	
Other minority shareholders	4,243	0.941	
Total - all shareholders	451,114	100.000	

(at 31 December 2013)	no. of shares	in %	position
Pivovarna Laško	441,765	97.928	1.
May Alexander	3,652	0.810	2.
Skandij, d. o. o	384	0.085	3.
Potočnik Marko	118	0.026	4.
Pintar Nina	100	0.022	5.
Molj Bojan	94	0.021	6.
Srakar Drago	86	0.019	7.
Pivovarna Union	69	0.015	8.
MIF Invest, d. d.	60	0.013	9.
Slatnar Sonja	50	0.011	10.
Total - 10 largest shareholders	446,378	98.950	
Other minority shareholders	4,736	1.050	
Total - all shareholders	451,114	100.000	

As at 31 December 2014, the ownership stake of the parent company Pivovarna Laško in Pivovarna Union increased from 97.928% to 98.078%.

Ownership interests in Jadranska pivovara – Split

(at 31 December 2014)	no. of shares	in %	position
Pivovarna Laško	5,396,932	99.460	1.
Other minority shareholders	29,285	0.540	2.
Total - all shareholders	5,426,217	100.000	

As at 31 December 2014, the ownership stake of the parent company Pivovarna Laško and of other minority shareholders in Jadranska pivovara – Split is the same as on the last day in 2013.

Ownership interests in Vital Mestinje

(at 31 December 2014)	in %	position
Pivovarna Laško	96.920	1.
Other shareholders	3.080	2.
Total - all shareholders	100.000	

As at 31 December 2014, the ownership stake of the parent company Pivovarna Laško and of other minority shareholders in Vital Mestinje remains unchanged compared to the previous year.

Ownership interests in Delo

(at 31 December 2014)	no. of shares	in %	position
Pivovarna Laško	539,536	80.834	1.
Radenska, d. d., Radenci	127,928	19.166	2.
Total - all shareholders	667,464	100.000	

As at 31 December 2014, the ownership stake of the parent company Pivovarna Laško and of other shareholders in Delo remains unchanged compared to the previous year.

Balance of shares and stakes of the Management Board members of Pivovarna Laško in the Company's equity

(at 31 December 2014)	Membership	No. of shares	Participation in %
mag. Dušan Zorko	Chairman of the MB	3,019	0.0345
Marjeta Zevnik	Member of the MB	2,247	0.0257
Mirjam Hočevar	Member of the MB	2,244	0.0257
Gorazd Lukman	Member of the MB	1,696	0.0194
Matej Oset	Member of the MB	2,275	0.0260
Total		11,481	0.1313

The number of shares and the shareholdings of members of the Management Board of Pivovarna Laško in the Company's subscribed capital as at 31 December 2014 is the same as at 31 December 2013.

Balance of shares and stakes of the Supervisory Board members of Pivovarna Laško in the Company's equity

(at 31 December 2014)	Membership	No. of shares	Participation in %
Bojan Cizej	Member of the SB	3,180	0.0364
mag. Dragica Čepin	Member of the SB	3,413	0.0390
Total		6,593	0.0754

The number of shares and the shareholdings of members of the Supervisory Board of Pivovarna Laško in the Company's subscribed capital as at 31 December 2014 is the same as at 31 December 2013. The other members of the Supervisory Board were not holders of PILR (Pivovarna Laško) shares as at 31 December 2014.

Increase in the share capital

The General Meeting of the Company did not take any decisions regarding the increase in share capital through monetary contributions or contributions in kind in 2014.

Authorised and conditional capital

The General Meeting of the Company did not take any decisions regarding the conditional increase in share capital or regarding authorised capital in 2014.

2.4.3 SHARES

The shares of Pivovarna Laško with the PILR ticker symbol have been quoted on the regulated securities market of the Ljubljana Stock Exchange since 1 February 2000 as ordinary shares. As of 31 December 2014, the share capital of the Company amounts to EUR 36,503,305 and is divided into 8,747,652 no par-value shares. 8,611,481 shares bearing the PILR symbol and 136,171 shares bearing the PILH symbol were registered in the central register of the Central Securities Clearing Corporation (KDD) in Ljubljana as at 31 December 2014.

The Company still has PILH shares from the ownership restructuring procedure reserved for denationalisation beneficiaries. If a decision is issued in favour of a denationalisation beneficiary, the share changes from a PILH share to a PILR and is then quoted on the regulated securities market.

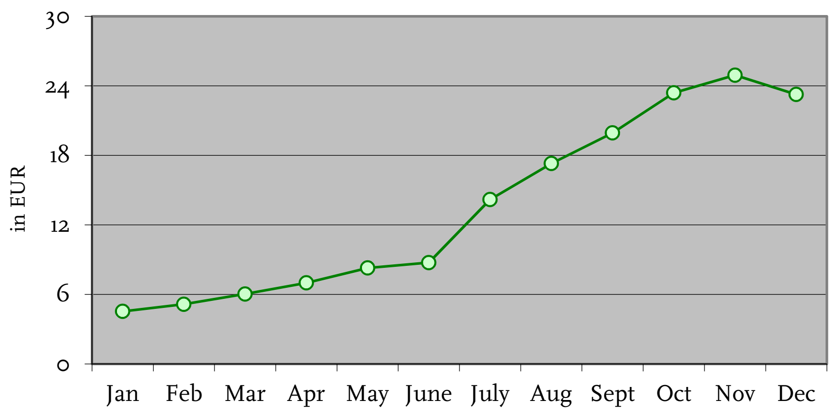
Reserves for treasury shares

In 2014, the value of reserves remains unchanged. Treasury shares are composed of the PILR, RARG and PULG shares. On the last day of 2014, the Group's treasury shares comprised 19,891 of PILR shares, 85 PULG shares and 19,236 RARG shares. The value of PILR shares as of 31 December 2013 amounts to EUR 467,439 and the value of the shares owned by the subsidiaries amounts to EUR 202,132. Pivovarna Laško holds no treasury shares as at 31 December 2014. In 2014, reserves for treasury shares increased due to the revaluation totalling EUR 387.676.

Book value and market value of the share

The audited book value of a PILR share according to the IFRS as of 31 December 2014 amounted to EUR 6.64. The market value of one share at the end of 2014 amounted to EUR 23.50, and is 253.9% higher than its book value. Each share gives its owner a voting right at the annual General Meeting of Shareholders and the right to participate in the profit.

Average market price of PILR shares in 2014



(in EUR)	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Average market value of shares	4.54	5.16	6.04	7.00	8.29	8.75	14.19	17.30	19.94	23.40	24.93	23.26

2.4.4 FINANCIAL CALENDAR FOR 2015

General Meeting	Expected to take place between June and August 2015.
Dividend entitlement	If the General Meeting decides to distribute dividends, the shareholders who have been entered into the Central Securities Depository maintained by the KDD on the reporting date determined in the decision on the use of net profit, will be entitled to dividends.
Dividend payment	No later than 60 days after adoption of the resolution to pay out the dividends.

ANNUAL REPORT

The Company should publish the Annual Report within four months at the latest following the conclusion of the financial year, namely by 30 April.

HALF-YEARLY REPORT

The Company should publish a half-yearly report for the first six months of the financial year as soon as possible and no later than two months following the end of this period, namely by 31 August.

OTHER QUARTERLY REPORTING

The Company should also publish quarterly reports on the first three and nine months of operations (quarterly reporting). The quarterly report or summary thereof is to be published no later than two months following the end of the accounting period (31 May and 30 November).

2.5 Sales, Marketing and Development

DESPITE THE CHALLENGING MARKET CONDITIONS, WE HAVE SUCCESSFULLY MAINTAINED OUR SALES AT LAST YEAR'S LEVELS IN ACCORDANCE WITH OUR BUSINESS STRATEGY AND THE UTILISATION OF THE SYNERGIES OF THE JOINT PERFORMANCE OF ALL COMPANIES IN THE GROUP.

2.5.1 SALES OF THE LAŠKO GROUP

Despite minor improvements to the macroeconomic indicators, consumers remain very cautious. A drop in purchasing power is reflected in greater inclination to saving and changes in purchasing habits, meaning customers are ever more cautious and prices are impacting purchasing decisions more and more. Changes in the consumption structure reveal the continuous growth in the discount supermarket segment and customer inclination towards supermarket brands. In 2014, the region was significantly marked by the weather, sleet, floods and lots of rain in the main summer months, in which the consumption of beverages was up to 20% lower than expected in individual segments (Source: Nielsen).

The economic situation has brought about changes in retail and has completely transformed the business environment. Payment indiscipline is on the rise, while retailers are reducing the number of different products offered and are above all maintaining lower inventory levels. In addition, more and more products are sold in various promotions.

Despite more difficult market conditions, we have successfully maintained our sales at last year's levels in accordance with our business strategy and the utilisation of the synergies of the joint performance of all companies in the Group.

In 2014, the Laško Group (Pivovarna Laško, Pivovarna Union, Radenska, Vital and Birra Peja - the latter was sold in July 2014) sold 3.741.014 hectolitres of all beverages, which is 0.9% more than in 2013 and 1.3% below the plan.

Quantitative sales of the Laško Group
on the domestic market and on markets outside Slovenia

(in hl)	Sales in 2014	Index 2014/2013	Index 2014/2014 plan
Beer	2,191,119	104.8	101.7
Water	1,016,491	95.6	93.5
Soft beverages	533,404	96.4	97.4
Total	**3,741,014**	**100.9**	**98.7**

Note: Since Pivovarna Union sold its stake in Birra Peja in July 2014, the data on the quantitative sales of the Laško Group for the January - December 2014 and 2013 periods are incomparable. In order to ensure comparability of data, the data for both years only considers sales of Birra Peja during the January - June period.

The table shows the consolidated quantities of beer, which consider the difference between the keg sales of both breweries and the bottle sales filled by Laško Grupa Croatia from the same kegs.

2.5.2 MARKETING AND DEVELOPMENT

BEER

Laško

We have developed a brand new range of speciality beers under the Laško Special label. The new range has a completely redesigned bottle and image, which differs significantly from the basic range of beers. They are packed in a case of 12 and in 0.33 litre non-returnable bottles. Golding, Striptis, and Lager Citra01 are the first three beers in the Special range. We are currently developing a new fourth beer and will continue to develop the range in the coming year. The first sales results are excellent.

In the segment of our own brands of beer we introduced Export Pils 4.5 vol.% sold in 0.66l PET packaging for the Italian and Croatian market, Export Pils 4.5 vol.% sold in 0.5l cans and Kalbier 4 vol.% packaged in 0.55l cans. In September we put on the market a special packaging of the Prvak beer (The Maribor Football Club) in a 0.33l non-refundable bottle.

The "Full of Pride" image campaign was underway since May with respect to the Laško brand; this includes a complete media mix. A mini communication campaign began in June of the Laško Malt brand which was given a completely new image in addition to the introduction of a new strawberry flavour. In addition to media advertising campaigns, an online prize competition ran on social networks for both brands.

We activated the Laško Zlatorog brand for the football World Cup in Brazil with the slogan "Viva Brazil", a special can, an online prize competition and retail and hospitality promotions were also organised. The campaign was conducted on the markets of Slovenia, Croatia, Bosnia and Herzegovina, Serbia and Hungary.

The "Pivo in cvetje" festival is our main event, this year celebrating 50 years, and which will see over 100,000 people visit Laško. We continued the largest mountaineering project in Slovenia entitled "Gremo v hribe" ("Let's go to the mountains"). This year we again participated in a number of renowned quality tests of beverages and at the Monde Selection award ceremony we were awarded the Grand Gold medal for our Eliksir brand and gold medals for Laško Zlatorog, Laško Club, Laško Dark and Jubilejnik brands. At the local quality tests organised at the Agricultural and Food Fair Agra, the strawberry flavour of Laško Malt brand was awarded a gold medal. Plans were drawn up for marketing campaigns to celebrate the 190th anniversary of Pivovarna Laško.

Exports

Tested sales promotions were conducted on our export markets. In May and June, Croatia and Bosnia and Herzegovina saw an image campaign, which was a slight adaptation of the campaign in Slovenia, involving TV, printed media, advertising on billboards and online. Billboards and a radio campaign was launched in Italy in June, while a national competition was organised in Croatia.

Union

In 2014, all the activities of Pivovarna Union focused on celebrations of the 150th anniversary of the brewery and we launched on the market the retro line of Union Triglav, Union Amber, Union Ležak and Union Bok. At the same time as introducing the redesigned range of Union beers, we launched a new corporate TV and radio advertisement for Pivovarna Union, emphasising its 150th anniversary, and launched a series of print and citylight advertisements.

Unionfest, which took place on 6 and 7 June in Tivoli Park, was the main event of the year. This two-day event, which offered a myriad of music and entertainment, attracted around 10,000 people each day. We also activated viewers at home watching (live) the final "Raketa" programme from Tivoli Park, which saw us selecting the Golden Barmaid, who helped promote Pivovarna Union.

In summer months we were busy designing new proposals and material for positioning the special Union beer in our regular product range, while most focus was devoted to the impending opening of Pivnica Union.

In the second half of the year we worked on redesigning the entire line of Union alcoholic Radlers, which are expected to find their place on the shelves of retail stores and also in hospitality facilities by the end of 2015.

NON-ALCOHOLIC BEVERAGES

Sola

After developing and testing a new orange and lemon flavour fruit drink began in early 2014, in late April we launched a new fruit juice drink called Sola Hey on the market, thus widening the range of Sola fruit juice drinks. The product received support in the form of tastings at supermarkets and FB advertising. In the summer months major promotions of the new drink were held in towns and cities across the country and at sea resorts.

As the leading brand of ice teas in Slovenia, Sola Ice tea was the sponsor of Goran Dragić's basketball camp organised specifically for all young basketball players. We made sure no participants went thirsty at the camp. The project was organised in cooperation with the Friends of Youth who at our initiative selected two teenagers who took part in the camp and in the training sessions.

We began the new school year with the "S Solo v Šolo" campaign that ran in the Tuš stores, while an online competition "Sola ni šala" was primarily aimed at teenagers. The campaign focused on 9 essential things that should be included in every school bag and above all, a refreshing drink Multi sola containing 9 vitamins.

In the last quarter of the year, we conducted retail activities and supported the brad with a small Sola Bits campaign.

Ora

Label redesign on all Ora soft drinks (new cheeky titles such as Ora exotic, which has become Ora juicy exotic); all packaging units were involved in the redesign.

All communications (TV advertising, print advertisements, outdoor - Supreme, bus advertising) were focused on the new flavour and introducing the new TO GO can under the "Preoblekla se je" and "Vse za novo Oro" slogans. A FB competition for the new can was also organised.

Point of sales promotions of the new flavour took place throughout the year (tastings with rewards for purchases, special exposure of pallets). Sampling and promotions was organised at all major events.

Pepsi

New Pepsi label design for the football World Cup (Messi, Luiz, Ramos and others) including new cans with pictures of football players. In addition, outdoor advertisements in Ljubljana, online advertisements and a FB competition were organised.

WATER

Radenska Classic

TV advertisements (during the “Skriti šef” programme on POP TV, during the football World Cup on TV SLO, new print media advertising - Kapljica, Pljusk). Sale promotional activities at the points of sales (Radenska Light as part of the world water day, and Radenska Classic involving branded finals and special exposure pallets). Sale promotions involving packages for branding of pubs, coffee shops and bars (sunshades, branded walls, chair cushions, posters, table cloths, activities involving coffee) organised for hospitality facilities.

Radenska Naturelle

TV advertising ("lepota prihaja iz globin"), co-branding with Ilirija (Green Line HydroMineral face cream based on Radenska Naturelle water); BB advertising ("ne izgubite niti kapljice" - for Naturelle 0.75l, sports bottle top - label redesign), printed advertising ("lepota prihaja iz globin"), online advertising and social networks (FB competition), promotions at events (junior size promotion, BB).

The following promotional activities were organised at points of sale: the water project, co-marketing spray, markers, wobblers, packages, branding including branded walls, activities involving coffee, banners on the fences of pubs, bars and coffee shops. BIB: TV spots (presentation of BIB operations, printed advertisements).

Radenska In

TV advertising during the “Skriti šef” programme and the football World Cup, printed advertisements promoting the new flavour, online advertising and social networks - FB; Radenska IN selected as the “2014 Product of the Year”, promotions at various events.

Point of sales promotions of the new flavour took place throughout the year (tastings with rewards for purchases, branded finals), tags attached to the product, special exposure of pallets, saving of receipts and competitions. IN barman of Pomurje (branding of terraces, search for the IN barman - sale promotions of the products by personnel working in pubs, coffee shops and bars, pancake-making at events with Radenska IN).

Oaza

Some print advertisements were ordered to promote the new summer flavour; events promotions and points of sale promotions (rewarding purchases and samplings) were organised.

Zala

Successful sponsorship activation of Zala in cooperation with the Tennis Association of Slovenia at the ATP tournament in Portorož, cooperation with the hospitality personnel, inclusion of the web and points of sale in the promotions. Promotions were organised at added-value points of sale. Advertising on giant billboards along the motorway, which was organised over the summer months, concluded in September with the billboards receiving good visibility. Continued communication on online channels such as FB focuses on the young target group which we aim to attract back. We sponsored the Ljubljana marathon by equipping points of sale with wobblers inviting customers to join the marathon, while event branding and promotion involved both the runners and visitors; runners were provided Zala and ZA SPORT and were photographed as a souvenir of the marathon, while a Union cart full of beer was placed in the midst of the visitors.

Nula

In cooperation with R&D we completed the project of developing flavoured water with no sugar. The new raspberry flavour drink with no sugar or sweeteners will be sold under the Nula brand and is the solution proposed by the entire Laško Group to the issue of health concerns concerning sugar and the negative publicity received in the last six months. The market launch and testing was made in the second half of the year and the new drink was launched on the market in August. The Nula raspberry flavour drink is aimed at consumers who are looking for something other than just water and are conscious of their sugar intake. A special event involving 30 selected women and market testing with the participation of 400 consumers were also organised. In communications terms, it was supported by a mini website and social network IG. The market response has been very positive and has even exceeded our expectations - currently this is a niche product with great potential for future development.

Za

We implemented the "#ZApoletje" summer project where points of sale were connected with the web. The response was very good and this year's platform will serve for activities we have planned for the next year, with slight alterations and improvements. Point of sales promotions were organised including promotional materials for use of the sales teams. Online promotion on social networks IG and FB, linking the contents.

Oda

A new convenient six-pack Oda water 0.5l was placed on the market in June.

During the Sochi Olympic Games we advertised Oda water on TV SLO (as the official water of the Olympic Team) as sponsor of the OCS. A competition was also organised during the Olympic Games and a mini communication campaign was organised in June. Media communication was complemented with a social network competition.

At the local quality tests organised at the Agricultural and Food Fair Agra, the Oda spring water was awarded the gold medal. In August, we received a packaging "Oscar" for the new Oda bottle.

At the end of the year, small-scale promotions were organised mainly as price promotions and BTL activities - promotions, with presence at events and digital network communications.

2.5.3 SALES OF THE LAŠKO GROUP ON THE DOMESTIC MARKET

Sales

The key objectives of our sales and marketing activities both in the retail and hospitality industry were to maintain our market position in the categories of beer, water and non-alcoholic beverages, to achieve the sales plan and ensure the profitability of our brands and products. In cooperation with key customers we carried out various projects aimed at satisfying consumer needs and wishes and searching for the greatest benefits and added value for our end consumers. We continued to optimise retail outlets by paying special attention to planograms, optimising the product range, communications with consumers, promotional activities, labelling, measuring and considering the behaviour of consumers in retail outlets. Brand management projects are also linked to beverage category development activities.

We mainly focused on topical activities: concerning the Union brand, the 150th anniversary of the Laško brand, the football World Cup and introducing new product concepts: speciality beers and novelties in the range of non-alcoholic beverages and water. The water project, picnic packages of beer and meat and sales packages of our products with added value were again organised this year. We continued searching for returnable packaging solutions, developing meal deals (beer - pizza, non-alcoholic beverages - sandwich), updating and improving standards governing promotions and managing impulse coolers. Our efforts were focused on excellence at points of sale and we have successfully improved our position, communication and visibility of our brands. Major focus was devoted to a detailed analysis and measurement of all activities performed.

Retail market and hospitality trends and shares

According to the survey carried out by a marketing research agency, a Slovenian consumer visits on average 4.7 different retailers a year compared to the European average of 3.4 retailers. Over 40% of consumers said they were willing to change their preferred store or brand on account of a good promotion. The most important promotions that attract consumers is price reduction (83%), followed by loyalty points (8%) and co-marketing (buy one get one free) (5%).

Consumer confidence in Slovenia continues to be among the lowest in Europe and the world and as much as 88% of consumers believe that Slovenia is still in an economic recession and there is major uncertainty regarding jobs, personal finances and loan repayments, increasing costs of living, the trend of buying cheaper products, etc. (source: CCI, 2014).

The growth of supermarket brands (of both traditional supermarkets as well as discount stores) has continued in light of the high concentration of retailers, the social and economic conditions, high taxes and excise duties on alcoholic beverages, and greater price differentiation of products. In view of present trends we can expect supermarket brands to play an important role in the purchasing decisions of Slovenian consumers. Retailers have been increasingly promoting supermarket brands by giving them more shelve space, following innovations in the supermarket brand development and by investing in marketing their own supermarket brands.

In the retail channel, there was a noted drop in the consumption of all categories of beverages in 2014 compared to the same period of last year. The volume sales of beer are down by 4.1% where the highest drop was recorded in the sale of beer mixtures with 22.9% lower sales, the market of water fell by 3.4%, a 18.2% reduction was recorded in the sale of ice teas, and a 14,8% decline in the market of fruit juices (source: Nielsen, YTD Nov 2014). The reasons for a drop in consumption include low consumer confidence in the economic situation, reduced buying power which results in a drop of personal consumption with consumers replacing the preferred brands for cheaper supermarket brands, and an increased share of consumers that are buying products only when on special promotional offers. Furthermore, the negative media campaign against sweet drinks had an added negative impact on the consumption of non-alcoholic beverages. In addition, extremely bad weather conditions had a significant impact on the drop in the consumption of beverages. According to the data of Nielsen marketing research agency, in the summer months of July and August, the sale of individual categories of beverages was between 15% and 20% lower than in the comparable period of last year.

The share of Laško Group beer in retail is 54.7% (Pivovarna Laško 29.1% and Pivovarna Union 25.6%). The Group has recorded a 2.8% drop in sales, mainly on account of supermarket brands (of both traditional retailers and discount stores), which have a 39.7% market share.

The retail structure of water is as follows: carbonated (mineral) waters 59.5%, still (non-carbonated) waters 25.3%, followed by flavoured still waters (14.7%) and flavoured carbonated waters (0.9%). The market share of leading water brands in retail is as follows: Radenska 37.9%, Kolinska 15.8% and Pivovarna Union 10.4%, (Nielsen, YTD December 2014, not considering discount stores).

In the group of iced teas, the Sola brand still maintains its leading position (46.2%), while the market share of Frupi (Vital) stood at 3.8% (Nielsen, November 2014). Fructal has the leading position in the group of fruit drinks (51.5%), followed by Pivovarna Union (14.0%) (Nielsen, November 2014).

In the HORECA segment, Pivovarna Laško and Pivovarna Union have retained their position as the leading beer producers on the domestic market. The market share of both breweries stands at 90%, with Heineken on second place with 2%. The distribution index of both leading producers Pivovarna Laško and Pivovarna Union is also very high, exceeding 97% regardless of the price position of the bar in question. Radenska has the leading position on the horeca market of waters (53%), while Pivovarna Union follows in strong second place with its market share of 24%.

Quantitative sales of the Laško Group on the domestic market

(in hl)	Sales in 2014	Index 2014/2013	Index 2014/2014 plan
Beer	1,268,689	97.2	99.5
Water	827,987	96.6	96.7
Soft beverages	350,929	90.7	94.5
Total	**2,447,605**	**96.0**	**97.8**

Pivovarna Laško

Sales of Pivovarna Laško on the domestic market fell by 0.8% compared to 2013, and exceeded the plan by 1.1%.

Pivovarna Union

Sales of Pivovarna Union on the domestic market declined by 6.5% compared to 2013, and fell behind the plan by 3.5%. Most of the drop in sales in the beer segment was recorded in the segment of beer mixes, where a significant general decline of the market was recorded. The sales of Zala spring water have remained at the level recorded in last year and continue to maintain the leading market share. A decline in the market of flavoured water has been noted, although we continue to maintain the leading market share on that market. The lower sales of non-alcoholic beverages is primarily due to the market decline and negative campaign against sweet beverages.

Radenska

Sales of Radenska on the domestic market fell by 4.4% compared to 2013, and fell behind the plan by 3.5%. The most important trade segment is carbonated mineral water, the sale of which has remained at the level recorded in 2013 and continues to keep the leading market share. A continued decline was recorded in the sale of flavoured water and non-alcoholic beverages, primarily due to the market decline and negative campaign against sweet beverages.

Vital Mestinje

The sales of Vital on the domestic market grew by 4% compared to 2013, and exceeded the plan by 3.2%. The optimisation of the product range and re-branding of the Frupi syrups are still showing positive results.

2.5.4 SALES OF THE LAŠKO GROUP ON FOREIGN MARKETS

The Laško Group sales data includes sales of Pivovarna Laško, Pivovarna Union, Radenska and Vital Mestinje over the full year, as well as the sales data of Birra Peja's own and licensed products in the first six months of the year since the company was sold and is no longer a member of the Laško Group.

The sales of the Laško Group on foreign markets in 2014 reached 1.293 million hectolitres in total, up 11.6% on 2013 and 0.6% above the plan. This is a sound result since our plan of sales on foreign markets for 2015 is again rather ambitious. The Group sold most beer on foreign markets - 17.4% more than last year and 4.9% more than planned. We sold 8.7% less water than last year and 18.3% less than planned. Sales of non-alcoholic beverages also grew by 9.6% compared to last year and 3.6% more than planned.

The sales data includes sale of beer and non-alcoholic beverages produced under the licence by Birra Peja in the first six months of 2014.

In Kosovo, the Laško Group established its own company Laško Grupa Kosovo, Sh.P.K Peja in August 2014, aiming to accelerate the sales of the Laško Group brand products after Birra Peja Sh. a left the Pivovarna Laško Group.

The growth on our key market of Italy was the result of our active cooperation with importers, our enhanced presence in supermarkets and discount supermarkets, as well as greater investments in brand marketing, advertising and sales promotions. We enhanced the recognition of our beer brands through our active participation at large events in the south-east of Italy, such as Festival Show, Barcolana and Gusti di Frontiere. On the Croatian markets, adequate support activities focused on the largest customers and at promoting our products (campaigns, publications in catalogues and leaflets, palette exposure), as well as a Laško Zlatorog prize competition within the scope of the marketing budget. Increased sales of Sola non-alcoholic beverages in Kosovo are the result of the systematic purchasing of shelves at all points of sale, direct marketing alongside the shelf, co-marketing with Kosovo's most popular potato crisps (Patos), and the Sola@keksi Biskrem competition; in addition, billboard and online marketing campaigns were organised. We offered the market of Bosnia and Herzegovina a range of beer in 2-litre plastic bottles, thus listening to our customers' wishes and we also expanded the range of other beers offered. We were also present at the Sarajevo Film Festival and conducted HORECA activities.

The licence we acquired to fill a new foreign brand for the period of 2014 also resulted in an increase of beer sold in Croatia. In addition, the increased sale of supermarket brands is also the result of improved beer production processes and a more flexible approach to the range of products.

In addition to selling Laško Group products, in 2014, we filled Bavaria beer in 0.5 litre and 0.25 litre returnable bottles and kegs.

Pivovarna Laško

The sales of Pivovarna Laško on foreign markets increased by 17% compared to last year, exceeding the plan by 1.2%. Beer is the most important sales segment, while malt drinks have a smaller share (0.7%).

Sales on the key markets of Bosnia and Herzegovina and Kosovo are up both compared to last year and compared to the plan. On the key markets of Italy and Croatia, Pivovarna Laško exceeded last year's results, but has not yet achieved the plan.

Pivovarna Union

The sales of Pivovarna Union on foreign markets increased by 18.5% compared to last year, exceeding the plan by 8.5%. The sales of beer increased by 22.4% compared to last year, up 8.7% on the planned sales; the sales of non-alcoholic beverages are up 10.3% compared to last year and 8.4% above the plan. The sales of water dropped by 11.3% compared to last year, down 30.9% on the plan.

The sales of final products on the key markets of Italy, Kosovo and Croatia exceed both last year's sales and the plan; in Bosnia and Herzegovina, the sales exceed those of last year and nearly reached the plan, while Pivovarna Union has exceeded last year's results also on other markets.

Radenska

The sales of Radenska on foreign markets are down 10.1% compared to last year and 19.5% below the planned sales. The most important ranges sold are mineral water, followed by non-alcoholic beverages, flavoured water and flavoured mineral water (altogether less than 1%). Sales on the key markets of Kosovo, Macedonia and Hungary grew compared to last year and exceeded the plan. On the key market of Macedonia, Radenska exceeded last year's results, but has not yet achieved the plan. So far Radenska has not equalled last year's results on the key markets of Italy, Croatia, Austria and Bosnia and Herzegovina, and is still behind the plan, while on other markets it is lagging behind last year's sales but has exceeded the plan.

Vital Mestinje

On foreign markets, Vital sells small amounts of syrups, which account for a 2.9% decline in sales compared to the same period last year, down 21.1% on the plan.

Birra Peja

Last year, Birra Peja was a member of Laško Group over the entire period, while in the current year, the company was a member of the Group only the first six months of the year. Therefore, data is not comparable. Although Birra Peja is no longer a member of the Laško Group, its sales of Zlatorog beer are down on the same period of last year, while sales of Sola ice tea peach flavour are up 9.7% over last year. In total, it sold 0.7% less of its own and licensed brands in 2014 compared to the previous year.

2.6 Procurement

GOOD AND SOUND RELATIONS AMONG GROUP COMPANIES, A COMMON AND UNIFIED APPROACH AND CONSTANT COMMUNICATION WITH OUR SUPPLIERS REPRESENT THE PATH WE PLAN TO CONTINUE TO FOLLOW IN 2015.

In 2014, we continued coordinated activities of the purchasing offices of the Laško Group. Such cooperation has allowed us to achieve great synergies in the past. Good and sound relations among Group companies, a joint and unified approach and ongoing communication represent the path we intend to nurture and continue to follow. To further improve the effects of the procurement function, the goal should be to centralise the procurement activities of all Laško Group companies and apply a unified approach to our suppliers of both strategic and non-strategic materials.

In 2014, the supply of all types of materials was sound. Generally speaking, the supply in 2014 was better than in the past few years.

The offer of all basic raw materials in 2014 was good and the quality was sound, while the prices of some raw materials were lower in 2014 than in the year before. A very special situation pertains to hops. Since both breweries exclusively use Slovene hops we are dependent on the situation in Slovenian hop growing that in recent years was based on speculation and a failure to comply with the contractual provisions. Traditionally, long-term contracts were concluded based on the fact that hop production is a long-term process of investing into cultivars. Slovenia mainly produces aromatic sorts of hops that give Slovenian beer its specific flavour. In 2014, the price of hops was up compared to the previous year.

The agricultural harvest of malt, maize meal and barley was good, the quality was better than last year, while the prices were lower. In terms of maize meal procurement we are still 100% tied to the Serbian market, where prices are still 20% below those in the EU. In 2014, as a cost efficiency measure, we replaced a significant part of maize meal with barley. In 2015, we will continue to substitute the raw materials until the final balance between the two is reached.

The 2015 forecasts are more favourable, as lower prices of raw materials are expected on the global market. However, agriculture is highly weather-dependent.

Sugar is a very important raw material for the Union Group. We have procured sugar for the third year in a row through a procurement consortium headed by Mercator. The aim of the consortium is for all large industrial users of sugar to take a unified approach to suppliers and agree the lowest possible purchase price. Since the 2013 campaign was sufficient in terms of quantities, there were no disturbances in sugar supplies in 2014. The quality matched the agreed quality.

However, in terms of prices, the market was extremely volatile and despite the signed fixed agreements we managed to lower the purchase prices of sugar in each quarter. As a result, by the the end of the campaign, the price of sugar was 30% less than the price contractually agreed at the beginning of the campaign. It is not usual for multinationals to agree to such a manner of agreeing prices; however, in light of the specific market situation, the suppliers matches our price upon each drop in prices.

In terms of packaging materials, the 2014 prices were stable and contractually-agreed. Major fluctuations were only recorded with respect to materials tied to the petrochemical industry, oil prices and dollar fluctuations. The prices of preforms, foils and PVC caps were harmonised with the ICES or Plats index for the relevant material on a monthly or quarterly basis.

In 2014, the global trends on the PET market were relatively stable compared to previous years and the prices were relatively low. There were no major political disturbances impacting prices. Although we recorded volatility in the price of granulates in individual months, we did not opt to conclude forward purchasing agreements. During the year, the price of granulates fell from EUR 1,120 per tonne to EUR 1,030 per tonne. Although oil prices fell drastically in late 2014, the petrochemicals industry did not adjust and the prices of granulates remained at the level before the drop in oil prices. Some manufacturers even began limiting sales of granulates, thus retaining existing prices through artificial market scarcity. The seasonal fluctuations in prices of granulates are not as pronounced as they used to be.

The prices of labels, cardboard, glue and other strategic materials were agreed in contracts and stable; furthermore, on the annual level there were no increases compared to 2013.

Cans are the most important purchasing category. In 2014, we succeeded in reducing prices by concluding a two-year cooperation agreement. Our monitoring of the market prices of aluminium reveals a slight growth throughout 2014.

In 2014, we continued to make use of the beneficial situation on the energy market (electricity, gas).

Despite the general economic situation, the deepening of the crisis in Slovenia and our continued efforts to resolve the solvency position of the Laško Group, we have succeeded in retaining the trust of our suppliers through sound and constant communications. Worsening liquidity, payment delays and the uncertainty concerning our future raised concerns among our suppliers. We are faced with the fact that more and more suppliers require instruments to secure receivables and are setting authorised debt limits. Due to the good relationships with our suppliers we have now secured normal supply conditions. In 2014, we managed to maintain the long payment deadlines with the vast majority of our suppliers.

The joint cooperation of the procurement departments of Laško Group companies continues, which in the past has generated goods results and resulted in certain synergies. Good and correct relationships among the Group's members, a joint and unified approach and ongoing communications form the path we intend to follow also in 2015.

In 2014, we were successful in managing costs by reducing and optimising inventories, replacing certain materials with alternatives and securing longer payment deadlines. In 2014, we managed to reduce the costs of supplied materials by 4%.

In 2014, Pivovarna Laško introduced the ISO 9000 and ISO 14000 standards, and now, the entire Group operates in compliance with both standards.

With regard to the activities to preserve a human-friendly environment, we will make significant efforts to use ecologically suitable materials which preserve the natural environment. In the procurement processes this predominantly involves handling various types of packaging comprised of a variety of materials and the collection and recycling thereof. Priority must be given to the use of lighter packaging, the use of all types of packaging with the addition of recycled materials and similar. Raising environmental awareness is a constituent part of our operations.

2.7 Quality and standards

SINCE OCTOBER 2014, PIVOVARNA LAŠKO IS ALSO CERTIFIED AGAINST THE ISO 9001 AND 14001 STANDARDS. BOTH BREWERIES SHARE THE SAME MANAGEMENT RULES AND KEY PROCESSES.

An internal quality and safety assessment was carried out in 2014 in all Laško Group companies in accordance with the legislation in force and with our internal by-laws. Any non-conformities identified were followed by suitable corrective actions that eliminated the risks of non-conformities or mitigated them to an acceptable level.

In the area of individual supplier control, the technologists and representatives of quality control and procurement conducted several reviews of our suppliers of raw materials and intermediate goods. The quality control departments of Pivovarna Union and Pivovarna Laško also perform quality control of raw materials and the final products of Birra Peja.

Based on the quality reviews of our distribution centres we have intensively begun resolving issues that are not visible during the process itself (hidden defects).

2.7.1 PIVOVARNA LAŠKO

Management and food safety standards

Pivovarna Laško has successfully introduced an integrated management system, which comprises a quality management and an environmental management system.

In 2014, external training was organised for 30 employees for the internal assessment of the ISO 9001:2008 quality management system and the ISO 14001:2004 environmental management system. An internal assessment was conducted before the initial external certification. In October 2014, Pivovarna Laško was certified against both standards (ISO 9001 and ISO 14001).

The planned number of internal assessments was successfully carried out in accordance with the requirements of the HACCP system and the system for ensuring food safety. The number of non-conformities identified is lower than last year, which is a reflection of the positive impact of the assessments and the efficiency with which any deviations are resolved.

The Health Inspectorate conducted an external review of the materials coming into contact with foodstuffs; no irregularities were identified.

In October, the assessor BV Slovenija conducted HACCP recertification. The assessment confirmed the high level of food safety and no non-conformities were identified.

In early November, the Hofer supermarket conducted an audit, which we passed successfully. The audit result was 98 points, 3 points more than the previous year.

We organised an employee training session entitled HACCP and BHP (best hygiene practices) in the first half of the year. The members of the HACCP teams were provided additional training in the fields of microbiology, workplace health and safety, packaging materials, resolving non-conformities and taking corrective measures (ISO 9001 and 14000). We followed legislative changes.

There were no product safety complaints in 2014.

As part of the ISO 9001 and 14000 implementation and certification we also adapted our food safety procedures and documentation.

Input, in-process, final and process control

In 2014 we continued activities related to the control of input materials and raw materials. We issued 21 warnings and 11 complaints, which resulted in the supplied goods being replaced or returned. We also visited two suppliers of malt, coloured malt and caramel malt. We had five different malt suppliers in 2014. There were no major malt-related issues, with the exception of coloured malt. After visiting the plant supplying coloured malt we seriously began looking for an additional supplier of specialist malt, which is also necessary due to the introduction of the Special line of speciality beers. The annual acceptance of barley took place in the autumn. In 2014 we approved a new supplier of maize meal, who fulfils all quality-related standards (the Križevci mill run by Konzum).

As part of in-process and process control we continued to monitor the parameters which significantly impact the quality of the final product (adding of oxygen, the functioning of the rinsing machines, etc.).

Monitoring the quality of our final products remains the same: we still use the Q inventory system, especially for beer and other drinks that represent greater risk from the point of view of quality. We organised 52 tastings in 2014 during which we tasted and evaluated 486 beer samples.

The system control is still focused on our efforts to preserve drinking water. This year we reviewed and amended the system of logs and controls of drinking water for all 12 supply systems, in part also due to the ISO 9001 standard. Two non-conformities relating to the water supply system were noted during recertification of the HACCP standard; both have been resolved. Despite the weather posing a challenge this year, we had no major difficulty in ensuring appropriate drinking water.

We also introduced efficiency indicators for our quality control lab, which measure the laboratory's performance in various areas by means of inter-laboratory comparison. The KPI was exceeded (97.1% compared to the 95% threshold).

Complaints

In 2014 we introduced the single effective reporting of market complaints received and reviewed. Two large quality-related complaints were noted and were related to the obsolescence of the equipment; this issue will be resolved next year when the new line is brought online. No products were recalled from the market in either cases, although preventive and corrective measures were taken. On the annual level, 0.01% of the annual quantities of beer sold can be attributed to justified quality complaints.

Other

In 2014 we concluded the project entitled "The impact of the sequential use of lower-fermentation yeast culture on the physiological condition of beer production". The project, which ran between 1 July 2013 and 31 December 2014 in cooperation with the Faculty of Biotechnology, was partly funded by the Ministry of Education, Science and Sports. Part of the results will also be presented at the EBC congress to be held in Porto in 2015.

In cooperation with the technologists, quality controllers and the Slovenian Institute of Hops and Beer-Making, the expert project entitled "The impact of various surrogates on the sensory profile of beer" ran in 2014.

2.7.2 PIVOVARNA UNION, LJUBLJANA and BIRRA PEJA, PEĆ, KOSOVO

Management and food safety standards

The assessments of conformity with the ISO 9001, 14001 and IFS standards were successfully completed in October, and as regards the IFS standard again at the higher level.

For the first time, the assessment for certification against the ISO 9001 and ISO 14001 standards took place at both Pivovarna Laško and Pivovarna Union concurrently. The management review and the review of other joint processes (sales, marketing) took place at one location for both breweries.

The Birra Peja brewery has been certified according to two standards, namely ISO 9001 and HACCP, whose validity was successful proven both last year and this year. An internal assessment was undertaken before the external review.

HACCP

The HACCP team met 12 times in 2014. The most important topics discussed include the following:

- the risk assessment for new products (Ležak, Bok, Amber, Triglav, Nula raspberry, Radler apricot),
- food defence – new risk assessment and actions required for the IFS standard,
- the problem of rust on the crown caps,
- we reviewed the risk of rinsing road tankers,
- we reviewed the risk of bottling unfiltered beer into kegs and bottles,

- we expanded the training topics to include standards, internal assessments and corrective and preventive measures,
- the HACCP system verification showed excellent understanding of the system, as all results were above 90% (beer production: 95.7%, BAP production 94.9%, general 96.8%).

Input, in-process, final and process control

In the past year we performed preventive assessments of four suppliers whose products significantly impact the quality of our products. The results of the assessments were in line with our quality standards.

We experienced issues with the quality of the products of some smaller suppliers during the year. Complaints were filed in all instances, all of which were recognised and the deficiencies rectified.

In terms of microbiology, the results of the in-process control of the overall production process were better in 2014 than in 2013. The values of chemical parameters also show no significant deviation from the adopted standards.

The results of the microbiology testing of the final products produced by each filling line were at an appropriate level. The same applies to the results of chemical testing, although several measurements and pre-run settings had to be made.

The results of the microbiology testing of non-alcoholic beverages were also appropriate. In late 2014 we enhanced the representativeness of the pre-filling sample on one of the lines and thus improved preventive control.

Birra Peja continued producing Pivovarna Union Ice teas and all products conformed to the quality standards of Pivovarna Union. Birra Peja conducted trial bottling of Multi sola for the Kosovar market.

The results of the microbiology and chemical analysis of Zala spring water revealed no deviations from the quality standards. We replaced some suppliers in order to resolve the problem of bottles which were difficult to open.

Beer and non-alcoholic beverage tastings were organised regularly, and in 2014 we organised 174 beer and 47 non-alcoholic beverage tastings. Every 2 months we tested our samplers through the Interterster international comparisons programme.

In-process control allows us to detect issues that arise during production or storage and thus prevent inappropriate products from being shipped to our customers. These reviews have also resulted in corrective measures, which help us prevent similar issues from occurring in the future.

The results of microbiology and chemical tests are also verified through the BAPS international comparison programme, and these also form some of our performance indicators. In 2014, our overall performance was 96%.

Complaints

No major deviations concerning complaints were recorded in 2014. One complaint was raised in September due to rusty crown tops. We acted quickly and prevented any further complaints. On the annual level, under 0.005% of the annual quantities of beverages sold can be attributed to justified quality complaints.

2.7.3 RADENSKA

Management and food safety standards

An integrated quality management system has been introduced at Radenska that combines the quality management system, the environmental and energy management system, food (product) safety and workplace safety and health.

A management review of the management system was carried out in February 2014, the results of which were issued as a set of goals, programmes and activities for further improvement of processes and the management system in the 2014/2015 period.

On 1 October 2014, the Slovenian Institute of Quality and Meteorology, Ljubljana, performed a renewal review of the integrated quality management system + HACCP (ISO 9001 + HACCP) and of the environmental management system (ISO 14001). As a result, our certificate was subsequently renewed and extended for a further three-year period.

For Radenska, audits performed by PepsiCo and Hofer are also extremely important. The review is based on the most demanding food quality and safety standards (such as the AIB International Consolidated Standards for Inspection, the IFS International Food Standard, and the ISO 22000 Food Management System). For years Radenska has retained it's A supplier rating by PepsiCo and Hofer and has improved its result every year. In 2014, Radenska was awarded a special award by PepsiCo for the 2013 financial year.

The following inspections were carried out in 2014:

- An ad-hoc inspection was carried out on 31 July 2014 by the MKO, Administration of the Republic of Slovenia for Food Safety. The inspection was triggered by the withdrawal of Radenska Ora "Sočni exotic" and Ora "Igriva banana kiwi" products from the shelves. The inspection was concluded pursuant to the resolution to discontinue the proceedings received on 13 November 2014; Radenska implemented all the findings in an appropriate fashion.
- A regular inspection of drinking water quality was performed on 3 July 2014.

Input, in-process, final and process control

Some 18 complaints were made to our suppliers in 2014. These complaints resulted in us returning the complete shipment to the supplier. Many more warnings were issued to supplies concerning the quality of the input materials.

Most complaints to our suppliers relate to one single supplier. The quality of their input intermediate goods (fruit preparation) was the reason for the withdrawal of Radenska products in July 2014.

Our laboratories were included in the inter-laboratory tests for the first time in 2014. We worked with LGC Germany in this respect. The following sectors were involved in the tests:

- the microbiological laboratory - performance of microbiological analyses as part of supervision of the NMV quality;
- the chemical laboratory as part of the supervision over the constancy of the NMV compositions and quality.

In addition, we have for a number of years participated with Pepsi in inter-laboratory tests of the quality control monitoring of Pepsi products (brix, CO2, TA and pH).

We monitor the microbiological conformity and quality of our products through indices. Higher goals were set for both indices in 2014: 90 for NMV and 85 for BP compared to 75 set for both indices in 2013. In 2014 we again exceeded both indices: 93.54 for NMV and 88.81 for BP.

Complaints

Complaints are recorded in the SAP system complaints module, including all the business and quality complaints. Most complaints relate to two main areas:

- Business complaints: The return of goods before their use-by date - most are returned a few months before their use-by date. These goods are of sound quality.
- Quality complaints: The return of damaged (ruptured) Radenska Stil 18.9-litre containers. Containers with minor damages are returned (unsatisfactory quality of the containers delivered by the suppliers), which result in water leaking from the containers while they are loaded on palettes or placed in coolers.

Product withdrawal in 2014

In 2014, Ora “Sočni exotic” (2 and 1.5 litre PET packaging) and Ora “Igriva banana kiwi” (2 and 1.5 litre PET packaging) were withdrawn from the market. The product was contaminated and as a result, its organoleptic properties changed. All batches bottled between late April and late July were withdrawn from the market. We believe the fruit preparation used in both products was the reason for the withdrawal.

2.7.4 VITAL MESTINJE

Management standards

In the current year, the quality control employees passed the exam for internal HACCP and IFS standard assessors as the company had committed to introducing and certifying the IFS system by the end of 2015.

One internal HACCP assessment was completed while all employees were provided external professional training.

The following inspections were performed in 2014:

- the Hofer LVA audit according to the IFS standard, where the score (96%) exceeded that of last year;
- the meteorology supervisory inspection carried out by the Ministry of Economic Development and Technology, the Meteorology Office, where we passed and no comments were noted;
- The inspection of the food safety, veterinary and plant protection inspectorate, which issued a warning due to a lacking verification document. This deficiency has been remedied.

Input, in-process, final and process control

In 2014, the detailed supervision of input materials, especially the microbiological and sensory control of fruit concentrates, continued. Before making any orders of the new season's fruit concentrates, we order a sample which allows us to verify the sensory suitability of the concentrate.

Our input control resulted in the rejection of one fruit preparation due to its microbiological unsuitability, while we rejected on batch of caramel due to inappropriate viscosity.

The method of taking ATP swabs using illuminometers has finally been introduced into production for verifying the line cleanliness and the hygiene level of surfaces; it has proven very useful. This method is now regularly used before every batch to verify the cleanliness of cisterns, the container for rinse water and for areas where an immediate result is required. Due to the obsolescence of the pre-mix station we have increased the frequency and added control points for the microbiological analysis of the intermediate phases.

In 2014 we began the two-year project of monitoring the levels of vitamin C in orange drink with the aim of determining the optimal level of adding vitamin C to orange drinks, which will help us ensure the highest possible sensory quality even shortly before expiry of the use-by date.

The laboratory acquired a new light chamber which will help determine drink stability.

We inspected the lines used by our subcontractors to bottle our products.

Complaints

There were no complaints, withdrawals or recalls in 2014.

2.8 Investments

THROUGH DILIGENT INVESTMENT PLANNING AND THEIR CORRECT APPRAISAL IN LINE WITH THE FULL LIFETIME COSTS OF THE PRODUCTION EQUIPMENT, WE HAVE MORE THAN DOUBLED THE CORRESPONDING SAVINGS OVER THE PERIOD OF TEN YEARS.

In 2014 we continued some key projects such as the renovation of two filling lines for returnable glass bottles, the energy renovation and the gradual refurbishment of the technological equipment.

Considering the financial significance of investments into production equipment, which also result in savings in maintenance and energy costs as well as the environment, the long-term impact on these costs is even more pronounced. As such, diligent investment planning and their correct appraisal in line with the full lifetime costs of the production equipment have resulted in the corresponding savings being more than doubled over the period of ten years.

In addition to cost efficiency and the utilisation rate of the production equipment, active cooperation in developing new products, using alternative technologies, new packaging materials and considering the state-of-the-art technology are the most important areas of technology.

The gradual growth of costs of spare parts and maintenance services shows that the Laško Group is now at the point when in order to stabilise the situation and secure its production, it needs to invest in new production equipment, which will in turn impact reduced maintenance costs.

In today's modern business environment, where products and services are developed extremely rapidly, one of a company's significant competitive advantages can be its focus on final consumers, where state-of-the-art technology and development can allow us to acquire completely new consumers, who are interested in an optimum price performance, in addition to our existing loyal customers. Striving for the highest criteria in all operating processes is surely the best way to generate added value for our customers, owners and employees.

2.8.1 INVESTMENTS IN PIVOVARNA LAŠKO

Renovation of the ST2 filling line

In the first quarter, most emphasis in terms of investment projects was placed on the renovation of the dry part of the ST2 line. Although the investment was concluded in March 2014, the line will begin operating at full capacity in 2015, when it will be complemented with new machinery in the wet part of the ST2 line.

The bids have been obtained, we have inspected reference buildings and made an optimal selection of bidders. The equipment is planned for supply in March 2015, while the completion of assembly and trial and regular run are expected in June 2015.

10 x 0.5l cases

As the new part of the ST2 line comes online, we will be able to supply the market with more consumer-friendly packaging, resulting in us purchasing 116,000 of 10 x 0.5 litre cases. In May, the World Packaging Organisation awarded us its highest recognition of excellence (the World Star of Packaging) for this case.

Packaging machine

In April 2014 we concluded the renovation of the Kisters packaging machine, which now allows us to supply the market with new packaging formats.

SPTE 400 kWel + 500 kWel

In June 2014 we obtained the utility permit for the SPTE 400 + 500 kWel heating co-production facility. The machines allow us to generate electricity which can be fed back to the distribution network or used internally. The heat generated is used for heating or for heating sanitary water, as well as for various industrial technology projects. The reliability of supply is one of the greatest advantages of such a system. We began operating the 400 kWel facility in February 2014, and have already realised the relevant energy savings. The 500 kWel facility came online in late 2014, when the equipment for this unit to supply energy to the tunnel pasteuriser of the PL2 canning line was also installed. In August another 50 kWl unit was installed in the SPTE engine room which was put into operation in the winter 2014 season.

Eco project - pilot tests of beer press residue degradation

Using the pilot device installed on the purifying plant, beer press residue degradation tests have continued for over a year. The pilot project is now concluded and the results are very encouraging, as they show our substrate can be degraded up to 90%, resulting in us obtaining approximately 110 m^3 of bio-gas from one tonne of substrate in the industrial reactor.

CO_2 Drier and Purifier

In August 2014 we successfully replaced the obsolete combined drier and purifier system used for CO_2collection. The newly installed equipment is fully operational. Its increased operational efficiency and improved quality of feedback gas is already covering the shortfalls which we had to fill by purchasing gas on the market. Installation of new equipment has already resulted in some savings in the form of reduced operating costs and decreased maintenance costs.

CO_2 gas detectors

The over 20-years-old and obsolete CO_2 gas detector for the entire production area was in September replaced with a new, modern one, which fully complies with relevant standards as well as the workplace health and safety requirements. Some 17 detection sensors have been installed in all critical production areas where CO_2 is present. The sensors report any potential overrun of limit concentrations over the central alarm system, thus ensuring a timely response and appropriate action.

Laško Special

Laško Special is a new speciality brand of beer which was launched to celebrate our 190th birthday. The beer is produced in small batches using special methods.

The speciality beers are sold in an above-standard and completely freshly designed 0.33l bottle, which required the installation of additional format parts on the ST3 filling line.

Degassed water

In December, the project of supplying the renovated ST2 filling line with degassed water began; the project continues into 2015 and its conclusion is timed to coincide with the conclusion of the ST2 project. Degassed water is incredibly important in the extremely sensitive phase before the beer is bottled, as it ensures the product contains only small amounts of oxygen, which is one of the main reasons for the sensory instability of beer. The technology used to produce high-quality beer must ensure the beer comes into as little contact with oxygen as possible in the entire production phase in order to prevent any oxidative processes in all important phases of beer production.

A total of EUR 2,879,510 was spent between January and December 2014 on investment projects, while EUR 1,572,125 was spent on investments in the property, plant and equipment of the production and technical sector, the sales department and the IT department. The total of EUR 4,451,635 represents 94.4% of the total funds earmarked for investments in 2014.

2.8.2 INVESTMENTS IN PIVOVARNA UNION

In 2014, Pivovarna Union spent EUR 5.5 million on investments and purchases of property, plant and equipment, which is in line with the plan for 2014.

In late June we concluded phase I of the renovation of the dry part of the S4 filling line, which will also allow filling and packing into the new "10" cases. The key reason to renovate the S4 filling line was the obsolescence of the technical equipment and ensuring significantly improved operational efficiency, lower energy and water use and optimisation of the number of filling line operators. We have signed the relevant agreements with the two main suppliers - KHS and KRONES - for the renovation of the wet part of the line. Construction and preparatory works were completed by the end of the year. As part of the same project we refurbished the flooring and replaced the ventilation system of the filling hall. We removed the old machinery and introduced a new bottle washing machine, filling machine and labelling machine. The works will continue during January and February 2015, while production is planned to begin in early March. Due to the approval of the investment in the wet part of the S4 line, we have reallocated funds from the other planned investments to the wet part of line S4.

We also reconstructed the technological lines for beer during the fermentation process, which ensures the flexibility of beer lines and tanks and allows us to clean cisterns. This will make transporting beer and beer mixes to plastic bottling lines easier and cheaper.

Implementation of the MEPIS system for production monitoring has been concluded. The operational efficiency management system (OEE), which utilises the real-time data provided by manufacturing devices, significantly contributes to reduced standstills and greater utilisation of the equipment. The production portal can be used to access key manufacturing ratios, analysis and decision-making tools. Manufacturing efficiency measurement is one of the key ratios used when identifying productivity and establishing the mutual relations between the business functions of the supply chain. The MEPIS system is operational and the first data is available. The project will be officially handed over after the meeting between the Group and the supplier. Minor deficiencies are currently being remedied and functioning optimised.

We purchased a large number of half cases and bottles, which required us to reallocate funds earmarked for renovation of the PET bottling line. The value of these items of property, plant and equipment amounts to EUR 774,000.

Some of the funds earmarked for investments were used for the purchase of returnable packaging and equipment used in sales promotion (casks, coolers, pumping devices, etc.).

The beer filter project, manufactured by Pall, was completed. The filter allows the filtration of smaller manufacturing batches and is highly reliable. Since water rinsing is no longer necessary, the filer's efficiency and utilisation rate is higher compared to regular filters. The filter is now operating and meets all the required technical parameters. In early 2014 we organised the closing meeting with the supplier and officially took over the equipment.

We replaced both pairs of rollers for fruit grinding in the beer production plant. We ordered new drives for the meal pans. After assembly, we will be able to increase the share of barley in the meal.

We completed the Pivnica Union project, which also included the opening of a new employee canteen. We renovated the old malt building (we protected the foundations against water and refurbished the façade). The Pivnica was opened on 17 November 2014, immediately after successful completion of the technical inspection. Ever since it’s opening, the Pivnica has enjoyed high visitation rates and was awarded the "prostor in pol" award by RTV Slovenija.

2.8.3 INVESTMENTS AT RADENSKA

In 2014, Radenska spent EUR 997,805 on capital investments, which is 69.5% of the annual investment plan. A part of this amount also relates to investments that were unfinished at the end of last year. All major investments planned for 2014 were successfully completed. On the other hand, a few unplanned projects remained unrealised primarily in line with strategic decisions. These projects will be reviewed in detail and some of them have already been transferred to the next investment cycle.

Most of the funds, EUR 552,423, were spent on preparatory, construction and installation works relating to the blowing and filling block on the Sidel-2 line. This project was partially covered by the 2013 investment plan, while the other part of EUR 777,600 was financed from investment funds earmarked for 2015 and 2016.

We refurbished the floor in the warehousing and production facilities and repaired damage to the production facilities for the sum of EUR 49,105.

In addition, work began in 2014 for replacement of the still mineral water reservoir, which will be replaced with a new 80m³ low-pressure reservoir. This will also slightly change the technology of still mineral water preparation, mainly to ensure more efficient use of still mineral water during the water preparation and the filling line. The investment is currently in the closing phase.

Other major investments include the procurement of a new electrical forklift and two industrial cleaning machines, the repairs to the roofing of the separation hall and the procurement of a laboratory device for measuring brix and CO_2 as well as a measuring device for CO_2 on the UPET filling line.

We spent EUR 80,483 or 77.6% of the budget on coolers for the market.

The remaining funds were spent on the energy cost rationalisation project and on the erection of an energy IT system. Some funds were spent on purchasing small items of property, plant and equipment (due to obsolescence or unforeseen malfunction).

We thus spent EUR 1,508.608 or 75.4% of the plan on investments and purchasing property, plant and equipment in 2014.

We planned on spending EUR 195,565 on purchases of returnable packaging in 2014. Considering market needs we were forced to overspend as the amount is actually EUR 275,774, which is 41% above the annual plan. The overspending mainly relates to the purchases of 0.5 litre bottles.

2.8.4 INVESTMENTS AT VITAL MESTINJE

In 2014, Vital upgraded the robotic cell used to create half pallets of products. The waste management area was presented and organised. Some analytical equipment was purchased for the microbiology laboratory, while a truck and trailer were purchased for the logistics department. An industrial storage marquee was erected due to the lack of space in our final products warehouse. The IT server was also replaced. The value of these investments in items of property, plant and equipment amounts to EUR 128,702.

2.9 Performance analysis

AT THE LAŠKO GROUP, THE 2014 FINANCIAL YEAR WAS CHARACTERISED BY SEARCHING FOR SOLUTIONS AND TACKLING THE LIQUIDITY PROBLEMS RESULTING FROM THE NON-STRATEGIC FINANCIAL INVESTMENTS MADE IN THE PAST. THE REORGANISATION, DISINVESTMENT AND RESCHEDULING WILL BRING NEW FOUNDATIONS FOR FURTHER DEVELOPMENT.

2.9.1 PERFORMANCE OF THE LAŠKO GROUP (CONTINUED AND DISCONTINUED OPERATIONS)

In mid-2014, the Laško Group (namely Pivovarna Union) disposed of the Birra Peja Group. The final consolidated statements were drafted as at 30 June in accordance with IAS 27. The profit or loss statement and statement of comprehensive income only includes the consolidated profit or loss statement and statement of comprehensive income for the Birra Peja Group for the first half of the year. The consolidated statement of financial position of the Laško Group at 31 December 2014 does not include the Birra Peja Group.

Notes to the income statement of the Laško Group

The individual items of the profit or loss statement of the Laško Group for 2014 are not completely comparable with that for 2013 due to the sale of the Birra Peja Group in mid-2014.

Due to the closing of the sale of the Birra Peja Group and the anticipated sale of Radenska, in 2015, in accordance with IFRS 5, the profit or loss statement of the Laško Group has been divided into the profit of loss statement of the continued operations, which includes all companies not subject to sales process or for which the sales process has not yet begun (or whose sale is uncertain), and the the profit or loss account of discontinued operations. The operations of Radenska, the Birra Peja Group (for the first half of 2014) and Jadranska pivovara - Split have been designated discontinued operations. In the accounting report, the individual notes to the profit or loss statement have been disclosed in detail with respect to continued operations, while the profit or loss statement for discontinued operations is a special note. The explanations provided in this chapter refer to all operations (both continued and discontinued).

In the 2014 financial year, the Laško Group generated EUR 251.6 million **of net sales revenues,** which is 5.8% less than in 2013.

In the structure of sales revenues, the revenues generated on the domestic market account for 83.2% of total sales revenue (domestic market includes the markets of Slovenia and Kosovo, the registered seat of Birra Peja). Compared to the previous year, the sales revenue on the domestic market dropped by 3.6%. Sales revenues generated on foreign markets account for 16.8% of total sales revenue, which is an increase of 3.6% compared to 2013. The biggest share of revenues on foreign markets is generated on the markets of Italy and the former Yugoslavia, in particular in Croatia and Bosnia and Herzegovina.

The operating expenses of the Laško Group in the amount of EUR 237.1 million are down 10.6% on the previous year.

The costs of goods, materials and services account for 66.7% of all operating expenses are 5.7% (or EUR 9.6 million) down compared to the previous year.

Costs of materials, which amounted to EUR 88.5 million, are the most important item of operating expenses. They account for 37.3% of all operating expenses, down 1.4% on 2013. Their share in net sales revenues has also fallen in 2014 and amounted 35.1%. The lower purchasing prices of some raw materials (sugar, malt, cornmeal, packaging materials and non-returnable packaging) mainly impacted the lower expenses, while this is in part the result of more rational use. Lower prices of electricity and natural gas, as well as lower use of natural gas, significantly impacted lower costs of materials, which are down by approximately 15% despite increased sales.

Costs of services account for 27.4% of total operating expenses and amounted to EUR 64.9 million in 2014, which is a decrease of 2.9% compared to 2013. Majority of the costs of services are costs of sales (38%), followed by marketing costs (34%), transportation costs (10%), maintenance costs (7.4%) and other costs.

Labour costs totalling EUR 48.7 million are lower than in 2013 by EUR 1.3 million or 2.6%. Salary costs are down EUR 1.5 million or 4.1%, while other labour costs are up EUR 0.5 million or 7.1% on 2013, mainly on account of paid and accrued redundancy payments.

Write-offs amounting to EUR 23.3 million represent a decrease of 31.4% or EUR 10.7 million compared to 2013, which is mainly a result of revaluation of property and brands to lower fair values. The Laško Group recognised EUR 3.3 million of revaluation operating expenses on account of property revaluation, and EUR 4.8 million of revaluation operating expenses on account of revaluation of the brands of Delo. In 2014 the **depreciation costs** decreased by EUR 2.6 million or 14.8% compared to 2013, as a consequence of a low investment activity in recent years and consequently an amount of fixed assets that were already written-off.

Compared to the previous year, **the other operating expenses** of 2014 are down EUR 5.4 million or 43.1%. Environmental costs, such as water concession fees, land taxes, packaging fees, water rates, environmental taxes for waste packaging and electronic equipment, account for the greatest share of other operating expenses. In 2013, other operating expenses included, in addition to those mentioned above, a liability for water concession fees underpaid between 2005 and 2013 of EUR 5,576,805.

In the 2014 financial year the Laško Group generated an **EBIT of EUR 18.3 million** and **an EBITDA of EUR 33.3 million.** In 2014, the Group recognised certain one-off events of EUR 10.1 million, which negatively impacted operating profit and the EBITDA. These one-off events include expenses on the impairment of real estate, investment real estate and brands of EUR 9.5 million, revaluation operating expenses relating to short-term assets of EUR 0.3 million, additional provisions formed and other operating expenses of EUR 3 million, certain advisory costs and banking fees of EUR 1.2 million, other revaluation operating expenses of EUR 1.1 million, other operating expenses of EUR 2.4 million and the depreciation not charged on the assets of Jadranska pivovara - Split of EUR 0.3 million. The normalised EBITDA adjusted by the effects of these business events amounts to EUR 28.4 million, which is an increase of EUR 0.3 million compared to the previous year, while the EBITDA amounts to EUR 43.4 million, a decrease of EUR 2.3 million compared to 2013.

In 2014, the Laško Group generated **a financial loss** of EUR 15.6 million. **Financial revenue** of EUR 4.3 million mainly (68.2%) refers to the capital gains generated on the sale of shares in Poslovni sistem Mercator. The Group generated EUR 2.9 million of financial revenue on the sale. Some financial revenue resulted from the derecognition of non-performing loans issued in the past to Infond Holding and Center naložbe, that is the income from the bankruptcy estate of both companies amounting to EUR 0.8 million. The Group recognised financial revenue from dividends in the amount of EUR 0.2 million.

Financial expenses of the Group amounted to EUR 19.9 million in 2014, which is EUR 38.3 million less than at in 2013. This is mainly on account of the Group disclosing significantly fewer financing expenses on account of investment impairments in 2014. In 2013, financial expenses on account of investment impairments amounted to EUR 39.8 million (most impairments were on account of the Poslovni sistem Mercator shares), while in 2014, financial expenses on account of investment impairments amounted to EUR 3.1 million and related to the impairment of the investment in Premogovnik Velenje (EUR 1 million) and the capital loss realised on the sale of Večer of EUR 2.1 million.

As part of interest on bank borrowings the Group has disclosed EUR 14.3 million spent on consultancy services, as well as EUR 2.3 million of financial expenses on account of the restructuring of its financial liabilities.

In the 2014 financial year, the Laško Group generated a net operating profit of EUR 3.7 million, compared to net operating loss of EUR 30.2 million in 2013. The normalised net operating profit of the Laško Group for 2014 equals EUR 14.7 million, which is EUR 4.6 million (47%) more than in 2013.

Notes to the statement of financial position of the Laško Group

At 2014 year-end, the **assets** of the Laško Group amounted to EUR 352.2 million, or EUR 102.3 million less than the total assets of the Group as at 2013 year-end. The assets are down mainly on account of the sale of financial assets (shares in Poslovni sistem Mercator and the controlling interest in Birra Peja and Večer).

Long-term assets are down EUR 45.7 million, mainly on account of the sale of the Birra Peja Group and the transfer of all assets held by Radenska to non-current available-for-sale assets in accordance with IFRS 5 due to the anticipated sale of the company in the first quarter of 2015.

Current assets as at 31 December 2014 amount to EUR 112.8 million, or EUR 56.7 million less than at 2013 year-end. **Non-current available-for-sale assets** are up EUR 33 million due to the transfer of all the assets held by Radenska. **Inventories** are down EUR 4.7 million, while **short-term operating receivables** are down EUR 10.3 million. Part of this decrease relates to the transfer of assets held by Radenska to non-current assets, while the other part relates to the sale of the assets held by the Birra Peja Group. **In 2014, available-for-sale short-term financial assets** recorded a drop of EUR 73 million, mainly as a result of the sale of MELR shares.

Compared to 2013, the total equity of the Laško Group in the amount of EUR 62.3 million increased by EUR 4.1 million. The majority of this increase is a result of the profit generated in the current year of EUR 3.7 million.

As at 31 December 2014, **the capital of the non-controlling interests** amounts to EUR 10.7 million, an increase of EUR 0.9 million compared to 2013. Part of this increase is a result of the net profit of the current year, while the other part is the result of the impact of the final consolidation upon the sale of the Birra Peja Group.

Total liabilities of the Laško Group amounting to EUR 289.9 on the last day of the 2014 reflect a reduction by EUR 106.4 million or 26.8% compared to the previous year. On the last day of the 2014, borrowings from banks total EUR 227.2 million. The Group repaid EUR 106.4 million of borrowings in 2014.

On the last day of 2014, the **surplus of short-term liabilities over short-term assets** amounted to EUR 60.2 million, compared to EUR 194.7 million as at 2013 year-end. Compared to 2013, the liquidity risk of the Laško Group has significantly decreased, but still exists. The controlling entity Pivovarna Laško is especially exposed to such liquidity risk. In late April 2014, the Laško Group companies (Pivovarna Laško, Pivovarna Union and Radenska) concluded with the crediting banks a Restructuring and Standstill Agreement, which defines important financial restructuring milestones. The final maturity of the majority of the companies' borrowings was rescheduled to the end of 2016.

2.9.2 PERFORMANCE OF PIVOVARNA LAŠKO

Notes to the income statement of Pivovarna Laško (continued and discontinued operations)

In 2014, Pivovarna Laško generated EUR 91.2 million **of net revenues on the sale of products, services and goods,** which is 1.2% more than in 2013. Although sales on the domestic market fell by 2.5%, sales on foreign markets grew by 18.8%, as reflected in the increase of export sales revenue to 20.2% in 2014 compared to 17.2% in 2013. Compared to the previous year, other operating revenues of EUR 0.9 million are up 11.4%.

Operating expenses of Pivovarna Laško in 2014 were 4.7% lower than in 2013 and amounted to EUR 84.2 million. Compared to the previous year, costs of materials increased by 3.7%, and costs of services increased by 3.3%. Labour costs are up 4.8% compared to the previous year.

Costs of materials amounting toEUR 27.2 million increased by 3,7% over 2013 and account for almost one third of operating expenses. The costs of raw materials, packaging, transport and ancillary materials are up EUR 1.3 million compared to 2013, mainly on account of greater use of non-returnable packaging due to increased exports and changed sales structures. Costs of energy resources dropped by 15.1% or EUR 0.4 million thanks to lower energy prices and also due to lower use of gas, despite increased production compared to the previous year.

Costs of services account for 23.6% of total operating expenses and amounted to EUR 19.8 million, which is an increase of 3.3% over the previous year. Most of these costs - EUR 10.1 million - represent costs of marketing, which are up 14% on 2013, namely on account of new product launches and increased activities on foreign markets. Maintenance costs of EUR 1.8 million are up 7.5%. Payment transaction costs are down EUR 1.1 million as restructuring costs were transferred to financial expenses in 2014.

Labour costs of EUR 10.9 million are up 4.8% on 2013, mainly on account of severance payments paid to redundant workers (there were no redundancies in 2013), as well as on account of long-term provisions for jubilee awards and retirement benefits according to the actuarial calculation.

Write-offs amounting to EUR 4.8 million decreased by 24.4% compared to 2013; depreciation is lower by 4.2% mainly due to lower level of investments in recent years and of already written-off fixed assets. Revaluation operating expenses for property, plant and equipment are significantly lower and thus not comparable to 2013, when the real estate was valued and the effects of the valuation recognised as revaluation expenses for property, plant and equipment.

The Company recognised the following one-off events in 2014: investment property impairment of EUR 0.7 million, accrued long-term provisions for jubilee awards of EUR 0.2 million, accrued redundancy payments and accrued costs of holidays not taken of EUR 0.5 million, court fees, enforcement fees and donations of EUR 0.2 million, consultancy fees of EUR 0.7 million, damages of EUR 0.3 million, revaluation operating expenses of EUR 0.3 million and default interest of EUR 0.5 million, all of which negatively impacted the operating result, and certain one.-off events such as default interest received of EUR 0.3 million, other operating income of EUR 0.3 million, revaluation operating revenue of EUR 0.1 million, the revaluation of certain investment properties of EUR 0.1 million, the difference between the purchase and the sales price of merchandise of EUR 0.1 million, all of which had a positive impact. **Normalised EBIT,** calculated from the operating profit increased or decreased by the impact of one-off business events, amounts to EUR 10.4 million and is EUR 0.4 million less than the normalised EBIT recorded in 2013.

The EBITDA of EUR 12.6 million is up 63% on 2013, while the normalised **EBITDA** amounts to EUR 15 million, down EUR 0.6 million on the previous year.

In 2014, Pivovarna Laško incurred a **financial loss** amounting to EUR 20.1 million. Financial income of EUR 3.5 million increased in 2014 compared to the previous year, mainly on account of the dividends paid by the subsidiary Pivovarna Union (EUR 2.2 million) and the profit one the sale of the financial investment in Mercator (EUR 1.1 million).

Financial expenses of EUR 23.7 million are down 37.9% on the 2013 figure. Financial expenses for interest paid on bank borrowings amounted to EUR 13.9 million. Most of the interest, which relates to debt restructuring, was paid by Pivovarna Laško to banks and partly also to companies in the Laško Group. Financial expenses in 2014 include the impairment of the investment in the subsidiary Delo (EUR 9.7 million). In 2013, financial expenses due to impairments amounted EUR 25 million.

Due to the negative financial result, in 2014 the Company incurred a net loss amounting to EUR 9.8 million. The net loss for 2014 is EUR 18.1 million less than the net loss of the previous financial year. The normalised net operating loss of the Pivovarna Laško for 2014 equals EUR 1.7 million, which is EUR 0.3 million less than in 2013.

In addition to the above operating adjustments, the normalised net loss for 2014 has also been adjusted for one-off financial events such as the dividends received from Pivovarna Union in the amount of EUR 2.2 million, the reversal of the impairment of financial investments of EUR 1.2 million, and for deferred tax assets of EUR 2.3 million, all of which positively impacted the profit, and for the restructuring costs of EUR 1.6 million, the long-term provisions for employees formed in the amount of EUR 0.1 million and the impairment of the long-term financial investment in Delo in the amount of EUR 9.7 million, all of which negatively impacted the normalised net loss. Adjusted by EUR 8.1 million, the normalised net loss of the financial year amounts to EUR 1.7 million.

Notes to the Statement of Financial Position of Pivovarna Laško

At the end of 2014, Pivovarna Laško assets amounted to EUR 319.9 million, which is a decrease of 10.4% compared to 2013.

Long-term assets amounting to EUR 246.9 million decreased by EUR 54.5 million compared to 2013 year-end. The long-term assets mainly fell on account of lower long-term financial investments in the subsidiaries of EUR 55.9 million, mainly on account of the transfer of the long-term financial investment in Radenska of EUR 46.5 million to short-term available-for-sale assets, and the permanent impairment of the investment in Delo of EUR 9.7 million.

Short-term assets amounting to EUR 72.9 million as at 2014 year-end increased by 30.9% or EUR 17.3 million compared to 2013 year-end. The most significant reduction of short-term assets was recorded on account of the available-for-sale financial assets, which fell by EUR 26 million compared to 31 December 2013 on account of the investment in the Mercator shares, while the increase refers to the transfer of the investment in Radenska to non-current available-for-sale assets (EUR 46.5 million).

Deferred tax assets, which amounted to EUR 29.2 as at 31 December 2014, are EUR 2.3 million up on 2013 year-end. They increased as the net difference between new deferred tax assets formed on account of the tax loss (EUR 5 million), the tax relief not utilised (EUR 0,4 million) and the impairment of the investment in Delo (EUR 1.7 million) on the one hand and the reversal of deferred tax assets on account of the investment in Mercator (EUR 4.2 million), and due to the pledge of Radenska shares to NKBM for the loan the former Management Board took out for Center Naložbe (EUR 0.6 million), on the other.

Short-term loans are down by EUR 1.6 million or 84.5%, while **short-term operating receivables** also fell by EUR 1.3 million.

Compared to 2013, **the equity** of the Company (EUR 58.1 million) decreased by 14.7% or EUR 10 million. The majority of the change in equity is a result of the loss generated in the current year of EUR 9.8 million.

As at 31 December 2014, total financial liabilities of Pivovarna Laško amounted to EUR 226.8 million, which is a reduction of EUR 30.7 million or 11.9% compared to the previous year, namely on account of the proceeds from the sale of the investment in Mercator. In late April 2014, the Company concluded with the crediting banks a Restructuring and Standstill Agreement, which defines important financial restructuring milestones. The final maturity of the majority of the companies' borrowings was rescheduled to the end of 2016.

Net debt as at 2014 year-end, calculated as the difference between all financial liabilities due to banks and other creditors related to borrowings, and investments including investments in the subsidiaries and loans issued, amounted to EUR 10.4 million, an increase of EUR 6.3 million compared to the previous year.

The Company's total **operating liabilities** amounted to EUR 27.9 million as at 2014 year-end, up EUR 3.8 million. Supplier payables (including payables to Laško Group suppliers) are up EUR 3.5 million, while payables due to others are up EUR 0.2 million.

2.10 Risk management

THE IMPLEMENTED PROCESS OF RISK RECOGNITION AND ASSESSMENT ALONG WITH DETERMINATION OF MEASURES AIMED AT THEIR ELIMINATION (I.E. THE RISK MANAGEMENT PROCESS) PROVIDES AN EFFICIENT TOOL THAT ENABLES THE GROUP TO ACHIEVE ITS BUSINESS OBJECTIVES.

The identification of various risks which Laško Group companies are exposed to during their business operations along with planning and implementing of activities aimed at mitigating or eliminating their impact, is an especially important process.

To manage this important process, all the companies in the Laško Group joined their efforts aimed at identification and recognition of risks and establishing risk registers where all risks recognised in all areas of operations are defined including the individuals responsible for monitoring the risks and the activities necessary for elimination or reduction of those risks and their negative impacts on business operations.

This systematic approach to risks management allows for timely recognition of risks as well as planning of measures necessary to eliminate those negative impacts on the operations of the individual companies and the Group as a whole.

Thus the implemented process of risk recognition and assessment along with determination of measures aimed at their elimination (i.e. the risk management process) provides an efficient tool that allows the Group to achieve its business objectives.

The Management Board, the responsible departments and heads thereof, as well as all key employees in the companies who have been defined as persons responsible for particular risks are responsible for actively managing and controlling risks, whereas the review and audit of all defined risks, in particular those designated as being of “very high risk”, is the key task of the internal audit department.

2.10.1 KEY RISKS IN 2014

The ongoing economic recession significantly impacted the operations of all Laško Group companies as well as their exposure to all types of risks.

Financial risks, especially liquidity risk and the risk of changes in the fair value of financial investments, most impacted the operations of the Group. The illiquidity risk was even more pronounced due to the payment indiscipline and major payment delays by our key customers, which resulted in delays in settling our liabilities due to our suppliers.

The ongoing recession, reduction in lending facilities, unemployment increase and other consequences of the economic crisis of course impacted the decline in purchasing power and changed consumer habits on all markets where we are present with our product range. Even more prominent (aggressive) were the activities of our competitors who placed cheaper products on the domestic and foreign markets. In addition, the supply of supermarket brands, generics and cheaper but inferior quality products increased, which resulted in lower demand for our own brands.

Our strategic markets continued to prefer (protect) local filling companies either through administrative measures or intensified activities of these manufacturers; as a result, we struggled to match their prices.

All this has resulted in increased sales risks, which we strived to mitigate through various sale promotions, increased marketing activities, more efficient negotiations with business partners and above all by ensuring the highest possible quality of our products and services.

We offered our customers a large number of new products in our product range, thus proving that we are in-step with market trends and are responsive to consumer demands. In addition we sought licence filling companies for our products that are positioned closer to our strategic markets in order to bring our prices in line with those of our competitors. In spite of all these activities and concerted efforts we were unable to completely prevent slight deviations from the objectives set by the individual companies in terms of both quantities and revenue.

Procurement risk was managed by searching for synergies through the joint procurement department of the Laško Group and by selecting the most favourable suppliers in terms of prices as well as quality of products, timely supplies and payment terms and conditions. In addition we took advantage of bulk purchases of intermediate goods and raw materials, forward purchases, the fixing of purchase prices and efficient monitoring of supplier suitability under our already implemented standards and criteria. In 2014, the price fluctuations of our basic raw materials and intermediate materials used in the production of our products were more beneficial than the year before, which had an impact on our costs and also our operating result.

This year, we paid particular attention to the **strategic risks** of insufficient marketing support to our own brands. The continued shrinking and limited access to funds allocated to these purposes could result in reduced sales and thus a loss of revenue as well as the deteriorated image of the entire Group and the individual companies in the eyes of the general and professional public. As a result, in line with the available marketing budget for 2014, we focused on our leading brands, optimising corporate activities and sponsorships and continued ATL and BTL activities. We purchased advertising space for the entire Group and achieved either additional discounts or increased media exposure.

By defining the optimal structure of our own and supermarket brands and above all by defining new standards for filing supermarket brands, we endeavoured to mitigate the risk of "undermining" our own brands with supermarket brands. Supermarket brands do not bring sufficient added value, have poorer coverage and tend to cannibalise our own brands and thus reduce our revenue.

Operational risks, **especially risks associated with the production process,** are of key importancefor the performance of business processes and the managing of consumption and costs. This particular risk primarily entails the risk of defects on filling lines and the related equipment, which could result in production standstill. Due to limited resources allocated to investments in the renovation and modernisation of production capacities in the past, this particular risk is very high. To mitigate this impact, the uninterrupted running of production lines and equipment was ensured primarily by high-quality maintenance work, regular overhaul and partly also by replacing the old equipment with investments in new equipment.

Regulative risk, which is the risk of changes in all types of regulations, rules and legislation, is also assessed as high and impacts our operations at home and on strategic foreign markets. Undoubtedly these changes have a significant impact on the business operations of individual Group companies as they mainly entail legislation relating to food production, consumer health protection (e.g. the sugar tax), environmental legislation (the introduction of environmental charges, the Water Act -concession fees), regulations relating to packaging, excise duties and tax legislation.

In 2014 we devoted much effort and activities to managing the regulation risk involving sugar tax, excise duty and water concession fees. Through an active response to initiatives, negotiations and active participation in the preparation of new legislation, we succeeded in at least mitigating or deferring - if not eliminating - the negative impact of those risks on the operations of all the Laško Group companies.

2.10.2 FINANCIAL RISKS

All the risk management activities in the Laško Group focus on the unpredictability and illiquidity of financial markets, that have increased under the conditions of the financial crisis, and attempt to minimize the potential negative effects on the financial stability and performance of the Group. The finance department predominantly deals with financial risks while the sales department is also involved in credit risk management.

Long-term stability of the Group's operations dictates concurrent and detailed monitoring and assessment of financial risks. In 2014, the Company continued to follow the objective of achieving stable operations and reducing exposure to individual risks to a sustainable level. The companies are unable to fully hedge all risks, but can reduce or avoid risks from materialising with timely measures. To this end, the companies continuously recognise and assess risks, taking the relevant measured depending on the target risk exposure. Risk management measures have been built into our day-to-day operations. All recognised risks have been recorded in the risks register, which is amended as needed. Particularly significant among financial risks faced by the Group are liquidity risk, risk related to the decrease in investment fair value, credit risk and to some extent also interest rate risk. Exposure to particular types of financial risks and measures for protection against them are implemented and evaluated based on the impacts on cash flows.

The Group, and especially Pivovarna Laško, disclose an excess of current liabilities over current assets, signifying the existence of a significant liquidity risk in particular in the parent company. After activities spanning nearly a year, we managed to come to an agreement with the banks on the long-term financial restructuring of Pivovarna Laško, Pivovarna Union and Radenska until 2016, which also contains the significant milestones relating to the disposal of financial investments as part of the companies' restructuring. The Restructuring and Standstill Agreement up to 31 December 2016, which was signed on 30 April 2014, represents a significant reduction of the insolvency risk and a significant improvement of the structure of financing sources.

By selling its investment in Mercator, which closed on 27 June 2014, the Group realised an important milestone in the restructuring process and significantly reduced its debt to banks. At the same time, the Group also closed the sale of the investment of Pivovarna Union in Birra Peja, settled its liability to the company and partially repaid the crediting banks of Pivovarna Union through the sale proceeds. The sale of the stake in Radenska was also closed. On the closing date (17 March 2015), the Group partially repaid the crediting banks of Pivovarna Laško. The successful capital injection, expected by June 2015, represents the next significant deleveraging of bank debt.

To avoid liquidity issues, Group companies manage their liquidity risk, design and implement a policy of regular liquidity management including the planning of cash outflows and sufficient inflows both on an annual and a monthly level.

Liquidity risk

Monitoring of the fundamental financing and liquidity ratios pursuant to Article 14 of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act, which prescribes criteria under which an entity is deemed insolvent, is particularly important and necessary in ensuring effective liquidity risk management. Regular monitoring of an entity's liquidity position is of particular importance as it ensures timely response and helps to avoid unfavourable consequences of an emerging liquidity crisis.

Due to the signing of the Restructuring and Standstill Agreement and the successful disinvestment, the liquidity situation has improved; however, in view of the difficult situation on financial markets and the entire economic environment, the Group's exposure to liquidity risk is still very high and requires special attention.

The risk of changes in fair value

The risk of changes in fair value of financial investments, property, plant and equipment and investment property is undoubtedly also an important financial risk. The risk can be observed in the segment of financial expenses where financial expenses from the impairment and write-off are disclosed. The sale of the investment in Mercator in late June last year has resulted in a significant reduction in the risk of changes to fair values due to the impairment of investments. However, the risk of a fall in the other financial investments and real estate held by the Group still remains.

Credit risks

include all those risks resulting in the decline of the company's economic benefits due to insolvency of the company's business partners (customers) and failure to meet their contractual obligations. To this end, the receivables from our business partners, wholesalers and retailers, are regularly monitored. In addition, we actively manage receivables, rapidly implement collection procedures by reminding customers, collecting receivables via telephone or in the field, as well as debt recovery through an external agent and through the courts. Part of our receivables are insured with the SID insurance company, while others are secured with guarantees, mortgages and bills of exchange. Business with less credit-worthy customers is made on the basis of advance payments and immediate payments so that the risk of non-payment for the purchased goods is avoided to some extent.

Receivables due from our major wholesalers on the local market are only partly collateralised and subsequently, there is a large credit risk exposure to this particular segment. It is believed that there is a considerable risk of the spreading of the late-payment culture in 2014 also into 2015, which is the result of the financial crisis in all the segments of the economy. The management believes that the credit risk is increasing due to fierce economic conditions.

Interest rate risk

is the risk of a possible change in the reference interest rate on the financial market, mainly due to Euro borrowings linked to a variable interest rate (EURIBOR). Interest rate hedging of long-term debt at variable interest rate is doubtlessly sensible; however, since our loans were restructured until 31 December 2016 on 30 April 2014, we will monitor events on the financial markets and act when appropriate. Even though the EURIBOR reference interest rate showed a downward trend, which continues also in 2015, we estimate the Company's exposure to interest rate risks as high, but manageable.

More information on the financial risks of the Laško Group is provided in the financial report, Section 4.4.6 FINANCIAL INSTRUMENTS AND RISKS.

2.11 The financial position of the Laško Group

DESPITE ITS OTHERWISE STABLE OPERATIONS IN TERMS OF ITS CORE ACTIVITY, WHICH ARE COMPARABLE TO OTHER COMPANIES IN THE INDUSTRY, THE LAŠKO GROUP WILL BE ABLE TO ACHIEVE A SUSTAINABLE LEVEL OF DEBT BY SUCCESSFULLY DISPOSING OF ITS ASSETS AND POTENTIALLY BY A STRATEGIC OWNER ENTERING ITS BEVERAGE AND BEER ACTIVITY.

2.11.1 FINANCING IN THE LAŠKO GROUP

The beer-making industry is subject to seasonality, implying significant liquidity fluctuations and deteriorated liquidity off-season, which is between January and late May. During these times, due to lower quantities sold and the poor payment discipline of our major customers, we usually face difficulties managing our current liquidity. On average, we receive payment for over 70% of our quantities sold within 75 days, meaning that we only receive payment for quantities sold in the summer by early autumn, thus improving the liquidity of the companies.

Until 30 April 2014, the Group had commitments due to banks according to loan agreements stemming from the restructuring of loan liabilities concluded on 29 July 2013 by 30 April 2014.

On 30 April 2014, Pivovarna Laško, Pivovarna Union and Radenska signed a Restructuring and Standstill Agreement with all of the 18 creditor banks. The Agreement defines important financial restructuring milestones, whereas final maturity of the majority of the companies borrowings has been rescheduled to the end of 2016.

The Agreement regulates the Group's commitments to creditors until the end of 2016. In addition to deleveraging through repayments to creditors from the cash flow from the Group's principal activity, the Agreement sets important deleveraging milestones from the consortium sale of Mercator and processes for disposal of Radenska, Birra Peja and Delo, all of which began in 2013.

One of the key milestones for all stakeholders, including creditors, the Company and the owners, is the capital increase of Pivovarna Laško. After a transparent process of finding the investor, the capital increase will be discussed by the owners at the Annual General Meeting of Pivovarna Laško.

The first significant milestone was repayment of borrowings with the proceeds from the sale of Mercator by the end of July 2014, which was fulfilled on 27 June 2014. The proceeds of EUR 75.5 million which Pivovarna Laško, Pivovarna Union and Radenska received for their 23.3% share significantly contributed to the deleveraging of the Laško Group and represented the first significant milestone referred to in the Restructuring and Standstill Agreement.

The next milestone was the end of 2014, when repayment of borrowings was planned from the consideration received for disposal of investments in auxiliary activities. On 16 July 2014, the sale of the investment in Birra Peja owned by Pivovarna Union was finally closed. The contractually-agreed proceeds amounted to EUR 14.75 million. In accordance with the sales agreement, most of the proceeds - EUR 13 million - were received, which were distributed pro-rata among the crediting banks of Pivovarna Union in July in accordance with the Standstill and Restructuring Agreement. Among other things, the second milestone was represented by the closing of the sale of Radenska and the repayment of the creditor banks of Pivovarna Laško from the proceeds in accordance with the amortisation schedule, which is appended to the Restructuring Agreement. The sales agreement for the 75.31% stake in Radenska, concluded on 19 December 2014, was concluded under several suspensive conditions which had to be fulfilled before the closing of the sale, which was anticipated to take place within three months of signing the agreement.

The non-fulfilment of any of the milestones defined in the Restructuring and Standstill Agreement will result in the banks being able to recall all loans with an 85% majority of the vote. As a result, in November 2014 the Laško Group requested the creditor banks waive their right to withdrawal from the Agreement and extend the deadline for repayment of borrowings from the proceeds on the sale of investments in auxiliary activities until 30 June 2015. Since a sufficient number of banks waived their right to withdrawal from the Agreement due to the non-fulfilment of the second milestone and agreed to extend the deadline until 30 June 2015, the Agreement stands. After the closing of the sale of Radenska, which was expected to take place in late March 2015 and which actually closed on 17 March 2015, the creditors of Pivovarna Laško were repaid from the proceeds of the sale. At the same time, the borrowings of Pivovarna Laško and Pivovarna Union from Radenska million were settled. Upon the closing of the transaction, Pivovarna Laško purchased from Radenska its 19.17% stake in Delo and settled the settlement claim of Radenska against Pivovarna Laško.

The third key milestone is deleveraging from additional injection of capital in mid-2015. After the relevant public notice was posted on Seonet, the process continued in early July 2014 and is still pending. Some selected investors who submitted their non-binding bids in November 2014 have performed due diligence reviews.

During the year, the Laško Group reduced its exposure to banks by repaying net principal of EUR 101.6 million, of which EUR 30.7 million was repaid by Pivovarna Laško, EUR 58.7 million by Pivovarna Union, and EUR 8.4 million by Radenska (including changes to the utilisation of the approved revolving loan). As a result, by early December 2014, Radenska had repaid all its liabilities to the banks in full. The difference was repaid by the remaining Laško Group companies excluding Birra Peja, which is no longer part of the Laško Group as at 31 December 2014. As at 31 December 2014, the Group's debt to the banks resulting from the principal of loans received amounts to EUR 227.1 million. The intra-Group debt remains at the same level as at the end of 2013.

In 2014, the Laško Group recorded EUR 16.6 million of financial expenses from financial liabilities due to banks and recorded an EBITDA of EUR 39 million. Most financial expenses from financial liabilities due to banks were recorded by Pivovarna Laško, namely EUR 11.6 million. This resulted in an EBITDA of EUR 11.5 million, meaning that the EBITDA generated in the first three quarters of the year is more than sufficient to cover all financial expenses from financial liabilities due to banks.

2.11.2 SALE OF THE INVESTMENTS OF THE LAŠKO GROUP

In 2014, the Laško Group continued activities aimed at the disinvestment of financial investments as well as of other assets the Group does not need for its operations. The project of the operational and financial restructuring of the Laško Group resulted in the successful sale of the stake in Mercator, the disposal of the share and receivables against Birra Peja, Kosovo, which was owned by Pivovarna Union, and the sale of Večer which was owned by Delo. In December, the sales agreement for the stake in Radenska was concluded, while the transactions closed on 17 March 2015. The disposals process was managed by the M&A advisers, UniCredit Banka Slovenija.

Sale of Mercator

This transaction closed on 27 June 2014. For more information, see Chapter 2.12.1 EVENTS DURING THE REPORTING PERIOD.

Sale of the shares of Večer

On 10 July 2014, the sales agreement for the stake in ČZP Večer, Maribor, was concluded. This transaction closed on 6 October 2014. For more information, see Chapter 2.12.1 EVENTS DURING THE REPORTING PERIOD.

Sale of the shares in and the receivables against Birra Peja, Peć

This transaction closed on 16 July 2014. For more information, see Chapter 2.12.1 EVENTS DURING THE REPORTING PERIOD.

Sale of the shares in Delo

The Laško Group continues the sale of its entire stake in Delo.

In light of the successful closing of the sale of Večer the sales process for Delo will also continue. In 2014 the Company signed an exclusivity agreement with the potential investor who began the due diligence process of the company's operations. The exclusivity period expired in February 2015, and the potential buyer was invited to improve its non-binding bid and the SPA conditions. Some other investors, who have also singed an NDA and received the Investment Memorandum, are interested in purchasing the company. The due diligence reviews of the company are underway.

Upon the closing of the sale of Radenska, Pivovarna Laško increased its stake in Delo to 100%, as it purchased Radenska's 19.17% share on 17 March 2015.

The sale of Radenska, Radenci

The sales agreement was concluded in December 2014, containing several suspensive conditions. The agreement was approved by the Supervisory Board of Pivovarna Laško in January. The transaction was expected to close in early March 2015, while it actually closed on 17 March 2015.

The sale of Jadranska pivovara – Split

After the sale of the company was unsuccessful, most production equipment was sold and the proceeds received in the first half of 2014. Procedures relating to the disposal of the remaining production equipment and transforming the company from a public limited company into a private limited company are still pending.

In 2014 we continued activities related to the divestment of assets **not necessary for the Company's operations,** namely:

- Pivovarna Laško: the Hum hotel and the Tri lilije sports hall in Laško,
- Pivovarna Union: the "Center Bellevue" development and plots of land, and warehouses in Maribor,
- Radenska: the commercial building in Radenci,
- the sale of some holiday chalets and also concluded a few transactions relating to the sale of holiday chalets and apartments.

Since the Group will continue to intensively conduct all sales proceedings, all disinvestment activities will continue in 2015, thus following the milestones of the Group restructuring process, which was agreed with the Restructuring and Standstill Agreement agreed with all creditor banks of Pivovarna Laško, Pivovarna Union, and Radenska on 30 April 2014.

2.12 Overview of significant events in 2014 and after the balance sheet date

TOGETHER WITH ITS ADVISERS, PIVOVARNA LAŠKO BEGAN LOOKING FOR AN INVESTOR PREPARED TO INJECT CAPITAL INTO THE COMPANY. BOTH STRATEGIC AND FINANCIAL INVESTORS HAVE EXPRESSED THEIR INTEREST IN INJECTING CAPITAL INTO THE COMPANY.

2.12.1 EVENTS DURING THE REPORTING PERIOD

1. Signing of the Restructuring and Standstill Agreement

At the end of April 2014, Pivovarna Laško, Pivovarna Union and Radenska signed a Restructuring and Standstill Agreement with all of the 18 creditor banks. The Agreement defines important financial restructuring milestones, whereas final maturity of the majority of the companies' borrowings has been rescheduled to the end of 2016.

The project aimed at defining the concept of the companies operational and financial restructuring took place throughout 2013 with the active cooperation of the companies, the creditors and advisers. The aim of the project was to define an agreement that will on the one hand ensure the financial stability of the Laško Group through the long-term reprogramming of its borrowings and through deleveraging the Group to a sustainable level of debt, and on the other hand, to ensure fulfilment of creditors' expectations for rapid deleveraging and simultaneous maximising of the value for the owners. This will ensure the Laško Group of companies a sustainable development of quality brands and preservation of jobs.

A total of 17 various scenarios of the Group's restructuring plan were prepared and following their analysis from the financial, fiscal and legal points of view, the concept which provided the basis for the signed Agreement was dully selected.

The Agreement regulates the Group's commitments to creditors until the end of 2016. In addition to deleveraging through repayments to creditors from the cash flow from the Group's principal activity, the Agreement sets important deleveraging milestones from the consortium sale of Mercator and processes for disposal of Radenska, Birra Peja and Delo, all of which began in 2013.

One of the key milestones for all stakeholders, including creditors, the Company and the owners, is the capital increase of Pivovarna Laško. After a transparent process of finding the investor, the capital increase was discussed and approved by the owners at the General Meeting of Pivovarna Laško.

The first significant milestone, which has already been achieved, is the repayment of borrowings with the proceeds from sale of Mercator by the end of July 2014. The next milestone was anticipated at the end of 2014, when repayment of borrowings was planned from the consideration received for disposal of investments in auxiliary activities. The second milestone, the repayment of borrowings from the consideration received for disposal of investments in auxiliary activities, was partly realised in July 2014 by the sale of the investment in and the claims against Birra Peja. However, since the second milestone was fully realised by the end of 2014, the Laško Group requested the creditor banks waive their right to withdrawal from the Agreement and extend the deadline for repayment of borrowings from the proceeds on the sale of investments in auxiliary activities until 30 June 2015. Since a sufficient number of banks waived their right to withdrawal from the Agreement due to the non-fulfilment of the second milestone and agreed to extend the deadline until 30 June 2015, the Agreement stands. The third key milestone is deleveraging from the capital injection planned for mid-2015.

2. Closing the sale of the shares of Mercator

On 14 June 2013, the consortium of sellers of the stake in Poslovni sistem Mercator (hereinafter: Mercator) comprised of Pivovarna Laško, Pivovarna Union, Radenska, NLB, Nova KBM, Gorenjska banka, Prvi faktor – Faktoring, Banka Koper, Hypo Alpe-Adria Bank, NFD, Banka Celje, and NFD holding (hereinafter: consortium of sellers) concluded with Agrokor, d. d. (hereinafter: Agrokor) an Agreement on the sale and purchase of a total 53.12% share in Mercator (hereinafter: SPA); an Annex to the SPA was concluded on 28 February 2014.

The signing of SPA was a result of an extensive negotiations led by the London team of International Investment Bank ING Bank N. V. The negotiations ran in accordance with international good practice aiming to include all potential investors in the process. Transparency of the process as well as maximising benefits for all Mercator's stakeholders were ensured.

Closing of the transaction, resulting in the proceeds being paid, was tied to several conditions, including obtaining the relevant regulatory approvals, the rescheduling of Mercator's debt, and Laško Group companies concluding an Escrow Agreement with the crediting banks with collateral on MELR shares.

On 27 June 2014, the process for the sale of the 53.12% equity stake held by the consortium of sellers in Mercator was concluded.

Agrokor paid a total of EUR 172 million to the consortium of sellers for their 53.12% stake in Mercator.

The proceeds of EUR 75.5 million which Pivovarna Laško, Pivovarna Union and Radenska received for their 23.34% share will significantly contribute to the deleveraging of the Laško Group and represents the first significant milestone referred to in the Restructuring and Standstill Agreement concluded between Pivovarna Laško, Pivovarna Union and Radenska with the crediting banks in late April 2014.

3. Closing the sale of the investment in and the claims against Birra Peja

The sale of Birra Peja began in October 2013 based on the project of operational and financial restructuring of the Laško Group. Negotiations with the potential buyer were successfully closed in June 2014. On 11 June 2014, the Supervisory Board of Pivovarna

Union consented to the Management Board beginning implementation of the sales agreement on the sale of 14,620 shares in Birra Peja, Peć, Kosovo, representing a 57.63% stake in the company, as well as the claim of Pivovarna Union against Birra Peja, Peć, Kosovo. The contractually-agreed proceeds amount to EUR 14.75 million. On 16 July 2014, the transaction was successfully concluded by the satisfaction of the suspensive conditions agreed in the sales agreement and the transfer of proceeds for the share and claim amounting to EUR 13 million. The remaining claim of EUR 1.75 million, which is collateralised and bears interest, is expected to be paid within one year. In accordance with the Restructuring and Standstill Agreement, the proceeds were used to effect pro-rata disbursement to the crediting banks of Pivovarna Union.

4. Closing the sale of the shares in Večer

Activities relating to the sale of the 79.25% stake in Večer, which began already in 2010, continued in 2013 and 2014. In January 2013, the CPO prolonged the deadline for the sale of the company to 31 March 2013, which was in March again prolonged to 31 July 2013. In June, a two-month exclusivity agreement was signed with one of the buyers who in the past expressed its interest in acquiring Večer. The buyer performed a due diligence review but decided not to continue the procedure. On 26 July 2013 Delo petitioned the Competition Protection Agency of the Republic of Slovenia for another extension of the deadline for the sale of the 79.24% share in Večer; however, the request was rejected.

A public auction for the sale of the shares in ČZP Večer was held on 28 February 2014 at 12 noon in the premises of Delo. The Committee determined that the deposit required for participation in the auction had not been paid within the set deadlines. Consequently, the auction was unsuccessful.

Delo continued activities aimed at selling the shares in ČZP Večer as soon as possible. In May 2014, a new sales mandate was provided to KF Finance, Ljubljana, which began actively searching for potential buyers. After lengthy negotiations, the best bid was selected among those received. On 10 July 2014, the sales agreement for the stake in ČZP Večer, Maribor, was concluded. The agreement contains the suspensive condition that the Competition Protection Agency provides its consent; this was issued on 19 September 2014.The buyer had already acquired the prior consent of the Ministry of Culture.

On 6 October 2014, Delo and Dober Večer successfully closed the sale of the shares in ČZP Večer. In exchange for 202,788 regular nominal non-par-value shares in ČZP Večer (a 79.24% stake), the buyer Dober Večer paid to the seller Delo proceeds of EUR 1 million, and upon payment on 6 October 2014 became owner of a 79.24% stake in ČZP Večer.

5. Joint process for the capital injection into Pivovarna Laško and the sale of Pivovarna Laško shares

In accordance with the Restructuring and Standstill Agreement dated 30 April 2014, activities relating to the search for an appropriate partner to acquire a significant stake in Pivovarna Laško (by providing a capital injection in exchange for newly-issued Pivovarna Laško shares) were underway in 2014, and continue intensively in 2015.

Together with its advisers, Pivovarna Laško began looking for an investor in July 2014 by issuing a Teaser. In mid-October 2014, the bidders who showed an interest and signed the non-disclosure agreement (NDA) received a copy of the Information Memorandum and were invited to submit their non-binding bids to provide a capital injection of no less than EUR 75 million (capital increase of Pivovarna Laško).

Based on the non-binding bids received, in November 2014 Pivovarna Laško confirmed the short-list of potential investors which were invited to continue the process of the capital increase of Pivovarna Laško. The potential investors were invited to perform due diligence reviews.

On 27 November 2014, Družba za upravljanje terjatev bank, d. d., Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., Alpen invest, družba za upravljanje investicijskih skladov, d. o. o., Abanka Vipa, d. d., KD Skladi, družba za upravljanje, d. o. o., Nova kreditna banka Maribor, d. d., and Zavarovalnica Triglav, d. d. concluded an Agreement on the joint sale of Pivovarna Laško (hereinafter: the Agreement), the sole purpose of which is to ensure their joint participation in the process of the sale of shares in Pivovarna Laško.

On 3 February 2015, Pivovarna Laško concluded a Non-disclosure agreement and Cooperation agreement with the members of the Sales consortium governing the manner of mutual cooperation in the joint process of ensuring the capital increase of Pivovarna Laško and the sale of the shares (stakes) held by Sales consortium members in Pivovarna Laško. On 16 March 2015, Sklad obrtnikov in podjetnikov and Banka Koper, d. d. jointed the Sales consortium. Now, the Consortium holds a 51.11% stake in Pivovarna Laško.

In the final phase of the joint process of ensuring the capital increase of Pivovarna Laško and the sale of the shares held by Sales consortium members in Pivovarna Laško, Pivovarna Laško received five bids on 19 March 2015.

Pivovarna Laško and the Sales consortium will carefully review the bids received and decide on how the negotiations are to continue in the joint process of ensuring the capital increase of Pivovarna Laško and the sale of the shares held by Sales consortium members in Pivovarna Laško. While the Management Board of Pivovarna Laško is happy with the current status of the joint process, the final transaction documents are subject to negotiation and the consent of all stakeholders; thus the successful closing will depend on the fulfilment of further conditions.

The company regularly informs the public of the progress of the joint process of ensuring the capital increase and the sale of the shares in Pivovarna Laško on the SEOnet portal of the Ljubljana Stock Exchange and on the Company's website www.pivo-lasko.si.

6. Settlement claims of Pivovarna Union and Radenska in accordance with Article 542 of the Companies Act (ZGD-1)

On 23 April 2014, Pivovarna Laško received the letters entitled "Settlement claim pursuant to paragraph 1 of Article 542 of the Companies Act", both dated 22 April 2014 and sent by Pivovarna Union and Radenska. In the letters, the aforementioned companies inform Pivovarna Laško of the unaudited amounts of their settlement claims aimed to cover the losses of both companies generated during the contractual group with Pivovarna Laško as the controlling entity. The unaudited amount of the claim of Pivovarna Union for the period from 11 April to 26 April 2012 amounts to EUR 0 (nil), while the unaudited amount of the claim of Radenska for the period from 6 February to 26 April 2012 amounts to EUR 1,044,183.99. An overview of the calculations was attached to the letters.

On 23 April 2014, Pivovarna Laško replied to the letters of Pivovarna Union and Radenska, informing both companies that it has been informed of their claims. At the same time, both companies were requested to provide confirmation of the amounts by auditors.

In light of the aforementioned, provisions of EUR 1,044,183.99 have been disclosed in the financial statements of Pivovarna Laško for the financial year ended 31 December 2014.

On 13 February 2015, Pivovarna Laško received from Radenska the letter entitled "Settlement claim pursuant to paragraph 1 of Article 542 of the ZGD-1", which was supplemented with the auditor's report dated 12 February 2015. With this letter, Radenska informed Pivovarna Laško that it received on 11 February 2015 the auditor's report on the audited interim balance sheet for the duration of the contractual group, thus fulfilling all the conditions for the recognition of the amount of the settlement claim. The audited amount of Radenska's settlement claim for the period between 6 February 2012 and 26 April 2012 amounts to EUR 1,044,183.99, as evidenced by the Independent Auditor's Report provided by Deloitte Revizija d.o.o. on 11 February 2015 relating to the audit of the net profit or loss generated in the period between 6 February 2012 and 26 April 2012. In light of the closing of the sale of Radenska, on 17 March 2015 Pivovarna Laško recognised and settled the said audited settlement claim of Radenska in full.

7. Compensatory actions against Atka-Prima / Boško Šrot

In early 2011, compensatory actions were filed at the relevant courts against the defendants Atka-Prima and Boško Šrot, demanding the defendants pay damages to the plaintiffs relating to the damages incurred by the plaintiffs as a result of transactions effected in 2008 and 2009. The following actions were filed: by Pivovarna Laško on 12 January 2011 for the payment of EUR 13,336,488.76 plus costs and interest; by Pivovarna Union for the payment of EUR 51,662,307.74 plus costs and interest; by Radenska for the payment of EUR 46,238,893.69 plus costs and interest, by Delo for the payment of EUR 8,003,311.06 plus costs and interest, and by Fructal for the payment of EUR 10,784,720.85 plus costs and interest (the latter were all filed on 15 February 2011). These proceedings are all pending. The Company partially revokes its claims corresponding to the amounts received from the bankruptcy estates of Infond Holding, d. d. – v stečaju and Center Naložbe, d. d. – v stečaju.

On 14 July 2014, Pivovarna Laško received the interim judgement of the Celje District Court in the industrial dispute between Pivovarna Laško as the plaintiff and Atka-Prima, Celje and Boško Šrot as defendants for the payment of EUR 13,336,488.76 plus costs and interest. The court decided that the claim of the plaintiff for damages arising from the transactions or loan agreements concluded in 2009 by the plaintiff and Infond Holding and the plaintiff and Center naložbe, and the sales agreement concluded in 2008 for the purchase of shares in Thermana between Infond Holding as the seller and the plaintiff Pivovarna Laško as the buyer, is justified. At the same time, the court halted the proceedings for the payment made on 24 September 2013 of EUR 89,382.56 from the bankruptcy estate of Infond Holding, d. d. – v stečaju and the payment made on 30 December 2013 of EUR 410,236.03 from the bankruptcy estate of Center naložbe, d. d. - v stečaju. The interim judgement and decision are not yet final.

8. Compensatory actions against the Republic of Slovenia, the CPO and the then director of the CPO - now the CPA

On 14 September 2012, Pivovarna Laško, Pivovarna Union and Radenska (hereinafter referred to as: the Laško Group companies) filed a compensatory action against the Republic of Slovenia (the Competition Protection Office; hereinafter referred to as: the CPO) and the director of the CPO. In the opinion of the Laško Group companies, the reason for the action was the unlawful prevention of the sale of the shares of Mercator owned by the Laško Group companies by the CPO in 2011. Because of the decision of 26 April 2011 taken by CPO, the Laško Group companies were not able to accept the binding offer of Agrokor for the purchase of the shares of Mercator owned by the Laško Group companies in 2011 since the above-mentioned decision prevented the Laško Group companies from disposing of their shares of Mercator. The Laško Group companies believe that the CPO unlawfully prevented the conclusion of the aforementioned transaction with Agrokor, which consequently resulted in damages arising to the Laško Group companies of a total EUR 59.2 million up to the date the action was filed (of that, Pivovarna Laško incurred damages of EUR 21,877,385.84 plus costs and interest, Pivovarna Union damages of EUR 31,322,586.77 plus costs and interest, and Radenska damages of EUR 6,157,355.78 plus costs and interest).

On 14 October 2013 we received the judgement of the Supreme Court of the Republic of Slovenia ruling the aforementioned CPO decision dated 26 April 2011 unlawful. The judgement of the Supreme Court was forwarded to the court dealing with the plaintiffs' actions. The proceedings are pending.

9. The debtor Infond Holding

Bankruptcy proceedings were instigated against the debtor Infond Holding at the end of 2009. In the bankruptcy proceedings, Laško Group companies have reported the following claims: Pivovarna Laško: EUR 1,892,319.26, Pivovarna Union: EUR 28,107,482.28, Radenska: EUR 17,062,078.14 and Delo: EUR 6,771,147.94, amounting to a total of EUR 53,833,027.62.

To date, Pivovarna Laško has received EUR 104,129.27, Pivovarna Union EUR 1,730,382.64, Radenska EUR 938,880.60 and Delo EUR 372,598.19 in the bankruptcy proceedings. The bankruptcy proceedings are currently in their final phase.

10. The debtor Center Naložbe

Bankruptcy proceedings were instigated against the debtor Center naložbe at the end of 2009. In the bankruptcy proceedings, Laško Group companies have reported the following claims: Pivovarna Laško: EUR 6,487,493.35, Pivovarna Union: EUR 19,991,859.46, Radenska: EUR 26,414,066.45 and Delo: EUR 547,784.42, amounting to a total of EUR 53,441,203.68.

To date, Pivovarna Laško has received EUR 458,359.87, Pivovarna Union EUR 1,894,840.62, Radenska EUR 1,866,228.99 and Delo EUR 38,702.53 in the bankruptcy proceedings. The bankruptcy proceedings are currently in their final phase.

11. Action of minority shareholders in Jadranska pivovara – Split

On 4 April 2012, Jadranska pivovara – Split received the action of 28 minority shareholders challenging the resolution of the General Meeting of Jadranska pivovara adopted on 24 February 2012 on the exclusion of the minority shareholders. On 13 February 2013, Jadranska pivovara received the judgement of the court of first instance recognising the claim of two shareholders and finding the resolution on the exclusion of the minority shareholders void. Jadranska pivovara appealed the judgement. On 10 July 2013, Jadranska pivovara received the judgement of the Zagreb High Court annulling the decision of the court of first instance and deciding the case should be re-examined.

On 3 December 2013, Jadranska pivovara received the judgement of the court of first instance, which again recognised the claim of the two shareholders and found the resolution on the exclusion of the minority shareholders void. Jadranska pivovara appealed the judgement. The high court has not ruled yet.

12. Denationalisation applications at Radenska

The proceedings are taking place before the Gornja Radgona Administrative Unit in compliance with the Denationalisation Act (ZDen) and in the non-contentious proceedings before the District Court in Novo mesto pursuant to the Enforcement and Criminal Actions Act (ZIKS). The beneficiaries are demanding restitution of their shares in the nationalised property, company, trademarks and mineral springs, as well as the payment of damages.

The Gornja Radgona Administrative Unit issued its decision on 27 June 2012 rejecting the application for the denationalisation of the nationalised company Zdravilišče Slatina Radenci, Höhn and Comp., public trading company in Radenci with a 48% stake owned by Wilhelmina Höhn Šarič (correctly referred to as Kuranstalt Sauerbrun Radein AG in the supplementary decision issued on 31 August 2012). The claim was lodged by the legal successor dr. Rudolf Höhn Šarič on 4 May 1993. In the appeal proceedings, the Ministry of Economic Development and Technology rejected the appeal against the decision of the Gornja Radgona Administrative Unit as unjustified on 25 February 2013. The beneficiary lodged a lawsuit and the proceedings continue before the Administrative Court of the Republic of Slovenia. The proceedings before the Administrative Court are still pending.

In the denationalisation proceedings led by the Gornja Radgona Administrative Unit, on 5 August 2014, Radenska received the resolution of the Gornja Radgona Administrative Unit, ref. no. 301-35/1993-528, 339-33/2009 of 31 July 2014 rejecting the request for the denationalisation of nationalised assets - namely, 48% of all the assets of Kuranstalt Sauerbrunn – Radein Aktiengesellschaft, Bad Radein to the former owner – the deceased Ante Šarič, rejecting the denationalisation request of Rudolh Hohn Šarič for the return of assets belonging to Zdravilišče Slatina Radenci, Hohn & Comp., public trading company, Radenci, and rejecting the denationalisation request filed by the deceased Wilhelmina Wiesler (maiden name: Šarič) as the heir to the deceased Ante Šarič and Wilhelmina Šarič. In the appeal proceedings, the Ministry of Economic Development and Technology rejected the appeal of Rudolf Hohn Šarič as unjustified on 5 December 2014.

On 29 August 2014, the Gornja Radgona Administrative Unit rejected the claim for the return of the ideal share of one-half of certain items of real estate owned by Radenska, which had been seized from dr. Ante Šarič. The Ministry of Agriculture, Forestry and Food rejected the appeal on 13 October 2014.

Non-contentious proceedings for the return of property pursuant to the ZIKS are pending before the District Court in Novo mesto. The motion was filed on 20 December 2010 for the benefit of the beneficiaries, the grandchildren of dr. Anton Šarič. The District Court in Novo mesto issued an order, which was received on 19 June 2013, dismissing the request for the return of nationalised property. An appeal was filed with the Ljubljana High Court, which was rejected and the decision of the Novo mesto District Court upheld. The latter also rejected the return of the nationalised property. This matter is thus final as concerns regular legal remedies. The beneficiaries filed an audit request with the Supreme Court in Ljubljana against the decision of the Ljubljana High Court on 5 May 2014. The Supreme Court has not yet decided on the audit request.

After the closing of the sale of the stake in Radenska owned by Pivovarna Laško on 17 March 2015, all the above-mentioned claims and procedures continue against Radenska, as Pivovarna Laško has not been contractually bound to acquire them. As a result, all the contingent liabilities arising from the above-mentioned denationalisation requests remain with Radenska.

13. Action of Perutnina Ptuj against Pivovarna Laško

The plaintiff filed a claim against Pivovarna Laško on 31 December 2010 at the District Court of Celje demanding payment of EUR 10,116,488.71 including costs and interest. The plaintiff justified its claim by stating that the legal representative of Pivovarna Laško signed a comfort letter on 10 January 2009 and thus allegedly committed to fulfil the liability of Perutnina Ptuj to Poslovni sistem Mercator on account of loan contracts. The proceedings are still pending.

14. Judicial enforcement of NKBM (new creditor: DUTB) against Pivovarna Laško

Pursuant to the agreement on the pledge of book-entry securities concluded on 5 June 2009 between Nova kreditna banka Maribor (NKBM) as the creditor, Center naložbe as the debtor and Pivovarna Laško as the lienor, Pivovarna Laško pledged to NKBM 345,304 shares of Radenska (ticker symbol: RARG) as collateral for a loan raised by Center naložbe with NKBM. The aforementioned agreement on the pledge of book-entry securities was signed by the former director Boško Šrot on behalf of Pivovarna Laško.

On 22 November 2011, Pivovarna Laško received the judgement of the Maribor District Court allowing the enforcement on the pledged shares to repay the claim in the amount of EUR 7,349,552.52 plus costs and interest from 29 July 2011 in the commercial dispute between NKBM as the plaintiff and Pivovarna Laško as the defendant. The court thus allowed the enforcement against the 345,304 RARG pledged shares, ruling that the defendant Pivovarna Laško is obligated to suffer the sale of these shares and repay the claim in the amount of EUR 7,349,552.52 from the proceeds of the sale. The judgement became final and enforceable on 8 December 2011.

Pursuant to the aforementioned judgement and the enforcement motion of NKBM, on 22 December 2011 the court issued an enforcement order whereby the court approved the proposed enforcement against the pledged RARG shares by selling the shares and repaying the creditor from the proceeds. So far the RARG shares have not been sold in the enforcement procedure. NKBM proposed deferred enforcement and accordingly on 28 October 2013 the court ruled for the enforcement to be postponed until 1 October 2014.

On 17 June 2014, Pivovarna Laško received the decision of the Celje District Court allowing the intervention of the new creditor in the enforcement proceedings. The Bank Assets Management Company (Družba za upravljanje terjatev bank, Ljubljana - DUTB) took the place of the original creditor Nova KBM, Maribor, as the disposal of the underlying claim has resulted in the automatic transfer of the lien from the former to the current creditor.

15. The action of MIP against Pivovarna Laško

On 21 March 2013 we received from the Celje District Court the action of MIP, Gornji Vakuf, Uskoplje, for the payment of EUR 1,135,481.43. In the action, the plaintiff demands the payment of damages for loss of income of EUR 1,085,481.43 alleged to have arisen as a result of the unlawful withdrawal of Pivovarna Laško from the sales agreement, as well as damages for the loss of reputation in the amount of EUR 50,000.00. On 22 April 2013 the Group issued its response stating that the plaintiff's claim was unfounded. The court of first instance has not ruled on this matter yet.

16. The action Pivovarna Laško against MIP

On 25 September 2012, Pivovarna Laško filed an action against MIP demanding payment of EUR 200,975.51 plus costs and interest due to the failure to pay for the goods that Pivovarna Laško sold and supplied to the defendant, as well as the payment of EUR 245,316.75 plus costs and interest due to packaging not returned, for a total of EUR 446,292.26 plus costs and interest. On 23 April 2013 we received the reply of the defendant stating that the claim of Pivovarna Laško is unjustified. On 3 June 2013, the action was partially revoked for the amount of EUR 2,362.95, as the litigating parties performed mutually-agreed offsetting of claims in that amount on 21 May 2013. The court of first instance has not ruled on this matter yet.

17. CEN ADRIA, d. o. o. – v stečaju, Matulji (Croatia)

In 2006 Pivovarna Laško filed an application for enforcement against Cen Adria, Matulji, demanding payment of outstanding invoices totalling KN 857,292.53 (Euro equivalent of 114,764.73) including costs and interest. Cen Adria appealed against the enforcement ruling and currently the case is proceeding in the same way as in the case of an appeal against a payment order in contentious proceedings. In 2006, during the above proceedings, Cen Adria filed a counter action against Pivovarna Laško and Jadranska pivovara - Split, Vranjic, demanding payment of damages totalling KN 25.000.000,00 (Euro equivalent of approx. 3,346,720.21), which Cen Adria allegedly incurred due to the early termination of the Business Cooperation Agreement (Ugovor o poslovnoj suradnji). The proceedings are pending.

In 2012, bankruptcy proceedings were instigated against Cen Adria.

In the case of Pivovarna Laško against Cen Adria, on 8 November 2013 Pivovarna Laško received the judgement of the court of first instance awarding Pivovarna Laško the total amount of KN 1,688,990.71 (EUR 221,361.82). Cen Adria appealed the judgement. The higher court has not yet decided the appeal.

18. Non-litigious proceedings for the judicial verification of monetary compensation

The applicants, namely Skandij (384 PULG shares; amount at issue: EUR 211,084.80), Enlux (22 PULG shares; amount at issue: EUR 12,093.40), Marko Potočnik (118 PULG shares; amount at issue: EUR 64,864.60 and 1451 RARG shares; amount at issue: EUR 30,819.24), BPH (169 PULG shares; amount at issue: EUR 3,589.56), Sonja Slatnar (2,063 RARG shares; amount at issue: EUR 39,197.00 and 50 RARG shares; amount at issue: EUR 24,344.00), Javna razsvetljava (22 PULG shares; amount at issue: EUR 12,093.40), Mif Invest (50 PULG shares; amount at issue: EUR 24,344.00), and Nina Pintar (100 PULG shares, amount at issue: EUR 44,700.00) filed a request for the judicial verification of monetary compensation paid for the shares of Pivovarna Union and the shares of Radenska against Pivovarna Laško as the defendant. The applicants request the court defines appropriate compensation for the purchase of all PULG and RARG shares owned by the applicants, while some applicants also demand that Pivovarna Laško as the main shareholder be required to purchase their PULG and/or RARG shares and conclude the relevant sales agreement. In our replies to the applications we objected to them in full.

The cases of Enlux, Skandij, Marko Potočnik, Javna razsvetljava, BPH, Mif Invest and Sonja Slatnar are now final. Pivovarna Laško has purchased the shares of the aforementioned applicants. The proceedings brought by Javna razsvetljava and Nina Pintar are still pending.

19. Criminal investigation ref. no. KP 53791/2010

On 9 March 2012, Pivovarna Laško received the decision of the Ljubljana High Court allowing, pursuant to the appeal of the district state prosecutor, the criminal investigation which the Ljubljana District Court had already suspended on 3 June 2011. These criminal proceedings are being conducted against Marko Pogačnik, Tomaž Toplak, Boško Šrot, Igor Bavčar, Pivovarna Laško and Istrabenz as the suspects. Marko Pogačnik and Tomaž Toplak are suspected of abuse of office pursuant to Article 244 of the CC, Igor Bavčar and Boško Šrot are suspected of fraud pursuant to Article 217 of the CC in conjunction with Article 25 of the CC, while the legal entities are suspected of fraud pursuant to Article 217 of the CC in conjunction with Article 25 of the CC on account of the alleged actions of Boško Šrot and Igor Bavčar. In the case of Pivovarna Laško, the purchase of Mercator shares from SOD on 30 August 2005 is at issue. The investigation is still pending.

20. Criminal proceedings ref. no. X K 59294/2010

These criminal proceedings referred to two groups of crimes - on the one hand to actions related to the conclusion of loan agreements with Infond Holding and Center naložbe, and on the other hand to actions related to the sale of ITBG shares. Initially, the proceedings were joined, however, the court has now issued a resolution dividing the proceedings into two: against Boško Šrot as the defendant and Igor Bavčar as the co-defendant, as well as against Kristjan Sušinski and Nastja Sušinski, for, inter alia, crimes pursuant to Article 244/II of the Criminal Code (KZ-1), and against Boško Šrot as the defendant and Matjaž Rutar, Vesna Rosenfeld and the legal entity Atka-Prima for crimes according to Article 240/I of the KZ-1 and others (now with reference no. X K 6155/2013).

On 7 March 2013, Pivovarna Laško brought a claim for damages against Boško Šrot, Igor Bavčar and the other defendants due to crimes relating to the sale of a block of ITBG shares in 2007. The claim for damages demands repayment of lost profit of EUR 25,490,616.16, plus statutory default interest due to the sale of a block of ITBG shares at an excessively low price. On 19 July 2013, the court of first instance issued its guilty verdict, while Pivovarna Laško's claim for damages was referred to the civil court. The criminal case became final on 14 July 2014.

On 9 January 2015, pursuant to the legal opinion of the law firm representing Pivovarna Laško in this matter, the Management Board of Pivovarna Laško adopted the resolution not to file a compensatory action against the convicts as not all the conditions for their liability for damages are given in the present case. By not filing the action, the Company has only lost the ability to achieve repayment of its potential claim from the illicit benefits recovered during the criminal proceedings; the Company's ability to file a claim against the convicts as potential defendants is unaffected as this right expires in accordance with the relevant statutes of limitations.

21. Criminal proceedings ref. no. X K 6155/2013

On 29 November 2013, we received notification of the Ljubljana District Court concerning the pre-trial hearing in the criminal proceedings against Boško Šrot, Matjaž Rutar, Vesna Rosenfeld and the legal entity Atka-Prima as suspects of crimes according to 244/II of the Criminal Code, and others.

On 17 January 2014 we informed the court of the course of the claims against Boško Šrot and the legal entity Atka-Prima for damages, and that we would not claim damages in the criminal proceedings due to the fact that claims for damages had already been lodged against Boško Šrot and the legal entity Atka-Prima.

On 24 February 2014, we lodged claims for damages against Vesna Rosenfeld (Pivovarna Union: EUR 23.2 million) and Matjaž Rutar (Pivovarna Laško EUR 2.3 million, Pivovarna Union EUR 36.8 million, Delo EUR 8.9 million, Radenska EUR 2.4 million).

A ruling was issued on the matter on 21 November 2014 pronouncing the defendant Matjaž Rutar guilty, while the defendant Vesna Rosenfeld was acquitted. All the indemnification claims of Laško Group companies are in the process of litigation.

22. Filing criminal charges

On 25 October 2013, Pivovarna Laško filed criminal charges against the former director of Pivovarna Laško, Boško Šrot. Pivovarna Laško believes that reasons exist to suspect that the actions of the former director Boško Šrot, who pledged 345,304 RARG shares with NKBM pursuant to the pledge agreement of book-entry securities dated 5 June 2009, constitute an abuse of office or trust in an economic activity, a crime referred to in Article 240 of the Criminal Code (CC). The amount of damages Pivovarna Laško will incur as a result of this damaging transaction cannot be assessed at this moment in time (the actual amount of damages will be known when the shares are sold in the enforcement proceedings of NKBM against Pivovarna Laško - see Enforcement of NKBM against Pivovarna Laško); thus Pivovarna Laško as the legal entity incurring damage will subsequently file a claim for damages.

23. General Meeting of Shareholders of Pivovarna Laško

On 30 June 2014, the 22nd General Meeting of Shareholders of Pivovarna Laško was held. The General Meeting was briefed on the audited Annual Report for 2013 and the Report of the Supervisory Board on its verification of the Annual Report, on the cover of net loss, on the remuneration of the Management and Supervisory Board members and granted discharge to the Management Board and the Supervisory Board. The General Meeting appointed Mr Janez Škrubej as new member of the Supervisory Board (capital representative) from 30 June 2014 to 31 August 2017. The General Meeting appointed Ernst & Young as the as the auditor of the Company's 2014 financial statements.

The General Meeting was also briefed on the signing of the Restructuring and Standstill Agreement and the beginning of the search for an investor.

The minutes of the General Meeting is published on the SEOnet portal of the Ljubljana Stock Exchange and on the Company's website www.pivo-lasko.si.

24. General Meeting of Shareholders of Pivovarna Union

On 15 April 2014, the 22nd General Meeting of Shareholders of Pivovarna Union was held. As item 2 of the agenda, the General Meeting decided on whether to consent to the sale of Mercator sharers owned by Pivovarna Union to Agrokor. With 100% of the votes present, the General Meeting of Pivovarna Union gave its consent to Pivovarna Union selling 464,390 ordinary nominal shares with the MELR ticker symbol issued by Poslovni sistem Mercator, d. d., representing a 12.33% share at a price of EUR 86 per share. This consent was one of the internal consents of the decision-making bodies of the Laško Group for the sale of Mercator sharers owned by Laško Group companies to Agrokor. The minutes of the General Meeting are available on the AJPES website and from the company's website: www.pivo-union.si.

On 27 August 2014, the 23rd General Meeting of Shareholders of Pivovarna Union was held. The General Meeting was briefed on the audited Annual Report of the Union Group and Pivovarna Union for 2013, the Report of the Supervisory Board on its verification of the Annual Report, and the Report of the Supervisory Board on its verification of the Management Board's report on transactions with related parties. The General Meeting decided on using the distributable profit, which amounted to EUR 2,255,570.00 as at 31 December 2013, to cover dividend payments to the shareholders of EUR 5 per share. The General Meeting granted discharge to the Management and Supervisory Board for 2013 and appointed Mr Goran Brankovič as the new member of the Supervisory Board from 27 August 2014 to 22 June 2015 inclusive. The General Meeting appointed the audit firm Ernst & Young, Ljubljana as the auditor of the company's 2014 financial statements.

The minutes of the General Meeting are available on the AJPES website and from the company's website: www.pivo-union.si.

25. General Meeting of shareholders of Radenska

The 22nd General Meeting of the shareholders of Radenska was held on 28 August 2014. The General Meeting was briefed on the audited Annual Report of Radenska for 2013, the Report of the Supervisory Board on its verification of the 2013 Annual Report, and the Report of the Supervisory Board on its verification of the Management Board's report on transactions with related parties. The General Meeting was also briefed on covering the net loss incurred in the 2013 financial year of EUR 3,685,485.71, which the Management Board had already covered by the time it drafted the annual report. The General Meeting was also briefed on the fact that the financial statements as at 1 January 2012 and 31 December 2012 have been adjusted. Due to these adjustments, the net loss for previous periods amounts to EUR 5,066,206.86, which the Management Board has already covered by the time it drafted the annual report. The General Meeting also decided to grant discharge to the Management and Supervisory Board for 2013. The General Meeting appointed the audit firm Ernst & Young, Ljubljana as the auditor of the company's 2014 financial statements. The General Meeting was also briefed on the fact that the Workers' Council appointed Frank Lipičar and Dominik Omar as members of the Supervisory Board (labour representatives) for a term of office of 4 years, which began on 9 November 2013.

The minutes of the General Meeting are available on the AJPES website and from the company's website: www.radenska.si.

26. Founding of Laško Grupa, Sh. p. k., Peć, Kosovo

In March 2014, Pivovarna Laško filed documents (the memorandum of association and company statute) for the founding of Laško Grupa Kosovo, Sh. p. k., Peć as a limited liability company. The subsidiary was founded on 28 August 2014 and it began operations on 1 September 2014. The company is fully (100%) owned by Pivovarna Laško, and its subscribed capital amounts to EUR 1,000. Petra Matjašič Nader was appointed company director. The company has a three-member supervisory board.

The company's fundamental activity is to perform marketing activities. The company performs marketing activities for the Laško and Sola brands on the Kosovar, Macedonian and Montenegrin markets. The company is also engaged in trade as it sells the products Birra Peja produces according to the licence agreement for Pivovarna Laško and Pivovarna Union on the Macedonian and Montenegrin markets.

27. Approval of the Laško Group Strategy for the 2015 - 2019 period

On 13 October 2014, the management boards of Pivovarna Laško and Pivovarna Union approved the Strategy of the Laško Group for the 2015 - 2019 period. At its 17th session on the same date, the Supervisory Board of Pivovarna Laško approved the Strategy. The Supervisory Board of Pivovarna Union also approved the Strategy at its 35th session on 23 October 2014.

The Strategy envisages the growth of quantities sold and revenue; revenues from the growth of products and services will grow on average 1.8% a year and are expected to reach EUR 175.5 million in 2019. At that time, EBITDA is expected to exceed EUR 52 million. The capital increase for a minimum of EUR 75 million will also continue, and is expected to be completed by mid-2015. The sale of investments in the subsidiaries Delo and Radenska will also continue, as envisaged by the Restructuring and Standstill Agreement concluded between the Laško Group and its crediting banks in April 2014. The cash flow generated by the capital increase, disposal of investments and the profits generated will be primarily earmarked for deleveraging. The aim is to reach a sustainable level of debt as early as by the end of 2016. The Laško Group will achieve the goals outlined in the strategy through 12 strategic initiatives, which include the legal merger of Pivovarna Laško and Pivovarna Union into a single company, which is expected to take place in 2016.

In the future, the Laško Group will focus most on developing and investing in its own brands and strengthening their market position. It will continue to strengthen its presence on foreign markets, focusing on Bosnia and Herzegovina, Italy, Serbia, Croatia and Kosovo, and breakthrough to new markets. In Slovenia, the Group will continue to maintain its market position.

A significant portion of cash flow will be earmarked for new investments, for enhancing our technological and energy efficiency, improving our logistics and environmental sustainability. As a result, the total investments over the five years until 2019 will exceed total amortisation and depreciation. The vision of the Laško Group is to become the leading producer of bear and soft drinks in the region.

A summary of the Laško Group Strategy for the 2015 - 2019 period was published on the SEOnet portal of the Ljubljana Stock Exchange and on the Company's website www.pivo-lasko.si on 13 October 2014.

28. The sale of the shares in Radenska, Radenci

The sale of the shares in Radenska began on 1 September 2013 pursuant to the Restructuring and Standstill Agreement. It was carried out in a transparent international two-phase process of public tender for the selection of bids.

On 19 December 2014, Pivovarna Laško as the seller, Kofola, družba za upravljanje d.o.o., as the buyer and Kofola S.A., as the guarantor, concluded an agreement for the sale of 3,812,023 shares in Radenska or a 75.31% stake in Radenska (hereafter: "the Agreement") subject to several suspensive conditions. On 19 January 2015, the Supervisory Board of Pivovarna Laško gave its consent to the sale of the shares in

Radenska. The Supervisory Board's consent is one of the suspensive conditions for the transaction to be finalised.

The sale of the 75.31% equity stake in Radenska was successfully closed on 17 March 2015. From the transaction (disposal of the investment in Radenska), Pivovarna Laško received proceeds amounting to EUR 51,805,392.57. The proceeds significantly contributed to the deleveraging of Pivovarna Laško in accordance with the Standstill and Restructuring Agreement.

On 17 March 2015, Pivovarna Laško received EUR 8,154,000.00 as proceeds from the sale of 600,000 (an equity stake of 11.85%) shares in Radenska, which Pivovarna Laško had temporarily sold to DBS on 30 November 2011. On the same date (17 March 2015), Pivovarna Laško purchased from Radenska 127,928 shares in Delo, Dunajska cesta 5, Ljubljana, thus becoming the 100% owner of Delo and settling the settlement claim of Radenska.

The General Meeting of shareholders of Radenska was held on 17 March 2015 as part of the conclusion of the sale of Radenska. At the General Meeting, the shareholders approved changing the company's articles of association, were briefed on the resignation of the existing members of the company's supervisory board and elected new members of the supervisory board.

The sale of the stake in Radenska represents the fulfilment of one of the covenants agreed in the Restructuring and Standstill Agreement.

2.12.2 SUBSEQUENT EVENTS

1. Appointment of the Supervisory Board members of Pivovarna Laško – employee representatives

At its second regular session held on 24 March 2015, the Workers' Council of Pivovarna Laško appointed Ms Dragica Čepin and Ms Nataša Kočar as members of the Supervisory Board (employee representatives) for a term of office of four years, beginning on 7 April 2015.

2. Concluding the agreement with the Consortium of sellers of Pivovarna Laško

For more information, see Chapter 2.12.1 SUBSEQUENT EVENTS, title 5. Joint process for the capital injection and sale of shares in Pivovarna Laško.

3. The sale of the shares in Radenska, Radenci

For more information, see Chapter 2.12.1 EVENTS DURING THE REPORTING PERIOD, title 28. The sale of the shares in Radenska, Radenci.

4. Halting the enforcement at the proposal of the Bank Assets Management Company (BAMC)

On 7 April 2015, in the enforcement matter (ref. no. Ig 147/2011) against Pivovarna Laško brought by the creditor Družba za upravljanje terjatev bank, d. d., Ljubljana (the Bank

Assets Management Company - BAMC) for the recovery of EUR 7,349,552.25, Pivovarna Laško the final resolution of the Celje County Court halting the proceedings at the proposal of the creditor (the BAMC).

The creditor BAMC proposed the halting of the enforcement proceedings pursuant to the implementation of the Agreement for the sale and purchase of shares of Radenska, d. d., Radenci agreed by Pivovarna Laško as the seller and Kofola, družba za upravljanje, d. o. o., as the buyer on 8 January 2015 for the sale of 345,304 RARG shares (a 6.82% stake in Radenska), which were subject to the BAMC's enforcement. The proceeds of EUR 4,692,681.36 (EUR 13.59 per share) was paid to the BAMC on 9 April 2015, while the seized shares were transferred to Kofola on 8 April 2015.

This matter actually concerns the enforcement matter in which the court issued on 22 December 2011 its decision allowing the enforcement against 345,304 pledged RARG shares for the payment of EUR 7,349,552.25 (see: Enforcement of NKBM (new creditor BAMC) against Pivovarna Laško). The enforcement related to the agreement on the pledge of book-entry securities concluded on 5 June 2009 between Nova kreditna banka Maribor (NKBM) as the creditor, Center naložbe as the debtor and Pivovarna Laško as the lienor, according to which Pivovarna Laško pledged the shares as collateral for a loan raised by Center naložbe with NKBM. The aforementioned agreement on the pledge of book-entry securities was signed by the former director Boško Šrot on behalf of Pivovarna Laško. On 16 June 2014 the court allowed the BAMC to take the place of the original creditor Nova KBM, Maribor, as the disposal of the underlying claim had resulted in the automatic transfer of the lien from the former to the current creditor.

5. Signing the sales agreement between the Sales consortium and Heineken International B.V., the Netherlands, for the sale of a 51.11% stake in Pivovarna Laško

On 13 April 2015, the Pivovarna Laško Sales consortium (Družba za upravljanje terjatev bank, d. d., Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., Alpen invest, družba za upravljanje investicijskih skladov, d. o. o., Abanka Vipa, d. d., KD Skladi, družba za upravljanje, d. o. o., Nova kreditna banka Maribor, d. d., Zavarovalnica Triglav, d. d., Sklad obrtnikov in podjetnikov, Banka Koper, d. d.), established by the owners of Pivovarna Laško in late 2014 and which hold a 51.11% stake in Pivovarna Laško, informed the Management Board of Pivovarna Laško that they had come to an agreement to sell the 51.11% stake in Pivovarna Laško to Heineken International B.V., and that the members of the Sales consortium and Heineken International B.V. had concluded a share purchase agreement (SPA) covering the mentioned stake.

The proceeds will be paid and the shares transferred upon the fulfilment of the suspensive conditions defined in the share purchase agreement. Upon signing the share purchase agreement, the buyer also concluded a Cooperation agreement with Pivovarna Laško, with which the buyer undertakes to ensure the continued financial stability of Pivovarna Laško after the transaction closes.

2.13 Development milestones

SOME 190 YEARS HAVE PASSED SINCE THEN AND PIVOVARNA LAŠKO HAS GROWN OUT OF A LOCAL BREWERY TO A LEADING BEER PRODUCER AND TOGETHER WITH THE COMPANIES IN THE GROUP IT IS ALSO THE LEADING PRODUCER OF MINERAL AND NATURAL WATERS AND NON-ALCOHOLIC AND OTHER DRINKS ON SLOVENE MARKET.

1825

Historical beginnings of Pivovarna Laško. A producer and seller of honey and gingerbread, Mr Franz Geyer, establishes a crafts brewery in the former Valvasor Špital, whose building still stands today.

1838

The brewery is bought by Mr Heinrich August Uhlich who begins to export beer to India and Egypt.

1867

Mr Anton Larisch constructs the largest brewery of the time in Lower Styria at the bottom of St. Kristof and Šmihel.

1889

The brewery is purchased by an extremely nationally oriented brewer from Žalec, Mr Simon Kukec. As a novelty, he brews light and dark thermal beer as well as Ležak and Porter beer which is later renamed to Dark Laško beer. The Laško pivo brand becomes increasingly more validated and is also sold in Egypt and Budapest.

1924

The brewery brews its final beer. The Ljubljana Brewery Union secretly buys up the majority of its shares and ceases production. The closing of the Laško brewery has more than just a material effect. The innkeepers warmly welcome the initiators of the brewery’s reopening.

1929

The representatives of innkeeper cooperatives decide to construct a catering shareholding brewery in Laško.

1938

After many complications and severe opposition by the competition, they open the shareholders’ brewery Pivovarna Laško and present the new Laško beer under the trademark Zlatorog. Drinkers of the beer like the beer so much that German occupiers allow maintenance of the Laško beer brand due to the quality of the beer.

1944

Because of the bombing of the railway bridge the brewery was also hit and demolished. After World War II production in the brewery began again already in 1946 and was officially established in 1947.

Since World War II Pivovarna Laško has constituted a single company the entire time. Particularly after 1960, the company recorded an extraordinary development in sales: from 60,000 hectolitres to 1,300,000 hectolitres.

1990

After harmonisation with the provisions of the Companies Act, the organisation of the socially owned company is entered into the court register on the basis of the court decision No Srg 23/90 of 31 May 1990.

1991

In accordance with the provisions of the Companies Act, the Company is transformed into a public limited company in mixed ownership. On 30 September 1991 the share capital and social capital of the company is assessed and a division of shares implemented.

1995

At the first general meeting of shareholders on 20 April 1995, Pivovarna Laško is subject to ownership transformation into a joint stock company with known owners. The company was entered into the court register with decision no. Srg 673/95 of 8 September 1995. The company becomes a public limited company with more than 15,000 shareholders.

2000

Capital connections with Radenska, Radenci, Jadranska Pivovara, Split, and Vital, Mestinje, represent one of the most significant turning points in the company history. A new business strategy for development begins.

2002

The company succeeds with a public takeover bid of Pivovarna Union, Ljubljana. It obtains 47.86% of all its shares.

2003

Continuation of capital investments. The company gains a 24.98% share in Delo, Ljubljana. The company becomes its largest owner.

2004

In December, the company obtains additional 27,011 shares (5.98% of the assets) of the public limited company Union Ljubljana. Pivovarna Laško becomes a 53.85% owner of all shares of Union.

2005

In February the company buys the entire ownership stake namely 186,400 shares of the issuer Pivovarna Union, Ljubljana from Interbrew Central European Holding B. V., Netherlands, thus becoming the majority owner with a 95.17% stake of the company.

In May, the Competition Protection Office issues consent for the announced concentration of the companies Pivovarna Laško and Pivovarna Union.

2006

Transfer of 106,950 newly-issued shares of Poslovni sistem Mercator, Ljubljana, from Slovenska odškodninska družba to Pivovarno Laško. After the aforementioned transfer, the public limited company Pivovarna Laško owns 317,498 MELR shares or a 8.34% stake in Mercator.

2007

The takeover bid for the buyout of shares of the company Delo, časopisno in založniško podjetje, Ljubljana. The acquirers Pivovarna Laško, Radenska, and Talis now possess a total of 628,044 shares, representing a 94.09% stake in the target company.

2008

A takeover bid for the purchase of shares of Pivovarna Laško was published in February. The acquirers, Infond Holding, Maribor, Cestno Podjetje Maribor, Fidina, Ljubljana and Koto, Ljubljana, acquire a total of 4,818,151 shares, representing a 55.08% stake in the target company. The acquirers offered EUR 88.00 per PILR share and 2,488 shareholders of Pivovarna Laško accepted the takeover bid. As at 31 December 2008, Infond Holding is the majority owner of the company Pivovarna Laško with a 52.97% stake.

2009

In the period from August to September 2009, the creditor banks, namely NLB, Hypo Alpe-Adria-Bank, Abanka, Banka Celje, Gorenjska Banka, Probanka, Nova kreditna banka Maribor and Banka Koper were acquiring shares of Pivovarna Laško (PILR) held by the company Infond Holding and pledged as insurance for the bank loans. The banks thus acquired significant ownership stakes in Pivovarna Laško. As of 5 August 2009, Infond Holding, Maribor is no longer the majority owner of Pivovarna Laško.

2010

On 23 April 2010, the Supervisory Board confirms the bases of the new business model and reorganisation of the Laško Group that has been prepared and submitted by the Management Board and also confirms the bases for the growth strategy of the Laško Group up to 2014. The new business model envisages the restructuring of the Pivovarna Laško Group into a contractual group and afterwards into a unified company.

In their letter dated 18 August 2010, the creditor banks (some at the same time the owners) of Pivovarna Laško responded and requested amendments to the strategy in terms of the disposal of all Mercator shares owned by the Laško Group. As a result, the

Group presented a newly amended strategy of the Pivovarna Laško Group to 2014, which includes the sale of the complete 23.34% ownership stake in Mercator. The strategy was approved by the Supervisory Board of Pivovarna Laško at its 22nd regular meeting of 27 September 2010.

2013

On 20 December 2013, NLB transferred to Družba za upravljanje terjatev bank, d. d., Ljubljana (the Banking Asset Management Company - BAMC) its total holding of 2,056,738 PILR shares, accounting for a 23.51% stake. Pivovarna Laško was informed of this by the BAMC on 9 January 2014. Pivovarna Laško received notification of the transfer (purchase) of the shares in Pivovarna Laško from NLB on 9 January 2014. Through this transfer, the BAMC has become the largest shareholder in Pivovarna Laško.

3 SUSTAINABLE DEVELOPMENT

3.1 Human resources management in the Laško Group

THE LAŠKO GROUP IS AWARE OF THE IMPORTANCE OF ITS KEY STAFF, WHICH IS WHY IT STRIVES FOR IMPLEMENTING PROGRAMS AIMED AT MOTIVATING EMPLOYEES TO FULFIL THE SET GOALS. WE MAKE EVERY EFFORT TO ENHANCE THE KNOWLEDGE AND SKILLS OF OUR EMPLOYEES THROUGH PRACTICAL WORK AND TRAINING, AS WELL AS THROUGH THE CULTURE OF AWARDING WITH REGARD TO ACHIEVED RESULTS.

The Laško Group is aware that employees are the source of its long term competitive advantage. With their knowledge, hard work and capabilities, on a daily basis they contribute to the excellent quality and satisfaction of our products´ consumers. We are aware of the importance of our key staff, which is why we strive for implementing programmes aimed at motivating our employees to fulfil the goals set by the Laško Group.

Our approach is to enhance the knowledge and skills of employees through practical work and traninig, as well as through the culture of awarding with regard to achieved results. In 2014, we for the second time in a row carried out the annual evaluation of all employees. We thus introduced a new awarding system which enabled additional stimulation of the best employees. From 2014, the employees at managerial positions are employed part-time in Pivovarna Laško and Pivovarna Union. By doing so, we have additionally empowered the managerial staff and emphasized their responsibility in reaching joint goals.

3.1.1 EMPLOYMENT POLICY

Through the reorganisation and optimisation of business processes, improved technological equipment of the companies and improved educational structure, we have systematically optimised the number of employees in recent years. We observe the strategies of individual companies and of the entire Group as well as individual workloads and complexity of the work process in this endeavour. The good cooperation developed with our employees' representatives over the years and strong respect for the labour law are of key importance.

3.1.2 HUMAN RESOURCES DEVELOPMENT

For achieving the Company's strategic goals, human resources development is of key importance, both in professional and personal terms. The Group provides the development of our staff after identifying the need to generate additional know-how and skills. Employees can acquire additional know-how and skills through:

- the transfer of best practices and know-how within the Group,
- external training aimed at acquiring specific expert skills not available within the Group,

- a combination of internal and external training.

3.1.3 NUMBER OF EMPLOYEES

Number of employees in
individual Laško Group companies as at 31 December 2014

	Number of employees	Share in %
Pivovarna Laško	342	23.7
Radenska, d. d., Radenci	204	14.8
Pivovarna Union, d. d., Ljubljana	391	27.3
Jadranska pivovara - Split, d. d.	11	0.8
Vital Mestinje	35	2.5
Delo, d. d., Ljubljana	376	27.3
Izberi, d. o. o., Ljubljana	13	0.9
Laško Grupa, d. o. o., Hrvaška	33	2.4
Laško Grupa, d. o. o., Kosovo	4	0.3
Total	1,379	100.0

Note: There are 30 people in Pivovarna Laško and Pivovarna Union, namely the Chairman, Members of the Management Board and managers with special authorizations and responsibilities, who are employed part-time in each of the companies. In both companies, the number of employees as at 31 December 2014 equals the actual number of employees, while thirty employees have been deducted from the grand total for the Laško Group. The share is calculated under the assumption that the Members of the Management Board are employed part-time.

The Laško Group has 1,379 emplyees, 1,331 of which are engaged in the companies established in Slovenia. Employees in the Group's beverage companies prevail. The number of employees declined by 13%, i. e. by 212 employees in comparison to 2013, mainly due to the sale of Birra Peja.

In addition to the Chairman and Members of the Management Board, as of 1 January 2014, managers with special authorizations and responsibilities are also employed part-time at Pivovarna Laško and at Pivovarna Union.

Number of temporary and permanent
employees in the Laško Group

(employees as at 31 December)	2012	2013	2014	Difference 2014-13	Index 2014/13
Permanent employment	1,279	1,282	1,248	-34	97.3
Temporary employment	288	273	71	-202	26.0
Part time employment	24	29	60	31	206.9
Interns	1	7	-	-7	/
Total	1,592	1,591	1,379	-212	86.7

In the Laško Group, 94.9% of staff members are employeed for an indefinite period and 5.1% for a definite period. The employees for a definite period are mainly employed for purposes of replacement or temporary increase of workload in the season. In comparison to the previous year, the number of employees for a definite period declined by 202 persons, i. e. by more than 70%, majorly due to the sale of Birra Peja in July 2014.

The table shows that the number of full-time employees prevails in the Laško Group, amounting to 95.6%, while a smaller share of 4.4%, i. e. 60 persons, is employed part-time – 30 of them have a recognized disability and are entitled to a part-time employment pursuant to the decision of the Pension and Disability Insurance Institute of Slovenia, while 30 persons are employed part-time in the two companies – in Pivovarna Laško and Pivovarna Union.

Educational structure of employees

As at 31 December 2014 the educational structure of employees was as follows:

Number of employees by level of education

(education as at 31 December)		2012	2013	2014	Difference 2014-13	Index 2014/13
II.	Primary school	201	195	141	-54	72.3
III.	Lower vocational school	-	-	52	52	/
IV.	Secondary vocational school	355	349	303	-46	86.8
V.	Grammar school or secondary technical school	515	539	400	-139	74.2
VI/1	College	130	139	123	-16	88.5
VI/2	Professional college	-	-	108	108	/
VII.	University	351	330	215	-115	65.2
VIII/1	Master of science	34	33	30	-3	90.9
VIII/2	Doctor of science	6	6	7	1	116.7
Total		1,592	1,591	1,379	-212	86.7

The data above shows that the educational structure of employees remained similar to the previous year. The share of university and PhD. graduates slightly increased. The greatest portion of employees has a high school education, V. level, followed by employees with completed secondary vocational education.

Age structure of employees

As at 31 December 2014 the actual age structure of employees was as follows:

Number of employees by age groups

(age as at 31 December)	2012	2013	2014	Difference 2014-13	Share 2014 in %
Younger than 30	101	122	86	-36	6.2
Between 30 and 40	422	374	327	-47	23.7
Between 41 and 50	606	578	526	-52	38.1
Between 51 and 60	433	487	410	-77	29.7
Older than 60	30	30	30	-	2.2
Total	1,592	1,591	1,379	-212	100.0

The majority of employees are between 40 and 50 years old. In comparison to the previous year, the number of employees aged between 30 and 50 years and more than 60 years increased, while the share of the younger generation up to 30 years decreased.

3.1.4 EMPLOYEE SATISFACTION

In 2014, employees of the Laško Group enjoyed further benefits such as:

- payment of contributions to the additional voluntary pension scheme for all employees on permanent employment contracts
- holiday accommodation in Laško Group facilities located at the seaside, in the mountains and thermal spas. Employees can make use of the holiday accommodation of various Laško Group companies,
- awareness raising and health and safety at work training, a pleasant working environment and regular medical checks,
- new year gifts to employees and employees celebrating a certain number of years with the company,
- in the event of special social and health issues, employees are entitled to solidarity assistance in accordance with the Collective Agreement.

In addition, the employees were able to cooperate in different projects and provide useful proposals at the level of the organisational unit and at the level of the company as a whole.

3.1.5 EDUCATION

Education and training is aimed at acquiring specific competences of the staff that are relevant to the successful operations of our companies. In 2014, employees acquired and improved their knowledge through different forms of education. In addition to seminars, various workshops and courses, where employees obtained IT skills and knowledge of foreign languages, they acquired specific competences and adopted state-of-the-art skills from particular professional work fields by attending fairs. We provided several employees with the opportunity of formal education in order to develop the capacities of potential staff. Educational programs were also organized internally in the company for transferring the best practices and better comprehension of the fields of work within the Group. In 2014, 554 employees of Pivovarna Laško and Pivovarna Union were included in internal training.

Like every year, in 2014 we also carried out the legally-prescribed training (safety at work and fire protection, safe work with foodstuffs, safe work with CO_2, etc.). Thirty employees from Pivovarna Laško passed the course for internal auditors of ISO 9001 and 14001 and the first internal audit of Pivovarna Laško was successfully effected based on acquired knowledge.

In 2014, we proceeded with training within the funds granted through the tender of the Slovene Human Resources Development and Scholarship Fund for financing the establishment of competence centres for the 2012 - 2015 period. The aim of the project is to raise the competences of key human resources in the beverage industry and ensure the greater competitiveness and fortify our market position. As part of this project, employees participated at conferences and seminars both in Slovenia and abroad.

3.1.6 SAFETY AND HEALTH AT WORK

Employees are regularly made aware of the importance of safe and healthy working conditions and are also provided with such conditions. They are also regularly provided with the prescribed protective equipment and means of protection. Regular checks of posts, supervision over using working and protective clothes and the emphasis placed on potential threats related to a post play an important role in the prevention of accidents at work. Regular training courses focusing on safety and health at work are often provided as well as regular medical checks.

3.2 Communications

IN 2014, PIVOVARNA LAŠKO CONTINUED TO IMPLEMENT ITS COMMUNICATION STRATEGY BASED ON SYSTEMATIC, TWO-WAY COMMUNICATION BETWEEN THE COMPANY AND ITS INTERNAL AND EXTERNAL COMMUNITY. IN ADDITION, IT CONTINUED COMMUNICATION THROUGH SOCIAL NETWORKS.

In 2014, Pivovarna Laško continued its communication strategy of systematic two-way communication between the Company and its internal and external community. The team of Pivovarna Laško implemented communications in accordance with the plan and adapted the tactics and tools to the interests of various groups of the public that impact the business performance of the Company.

3.2.1 COMMUNICATIONS WITH INVESTORS

In accordance with the law, Pivovarna Laško continues to provide investors and potential investors with sufficient, accurate, precise and timely information, thus complying with the Company's information disclosure policy which encompasses business performance in the past and strategic development of the Company in the future.

Since the shares of Pivovarna Laško are quoted on the Ljubljana Stock Exchange, the Company is legally obligated to publish the prescribed information on the website of the aforementioned stock exchange (seonet.ljse.si), and to also publish this information on the website of the Company (pivo-lasko.si).

Communication with investors and potential investors was performed through regular General Meetings of shareholders, press conferences organised for the purpose of reporting on interim and annual operating results, individual meetings of representatives of the Company with representatives of investment companies, and the announcement of interim and annual reports in printed media and on the Company's web site.

3.2.2 COMMUNICATIONS WITH THE MEDIA

Intensive media communication activities were implemented in 2014. Pivovarna Laško regularly informs the media of the activities of the Company, its business operations, plans and strategic guidelines via press releases. Media relations are based on planned, two-way cooperation, timely and concurrent responses to the questions of journalists in accordance with applicable standards of the public relations profession.

3.2.3 COMMUNICATIONS WITH CUSTOMERS

In 2014, for the sixth year in a row, operators were available at the 080 1825 toll-free telephone number to accept customer orders for all Laško Group products. The call centre located in the Distribution Centre of the Laško Group in Ljubljana takes orders for all distribution channels (trade, catering and institutions). In its five years of operations, the call centre has established itself well among customers who see it as a key tool for ordering products which is now easier and more user-friendly than before.

3.2.4 COMMUNICATIONS WITH EMPLOYEES

Communications with employees are based on healthy mutual relationships and are one of the essential elements for attaining the good business results of the Company. The proper implementation of internal communication plans provides for the sufficient information, motivation and satisfaction of employees. Pivovarna Laško concurrently informs employees of relevant information and of press releases. At the highest frequency points in the Company, bulletin boards are available and in recent years information provision via the Internet has been gaining importance. The Intranet systems of Pivovarna Laško and of the Laško Group are also important internal communication tools. The use of this new tool has increased alongside the increased needs for mutual communications between different organisational departments and mixed project teams. The Intranet provides the interested persons with shared access to specific documents. As a communication tool it has significantly contributed to the increased effectiveness of business processes. This year we have also introduced a "newsletter" as a new way of notifying employees.

In the six years after resuming the publication of the Pivovarna Laško bulletin "Laško brewer" which is intended for employees of Pivovarna Laško and their colleagues in the Laško Group and also available to other interested persons, the bulletin has established itself as one of the key information tools for informing the internal and other interested groups of the public. In 2014, the innovated bulletin was released with the new name Brewer. The Brewer application for smart phones was also launched this year. Employees can receive the Brewer in electronic format; printed copies are available at five points within the Company and at two points in other subsidiaries, while printed copies are also provided to Pivovarna Laško retirees, the press and representatives of other segments of the public. The bulletin is also available as a file on the Pivovarna Laško website. In order to achieve better informing, in 2014 we also issued special internal bulletin editions (150th anniversary of Pivovarna Union, opening of the Pivovarna Union Pub, 50th anniversary of the Beer and Flowers Festival, etc.).

3.3 Corporate social responsibility

DESPITE A TURBULENT AND DIFFICULT YEAR, THE AWARENESS OF THE IMPORTANCE OF SPORT AND CULTURE WAS ON A VERY HIGH LEVEL, AS WELL AS SUPPORT TO THE PROJECTS THAT REDUCE THE ENVIRONMENTAL FOOTPRINT OF THE COMPANIES, NAMELY BY REDUCING AND STREAMLINING THE USE OF NATURAL RESOURCES AND ENERGY.

Social responsibility is one of the most important traditional values adopted in the companies of the Laško Group. In 2014 we continued implementing projects that ground the Laško Group companies in the environment they operate. We continued to reduce the net weight of plastic bottles and support recycling projects, thus contributing to reducing the burden on the environment. We also continued projects aimed at reducing the environmental footprint of the companies by reducing and rationalising the use of natural resources and energy.

Laško Group companies remained some of the most important Slovenian sponsors of top sports in 2014 and had their part in the achievements of the Slovenian national team, other Slovene sports teams and individual athletes at various competitions. For example, in 2014, Laško Group companies took an active part in the Slovenian Olympic athletes' achievements in Sochi, in the national football team results, in the triumph of the Maribor Football Club when qualifying to the Championship League, as well as in the results of the national basketball team, in the results of Slovenian Nordic sportsmen and sportswomen, in the results of the Celje Pivovarna Laško Handball Club which succeeded in returning a double trophy to Celje, in the organization of major running and cycling marathons and many other projects. We successfully continued our cooperation with the largest film festival in the region (the Sarajevo Film Festival).

In 2014, Pivovarna Laško continued to organise one of the most visited tourist events in Slovenia – the Pivo in cvetje (Beer and Flowers) Festival that we have managed to give new impetus and added value in terms of the content for the numerous guests who have been coming to this event for decades. In 2014, we celebrated its fiftieth repeat. The Zlatorog long-distance trail of pride has also well established itself among hikers. On the occasion of the 150th anniversary of Pivovarna Union in 2014, we also organised the Union Fest in the Tivoli Park. The two-day event drew the attention of around 10,000 visitors per day.

The companies of the Laško Group continue to actively support civil society organisations at the local or national level.

3.4 Environmental protection

IN AN EFFORT TO ENSURE COMPLIANCE WITH THE LAW AND ALLOW OUR CUSTOMERS TO ENSURE OPTIMAL WASTE TREATMENT, WE CONTINUE OUR MISSION OF NATURE PRESERVATION AND INTELLIGENT USE OF PRECIOUS ENERGY RESOURCES.

Environmental protection is one of the most significant pillars of sustainable development. Awareness of the importance of a healthy relation to the environment follows us in all the fields of our operation. Everything we have done so far for the environment systematically integrates in our everyday and strategic thinking, which is then articulated as our goals following the vision and mission of the Laško Group.

In 2014, we kept our focus on the use of returnable packaging, which can substantially contribute to the environmental protection in all relevant environmental, quality and economic terms. The awareness that there is a long way ahead of us to reach this goal made us even more committed to our efforts to produce a conscious choice and need for returnable packaging together with consumers, at least in the local community which is logistically easier to handle.

Our environmental protection goals are ambitious. On one hand, these refer to the optimal use of raw materials and energy and reduction in emissions to the environment on the other. Realization of the set goals is followed on a daily and monthly basis by using different operation systems which are integrated into the introduced technologic procedures. The specific water use has substantially decreased in the last decade, as well as the specific use of natural gas in the last three years. We are also introducing modern technologies for automatic cleaning of equipment installed in the plants for beer production and bottling.

We should also point out the use of electricity: the specific use declined not only due to a changed production volume, but as a result of a more rational energy use and measures aimed at the targeted monitoring of energy consumption. The drop in electricity costs is partially the result of the general electricity trends on the market, but mostly to the very good and coherent electricity purchasing policy pursued in the Laško Group. With the general trends of energy prices on the world markets and the successful policy of its purchasing, the price of natural gas has also decreased this year. The use of natural gas dropped when compared to the 2013 levels. In addition to a somewhat reduced production volume, the main causes of this reduction include the rational use of thermal energy, improved parts of energy infrastructure, production structure and relatively mild temperatures during the heating season in 2014.

Our ISO 14001 certification as well as our certification in the field of water resources are two more important steps taken. Together with obtained water permissions and optimized water used, these measures present an important move towards minding, containing and a better use of this strategic resource.

We also place great importance on the production, separate collection and processing of waste. In cooperation with Slopak and in an effort to ensure compliance with the law and allow our customers to ensure optimal waste treatment, we continue our mission of nature preservation and intelligent use of precious energy resources.

All Laško Group companies can be proud of their exemplary reports prepared by legal representatives for annual inspection controls. Except for smaller deviations, which are normal in our everyday activity, 2014 has also passed without any major remarks. The whole activity is focused on constant improvements within our financial capabilities.

The environment is not only our home and space in which we create products for consumers, but also the field in which economic entities develop and exist. Because we are aware that every shift and move leave their trace, the actions in our joint community are becoming more thought-through and passionate.

3.4.1 ENVIRONMENTAL REPORT OF PIVOVARNA LAŠKO

The business policy of Pivovarna Laško obliges us to abide by the principle of sustainable development through the following activities: reduction in negative environmental impacts through the rational use of raw materials, materials and energy and the prevention of environmental pollution. These goals related to environmental treatment can be fulfilled only by measuring and monitoring environmental impacts, introducing the best available techniques for ensuring efficient use of materials and energy and a reduction in emissions and waste. We design our production and products in a manner that mitigates the negative environmental impacts, which we prove with the annual index of reduced specific energy consumption. The company will continue investing in ecologically state-of-the-art technologies and solutions, because we are aware that preserving the living environment is our duty.

We completed the important and very extensive project which led to obtaining the ISO 14001 standard. Assessment and certification was completed in November, bringing the implementation of processes, the monitoring of records, goal setting and systematic arrangement of procedures and documentation related to the environmental activities to a higher level.

As a source of heat energy for the production of steam in the boiler room, the biogas generated in the wastewater treatment plant amounted to 349,394 m^3 or 12% of the total natural gas consumption. The anaerobic wastewater treatment plant of Pivovarna Laško continues to ensure adequate treatment of the entire quantities of waste processing water. As an authorised measurement provider, the Institute of Public Health Maribor regularly performs monitoring of influx and outflow of the treatment plant and establishes a high level of purification in accordance with the applicable provisions.

We provided the Slovenian Environmental Agency with the legally-required reports in a timely manner and regularly paid the relevant environmental taxes. In May, a regular annual environmental inspection was carried out and confirmed our very good environmental status, while we received a warning regarding the marking of the filter storage equipment, alignment of waste packaging volumes reported to the Customs Administration of the Republic of Slovenia and to Slopak, and the provision of monitoring of the cooling wastewaters. We took into account all the stated warnings, eliminated the deficiencies and submitted the relevant proof to the inspection authority.

The needs of the technological processes were completely met with the energy installations in line with the relevant standards regarding the production and bottling of beer. At the same time, monitoring of emissions and measurements has proved that the relevant processes are managed within the parameters stipulated by the law.

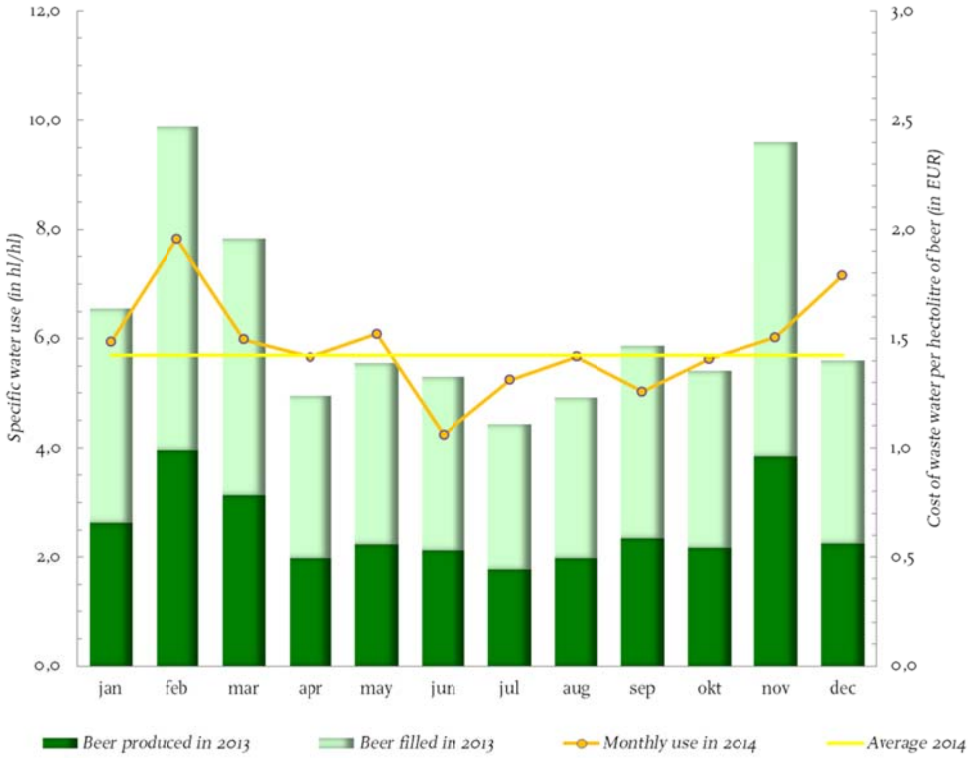
The specific use of electricity for production and other processes amounts to 11.6 kWh per hl of beer, representing a drop of 5% compared to the previous year. The specific consumption of natural gas totalled 2.7 Sm^3 per hl of filled beer and thus maintained the previous year's levels.

Use of natural resources in Pivovarna Laško (pumped and channelled water)

	Unit of measure	Cumulative figure for 2014	Cumulative figure for 2013	Index 14/13
Water used	m^3	630,969	609,504	103.5
Water supplied to the cleaning plant	m^3	349,924	367,382	95.2
Electricity	MWh	11,351	12,843	88.4
Gas	Sm^3	2,987,261	2,804,874	106.5
CO_2 emissions	t	5,639	5,286	106.7

This year, we also continued adopting measures in the production and bottling of beer, which should reduce the use of fresh water in accordance with best practices and through the support of relevant measurements. In the past year, the specific fresh water consumption equalled 5.7 hl per hl of bottled beer and water, which is 2% below the previous year's levels.

Specific water use per produced and filled beer volumes in 2014



The separate waste collection system at two collection points continues to work well in line with the Waste Management Plan. The company performs regular checks of the record sheets reporting the volume and type of waste by using its waste achieve IT record system – IS Odpadki (IS Waste). At the end of 2014, we replaced the recipient of separately collected waste packaging and other secondary raw materials generated by the Company. From now on, the pickups are performed by Gorenje Surovina, d. o. o.

In 2014, we obtained all the permits we lacked for using water for technology use.

In terms of hydrology, 2013 was one of the most favourable in our region. Due to the relatively favourable winter as well as the rainy summer, the conditions in reservoirs significantly improved, thus causing no difficulties in terms of volume.

We continued the procedures for obtaining the permits for water resources under our management and now we have water permits granted for all important water resources. To obtain these permits, we had to perform new measurements of flows in reservoirs and particular tanks. We physically installed measurement equipment which was connected to the central control system through GSM modems, enabling us to transfer the relevant data and alarms.

We introduced the ISO 9001 in ISO 14001 systems to the water supply system as well, while we also passed the certification of the HACCAP system.

As part of preventive measures aimed at ensuring the health adequacy of the drinking water, we perform regular checks of water supply facilities, while some of them are remote-controlled. Regular cleaning and maintenance of water supply facilities is done preventively in line with the HACCAP plan, followed by the required records.

3.4.2 ENVIRONMENTAL REPORT OF PIVOVARNA UNION, d. d., LJUBLJANA

In its work, Pivovarna Union places great emphasis on environmental protection. In 2014, we also implemented measures which should ensure progress in the field of natural resources and energy savings. Year after year, we abide by the guidelines of circular economy and introduction of modern environmental practices. In accordance with the set guidelines, we have set ambitious goals for 2015 as well.

In 2014, Pivovarna Union underwent a regular annual inspection, which established that the production operates in compliance with the applicable environmental protection legislation. Sending the results of monthly monitoring reports on wastewater will remain a requirement in 2015 as well. In 2013, the allowed amount of total surfactants (detergents which reduce the surface tension and increase the washing effect) exceeded the permitted levels two-fold. In accordance with the warning, we adopted adequate measures, which were also submitted to the Inspectorate of the Republic of Slovenia for the Environment. The main measures refer to the reduced use of chemicals in the following manner:

- replacement of chemicals in the D2 tunnel pasteurizer,
- optimization of chemicals' use and concentration in the S4 bottle washing device,
- the use of acid CIP non-filtrate, while washing liquid with added anti-foaming chemicals will not be used any more.

Some of the main environmental protection spheres undergoing the inspection were:

- some pH measurements in a measurement dike – measurement of processing wastewater; partial deviations of some measurements in the prescribed measurement area, we passed the decision on additional service of control probes and regulation of valves on neutralization device. Ever since, the measurements meet the legal requirements.
- inspection of a separated collection of waste fractions on the brewery location – without remarks,
- management of the equipment with OSS and FTP – without remarks,
- treatment of the packaging launched to the market – without remarks,
- emissions into air and noise emissions – without remarks,
- storage of hazardous substances – without remarks,
- payment of environmental taxes – without remarks.

In 2014, we carried out an obligatory noise emissions monitoring. The monitoring was performed by a certified company, which did not record excessive emission intensity in any of the measurement points. Pursuant to the legal requirements, we obtained the permits in the following environmental protection areas:

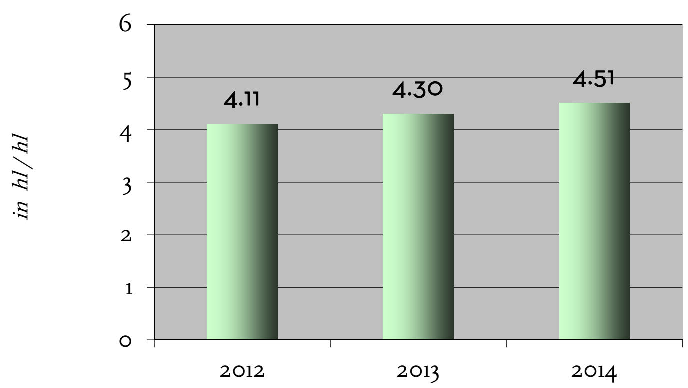
- entry into the record of manufacturers and acquirers of electrical and electronic equipment (EEO),
- greenhouse gas emissions permit (TGP),
- approved water resources monitoring plan.

In 2014, we upgraded the project of recuperating surplus processing waters. Both collection vessels can be washed with a CIP system and we collected offers for continuous biocide processing in a reservoir. The mentioned measures should ensure the improved microbiological stability of collected water. The system will be launched at the beginning of 2015. We will also initiate regular water quality control.

In the field of chemicals use, we carried out a test for BSM Multi schaumarm lubricant on a 2,000 kg sample. The lubricant proved to be adequate for use on the glass bottle filling lines, while the test revealed many shortcomings on the plastic bottle filling lines, namely: plastic bottles were falling more frequently due to an increased number of jams. Following these technical difficulties, we replaced the producer of chemicals used in the waterworks plant serving for testing of processing water and water from a water tower.

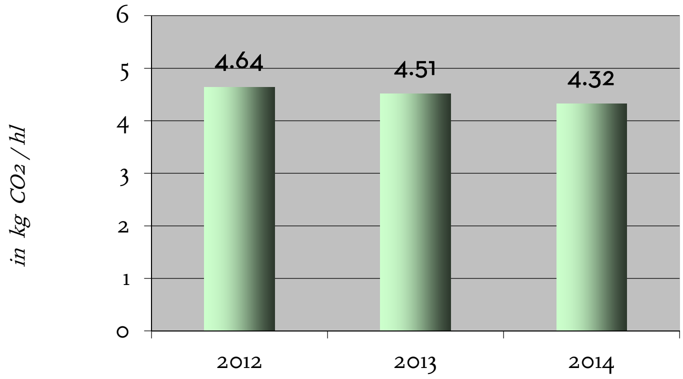
Through the daily monitoring of lubricant use, in 2014 we reduced its use by approximately 40%. The chart below shows the specific use as the ratio between the amount of used chemicals and bottled volumes.

Specific water use



The specific water use refers to the ratio between the volume of pumped water and the volume of bottled products. Because of the inefficient recuperation of processing water surpluses, the specific water use in 2014 deteriorated. Recuperation of processing water will be launched again at the beginning of 2015.

Specific release of greenhouse gases



The chart above shows the ratio between the amount of released CO_2 and quantities of bottled final products. We can observe a reducing trend, which is the result of the energy check of all production plants. We expect this trend to continue in 2015 as well, due to the planned investments in energy infrastructure.

The main goal for 2015

Within our separate waste collection efforts, we will place separate waste collection containers in all brewery facilities. We will start separate collection of mixed waste packaging and organic waste. In line with our covenants, we concluded a contract with Slopak which, in addition to the existing scheme of waste packaging redemption, now includes the redemption of mixed waste packaging as well. By doing so, we stand that, on an annual basis, we should reduce the amount of municipal waste by 30%.

3.4.3 ENVIRONMENTAL REPORT OF RADENSKA, d. d., RADENCI

Radenska is aware of the responsibility it has in realization of global development initiatives which respect the principles of sustainable and harmonized development as the general doctrine of new competitive, dynamic and knowledge-based economy. We aim to become a company which would, in addition to financial reliability, operate in accordance with social expectations and continuously mitigate negative environmental impacts through the entire lifespan of our products. We develop a highly environmentally friendly company culture, employed in all its activities, and environmentally efficient business performance which will provide future generations with at least the level of quality of living we enjoy today.

Through proactive, systematic and preventive endeavours – including the introduction of new innovative technologies which should optimize processes, and new BAT technologies, we advance our process efficiency, enhance an efficient use of natural resources, reduce the amount of waste and emissions at springs, we create a clean, healthy and safe working environment and in that manner ensure the wellbeing, health and safety of employees in parallel with accumulated savings, greater reputation and competitive advantages for our company.

Environmentally-oriented action was directed to the company's sustainable development, supported with the requirements of the ISO 14001 standard and implementation of environmental goals and programs set both specifically for 2014 as well as in the long term. The goals are directed to the protection of water resources, reduction in wastewater environmental impacts, decrease in waste volumes and economic waste treatment (we offer our customers products in recyclable packaging, we reduced the weight of plastic bottles and through different communication channels encourage consumers to use returnable packaging), reduction in emissions to the atmosphere and rational energy consumption.

We were successful in implementing projects and programs and, therefore, in reaching the goals. The projects covering the environmental protection activities in 2014 were:

- cooperation with local and state authorities in the field of legislative matters;
- protection of water resources - compliance with the law;
- regulating the overall image of wells and investment maintenance of the surroundings and equipment of wells; also in compliance with the law;
- activities to obtain concessions for the extraction of natural mineral, spring and tap water;
- use of recycled PET materials;
- reduction and optimisation of packaging materials;
- energy reviews and implementing the relevant findings (monitoring and optimising energy sources, processes and equipment);
- monitoring of natural mineral water, drinking and processing waters and wastewater;
- renovation/replacement of the deteriorated doors at the bottling facilities;
- inspection and replacement of deteriorated parts of the compressed air and CO_2 networks;
- records of the quantities of pumped water and the use of CO_2;
- seeking new technological solutions to reduce waste quantities;
- measurements and, if necessary, remediation of noise in the production area.

We especially expect to focus more on activities related to the results of the energy review and equipment replacement. In the first half of 2014, we implemented the investment in replacing our oldest plastic bottle-blowing machine with a combined blowing and filling block and compressor on the Sidel II line. We expect this investment to result in significant energy savings. In the field of logistics we also made a significant step towards reducing our environmental footprint. At the beginning of 2014, we purchased our first large (4.5 ton) electric forklift. Currently, all such large forklifts at Radenska exclusively run on gas. In the future - funds permitting - we expect to continue to replace gas forklifts with their environmentally more friendly electric counterparts.

In 2014, we started introducing the CSRE system (targeted energy use monitoring) and MEPIS (IT system for production monitoring), which will enable us to follow crucial indicators and in that manner opt for adequate upgrade and optimization of processes.

The regular annual environmental inspection was successfully conducted on 14 May 2014. On 4 August 2014, the Inspectorate of Republic of Slovenia for Agriculture and the Environment (Inspectorate for the Environment and Nature) released the Report on the periodic inspection of a device which can lead to the environmental pollution of a greater scope, No. 0618-1253/2014/7. The report was also released on the website of the Inspectorate of the Republic of Slovenia for Agriculture and the Environment. It was established that the plant operates in compliance with the environmental legislation and the environmental permit issued and its amendments.

Water protection, as the vital source of our company, and efficient energy consumption remain Radenska's constant dedication.

Important environmental parameters

	Unit of measure	Cumulative figure 2014	Cumulative figure 2013	Consumption index 14/13	Spec. Index con-sumpt. per unit of product 14/13
Water used	m^3	159,835	167,161	95.6	97.8
Waste water	m^3	174,570	171,050	102.1	104.4
Electricity	MWh	8,544	9,279	92.1	94.2
Natural gas	Sm^3	760,292	854,439	89.0	91.0
Waste	t	966.6	654.8	147.6	148.7
Chemicals	t	310.4	296.9	104.5	107.0

The volume of technological and drinking water in 2014 is slightly under the 2013 levels (reduced production volume in 2014). The specific use of water per litre of produced beverages, however, slightly increased by 1%. This is mainly a result of an average drop in unit production by 3.2%.

The volume of wastewater in 2014 was at the levels of technological and drinking water use. With respect to production trends, we generated slightly less wastewater. Here we include also waters from wells that leaked during the preparation and bottling of products.

Electricity

In comparison to 2013, electricity use in 2014 dropped by 7.9% due to the reduced volume of the bottling production (-2.3% in units) and reduced production of preforms (-10.2%). The specific electricity use also decreased by 3.2% as a result of a more rational energy use and as a consequence of measures directed to a targeted energy consumption monitoring. We optimized and replaced a part of the lighting in the production, optimized the functioning of some pumps, etc. The cumulative cost of electricity also reduced by as much as 22.4% when compared to 2013, while the electricity price per kWh also recorded a drop by 15.8%. A drop of electricity price is partially to assign to general electricity trends on the market, but majorly to a very good and coherent electricity purchasing policy pursued in the Laško Group.

Waste

In Radenska, waste is managed in accordance with the legislation and the recommended sequence is observed: separate waste collection, volume reduction, reuse, processing and disposal. The system of separate waste collection has been introduced in all production plants, technological facilities as well as in the warehouses and in the office buildings. The volume of all waste in 2014 exceeded the 2013 levels by 47.6%, whereby increased volumes of plastic waste mainly contributed to this score. The greatest reason for increased waste volumes is the recall of Ora products. In comparison to 2013, waste-related expenses jumped by 242.9%, mainly due to costs of destruction of recalled products. Hazardous waste exceeded the 2013 volumes by 45.2%. The volume of municipal waste in 2014 remained at the levels of 2013.

3.4.4 ENVIRONMENTAL REPORT OF VITAL MESTINJE, d. o. o.

In the field of environmental protection, we execute all prescribed activities. The operations related to the sewerage of wastewater are monitored by the National Laboratory of Health, Environment and Food in Celje. We also regularly pay emission-related taxes and we act in all fields so to mitigate negative environmental impacts.

In the field of technological processes, we introduce the methods for a reduced use of the drinking water and consequent reduction of negative environmental impacts. We decrease energy consumption for heating purposes through refurbishment of buildings' construction coatings and heating distribution system.

In order to reduce electricity consumption, we replaced all fluorescent lights with LED lights in production and storage facilities.

As far as waste packaging treatment is concerned, we reinforced separate collection of waste packaging.

3.4.5 ENVIRONMENTAL REPORT OF DELO, d. d., LJUBLJANA

Delo has elaborated a waste management plan that is constantly supplemented and upgraded in compliance with the permanent policy of providing conditions to meet the requirements of the environmental legislation and to satisfy the regulations governing wastewater, waste and clean air. Waste raw materials are recycled, while materials harmless to the environment and humans are used in production. In 2012, a noise protection wall was set up in the eastern part of the Printing Centre that borders the residential area. Thus the noise impact on the environment has decreased by 10 dB.

The Printing Centre also shifted to the system of renting cleaning cloths that are washed and re-used in 2012. This has reduced the number of cleaning cloths by more than a half. In the middle of the year, most printed matter shifted to improved newsprint. This results in an increased share of recycled paper used in our products.

In the field of technology, the Printing Centre has continued searching for solutions that are more energy efficient. Due to a change introduced in the technological process of magazine production one phase was abandoned - sewing. This is reflected in reduced electricity consumption and decreased quantity of waste.

In the process of making printing forms, chemicals are currently used for their development. The printery initiated tests aimed at enabling this phase without the application of such chemicals. Plates without chemicals are to replace the old ones in the coming few years.

In 2014, we restored a waste gas incinerator and, therefore, met new lower legal measures and enhanced energy efficiency of the process due to the reduced temperature at the stage of printed matter drying.

ANNUAL REPORT OF THE LAŠKO GROUP AND PIVOVARNA LAŠKO, D. D., FOR THE 2014 FINANCIAL YEAR

4 FINANCIAL REPORT OF THE LAŠKO GROUP

CONTENTS

4.1 Statement of compliance

The Management Board of Pivovarna Laško is responsible for the preparation of the annual report of the Laško Group as well as the consolidated financial statements that give a fair presentation of the financial position and the results of operations of the Group and the Company for the year ended 31 December 2014 in accordance with the International Financial Reporting Standards adopted by the European Union and the Companies Act.

The Management Board of Pivovarna Laško hereby gives its approval to the business report and the financial statements for the year ended 31 December 2014 and confirms the following:

- the financial statements have been compiled under assumption of Pivovarna Laško being able to continue its operations as a going concern,
- the selected accounting policies are applied consistently and any changes in accounting policies have been reported,
- the accounting estimates have been prepared in a fair and diligent manner and comply with the principle of prudence and good management.

The Management Board is responsible for the implementation of measures to ensure the maintenance of the value of the assets of the Laško Group and for the prevention and detection of fraud and other irregularities.

Laško, 16 April 2015

mag. Dušan Zorko
President of the Management Board

Marjeta Zevnik
Member of the Management Board

Mirjam Hočevar
Member of the Management Board

Gorazd Lukman
Member of the Management Board

Matej Oset
Member of the Management Board

EY
Building a better working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owners of Pivovarna Laško d.d.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Pivovarna Laško d.d. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group, as of December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited consolidated financial statements.

Ljubljana, 16 April, 2015

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Mateja Repušič
Certified auditor

4.3 Audited financial statements of the Laško Group for the year ended 31 December 2014 compiled under the IFRS

4.3.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE LAŠKO GROUP AT 31 DECEMBER 2014

(in EUR)	Notes	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets		**238,353,317**	**284,057,058**
Intangible assets	1	64,896,312	72,409,028
Property, plant and equipment	2	133,339,070	170,065,814
Investment property	3	4,229,545	5,847,085
Long-term investments in the subsidiaries	4.A	204,792	427,413
Financial assets available for sale	4.C	982,066	1,207,647
Long-term financial lease receivables	4.D	518,013	287,276
Long-term loans	5	2,324,548	283,544
Long-term operating receivables		2,090,927	2,196,510
Long-term deferred tax assets	7	29,768,044	31,332,741
Short-term assets less short-term deferred and accrued items		**112,832,944**	**169,578,146**
Non-current assets held for sale	8	42,427,045	9,208,603
Inventories	9	17,224,526	21,918,999
Short-term operating receivables	10.A	42,607,067	52,960,981
Short-term receivables for excess corporate tax payment	10.B	1,465,456	351,495
Financial assets available for sale	11	2,673,549	75,658,238
Short-term loans	12	1,245,512	6,475,107
Cash and cash equivalents	13	5,189,789	3,004,723
Short-term accruals and prepaid expenditure	14	**987,085**	**856,090**
Total short-term assets		**113,820,029**	**170,434,236**
TOTAL ASSETS		**352,173,346**	**454,491,294**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE LAŠKO GROUP AT 31 DECEMBER 2014

(continuation)

(in EUR)	Notes	31 Dec 2014	31 Dec 2013
EQUITY		**62,289,213**	**58,213,883**
Equity of the owners of non-controlling stake	16	**10,661,619**	**9,804,281**
Equity of the owners of the controlling stake	15	**51,627,594**	**48,409,602**
Share capital		36,503,305	36,503,305
Share premium		2,566,995	30,993,977
Profit reserves		3,650,331	3,650,331
Revaluation surplus		5,124,893	5,701,570
Retained earnings		384,294	(72,940)
Net profit or loss		3,377,636	(28,354,042)
Translation reserve		20,140	(12,599)
LIABILITIES		**289,884,133**	**396,277,411**
Provisions and long-term accrued costs and deferred rever	17	**10,152,264**	**13,929,628**
Provisions for retirement grants and jubilee awards	17	5,746,254	5,293,279
Other provisions	17	4,386,019	8,587,422
Long-term accrued costs and deferred revenue	17	19,991	48,927
Long-term liabilities		**105,734,931**	**17,225,540**
Long-term financial liabilities	18	105,734,931	17,225,540
Short-term liabilities		**167,827,303**	**358,968,014**
Liabilities for non-current assets held for sale		9,709,058	1,090,807
Short-term operating liabilities	19	35,463,263	40,130,797
Short-term financial liabilities	21	122,654,982	317,746,410
Short-term accrued costs and deferred income	22	**6,169,635**	**6,154,229**
Total short-term liabilities		**173,996,938**	**365,122,243**
TOTAL EQUITY AND LIABILITIES		**352,173,346**	**454,491,294**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.2 CONSOLIDATED INCOME STATEMENT OF THE LAŠKO GROUP FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2014

(in EUR)	Notes	2014	2013
Continued operations			
Net sales revenues	23.A	215,442,678	219,138,817
Change in inventories of products and work in progress		46,274	342,909
Other operating revenue	23.B	2,430,222	6,140,187
Costs of goods, materials and services	23.C	(134,698,014)	(136,349,063)
Employee benefit costs	23.C	(41,810,124)	(41,596,630)
Amortisation of intangible assets and depreciation of property, plant and equipment	23.C	(11,604,774)	(12,938,569)
Revaluation operating expense	23.C	(8,269,620)	(11,080,880)
Provisions	23.C	(25,500)	(16,003)
Other operating expenses	23.C	(6,160,385)	(9,865,531)
OPERATING PROFIT OR LOSS		**15,350,757**	**13,775,237**
Financial income	23.D	3,633,161	4,443,901
Financial expenses	23.D	(18,254,183)	(50,435,660)
PROFIT OR LOSS BEFORE TAX		**729,735**	**(32,216,522)**
Tax	24.A	1,206,277	8,299,057
NET PROFIT OR LOSS OF THE YEAR FROM CONTINUED OPERATIONS		**1,936,012**	**(23,917,465)**
Continued operations - Jadranska pivovarna Split, BP Kosovo and Radenska		1,737,450	(6,240,146)
NET PROFIT OR LOSS OF THE YEAR FROM DISCONTINUED OPERATIONS	**25**	**1,737,450**	**(6,240,146)**
TOTAL PROFIT OR LOSS FOR THE YEAR		**3,673,462**	**(30,157,611)**
Share of non-controlling interests in net profit /loss		44,321	475,796
Share of the controlling interests in net profit /loss		3,629,141	(30,633,407)
Total net profit / loss per share of the controlling interest			
Net profit/loss per share		0.42	(3.51)
Diluted net profit/loss per share		0.42	(3.51)
Total net profit / loss per share of the non-controlling interest			
Net profit/loss per share		0.01	0.05
Diluted net profit/loss per share		0.01	0.05
Net profit /loss per share from discontinued operations			
Net profit/loss per share		0.20	(0.71)
Diluted net profit/loss per share		0.20	(0.71)
Net profit /loss per share from continued operations			
Net profit/loss per share		0.22	(2.74)
Diluted net profit/loss per share		0.22	(2.74)

4.3.2 CONSOLIDATED INCOME STATEMENT OF THE LAŠKO GROUP FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

(continuation)

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE LAŠKO GROUP FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

(in EUR)	Notes	2014	2013
Net profit or loss for the year		**3,673,462**	**(30,157,611)**
Other comprehensive income			
Financial assets available for sale	29	15,198	(93,136)
Gains/losses from revaluation of property	29	799,465	(3,434,740)
Deferred tax on account of revaluation	29	56,981	(137,965)
Translation reserve	29	-	(24,236)
TOTAL OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT AND LOSS AT A FUTURE DATE		**871,644**	**(3,690,077)**
Unrealised actuarial gains / losses from post-employment benefits	29	(881,855)	(132,752)
Deferred tax on unrealised actuarial gains / losses		-	-
TOTAL OTHER COMPREHENSIVE INCOME THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS		**(881,855)**	**(132,752)**
OTHER COMPREHENSIVE INCOME	29	**(10,211)**	**(3,822,829)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,663,251**	**(33,980,440)**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE LAŠKO GROUP FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

(in EUR)	Share capital	Share premium	Legal reserves	Reserves for treasury shares	Treasury shares	Total profit reserves	Retained earnings	Net profit or loss	Revaluation surplus	Translation reserve	Total capital controlling interest	Total capital non-controlling interest	TOTAL EQUITY
OPENING BALANCE													
at 1 January 2014	**36,503,305**	**30,993,977**	**3,650,331**	**281,895**	**(281,895)**	**3,650,331**	**(72,940)**	**(28,354,042)**	**5,701,570**	**(12,599)**	**48,409,602**	**9,804,281**	**58,213,883**
Transactions with owners													
Payment of dividends	-	-	-	-	-	-	-	-	-		-	(43,533)	(43,533)
Capital increase / reduction	-	-	-	-	-	-	(178,428)	-	-	-	(178,428)	(156,740)	(335,168)
Other changes	-	-	-	-	(387,676)	(387,676)	-	-	-	-	(387,676)	-	(387,676)
Total transactions with owners	**-**	**-**	**-**	**-**	**(387,676)**	**(387,676)**	**(178,428)**	**-**	**-**	**-**	**(566,104)**	**(200,273)**	**(766,377)**
Changes in comprehensive income													
Net profit or loss for the year	-	-	-	-	-	-	-	3,377,636	-	-	3,377,636	295,827	3,673,463
Fixed assets revaluation reserve	-	-	-	-	-	-	-	-	781,600	-	781,600	17,865	799,465
Investment revaluation reserve	-	-	-	-	-	-	-	-	13,257	-	13,257	1,941	15,198
Other	-	-	-	-	-	-	-	-	(808,812)	-	(808,812)	(16,061)	(824,873)
Total changes in comprehensive income in 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,377,636**	**(13,955)**	**-**	**3,363,681**	**299,572**	**3,663,253**
Changes in equity													
Loss settlement	-	(28,426,982)	-	-	-	-	72,940	28,354,042	-		-	-	-
Formation of reserves for treasury shares and interests	-	-	-	387,676	-	387,676	-	-	-	-	387,676	-	387,676
Other	-	-	-	-	-	-	562,722	-	(562,722)	32,739	32,739	758,039	790,778
Total movements in equity	**-**	**(28,426,982)**	**-**	**387,676**	**-**	**387,676**	**635,662**	**28,354,042**	**(562,722)**	**32,739**	**420,415**	**758,039**	**1,178,454**
CLOSING BALANCE													
at 31 December 2014	**36,503,305**	**2,566,995**	**3,650,331**	**669,571**	**(669,571)**	**3,650,331**	**384,294**	**3,377,636**	**5,124,893**	**20,140**	**51,627,594**	**10,661,619**	**62,289,213**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE LAŠKO GROUP FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

(in EUR)	Share capital	Share premium	Legal reserves	Reserves for treasury shares	Treasury shares	Total profit reserves	Retained earnings	Net profit or loss	Revaluation surplus	Translation reserve	Total capital controlling interest	Total capital non-controlling interest	TOTAL EQUITY
OPENING BALANCE at 1 January 2013	**36,503,305**	**55,681,553**	**3,650,331**	**341,170**	**(341,170)**	**3,650,331**	**875,016**	**(25,562,592)**	**9,655,319**	**11,637**	**80,814,569**	**7,164,310**	**87,978,879**
Transactions with owners													
Disposal of treasury shares (interests)	-	-	-	-	-	-	-	-	-		-	(39,063)	(39,063)
Payment of dividends	-	-	-	-	-	-	(621,758)	-	-		(621,758)	4,504,470	3,882,712
Other changes	-	-	-	-	59,275	59,275	293,543	-	-	-	352,818	-	352,818
Total transactions with owners	**-**	**-**	**-**	**-**	**59,275**	**59,275**	**(328,215)**	**-**	**-**	**-**	**(268,940)**	**4,465,407**	**4,196,467**
Changes in comprehensive income													
Net profit or loss for the year	-	-	-	-	-	-	-	(28,354,042)	-	-	(28,354,042)	(1,803,569)	(30,157,611)
Fixed assets revaluation reserve	-	-	-	-	-	-	-	-	(3,462,085)	-	(3,462,085)	27,345	(3,434,740)
Investment revaluation reserve	-	-	-	-	-	-	-	-	(81,112)	-	(81,112)	(12,024)	(93,136)
Tax on individual items of comprehensive income	-	-	-	-	-	-	-	-	(94,399)	-	(94,399)	(20,974)	(115,373)
Other	-	-	-	-	-	-	-	-	(132,896)	(24,236)	(157,132)	(22,448)	(179,580)
Total changes in comprehensive income in 2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(28,354,042)**	**(3,770,492)**	**(24,236)**	**(32,148,770)**	**(1,831,670)**	**(33,980,440)**
Changes in equity													
Appropriation of the remaining net profit based on decision of the General Meeting	-	(24,687,576)	-	-	-	-	(875,016)	25,562,592	-		-	-	-
Utilisation of reserves for treasury shares and interests	-	-	-	(59,275)	-	(59,275)	-	-	-		(59,275)	-	(59,275)
Other	-	-	-	-	-	-	255,275	-	(183,257)	-	72,018	6,234	78,252
Total movements in equity	**-**	**(24,687,576)**	**-**	**(59,275)**	**-**	**(59,275)**	**(619,741)**	**25,562,592**	**(183,257)**	**-**	**12,743**	**6,234**	**18,977**
CLOSING BALANCE at 31 December 2013	**36,503,305**	**30,993,977**	**3,650,331**	**281,895**	**(281,895)**	**3,650,331**	**(72,940)**	**(28,354,042)**	**5,701,570**	**(12,599)**	**48,409,602**	**9,804,281**	**58,213,883**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.6 CONSOLIDATED CASH FLOW STATEMENT OF THE LAŠKO GROUP FOR THE PERIOD FROM 1 JANUARY TO 30 DECEMBEER 2014

(in EUR)	2014	2013
OPERATING PROFIT	**18,285,653**	**10,530,503**
Adjustments for:		
Elimination of other operating revenue	93,894	(1,247,728)
Elimination of revaluation operating expense from PPE	1,275,683	-
Depreciation of PPE and investment property	17,329,828	16,628,040
Amortisation of intangible assets	4,518,909	991,238
Revaluation operating expense from non-current assets	58,745	17,217,096
Revaluation operating expense from current assets	276,944	1,640,139
Net movements in provisions	(975,823)	7,421,311
Foreign exchange differences from operations	-	(8,439)
Other adjustments	1,084,184	-
Total adjustments	**23,662,364**	**42,641,657**
MOVEMENTS IN WORKING CAPITAL		
Inventories and non-current assets held for sale	(2,074,522)	758,828
Operating and other receivables	(2,682,658)	(9,131,507)
Operating and other liabilities	9,016,585	5,186,216
Total movements in working capital	**4,259,405**	**(3,186,463)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**46,207,422**	**49,985,697**
Cash flows from operating activities		
Cash from operating activities	46,510,445	49,985,697
Disbursements for taxes	(303,023)	-
OFFSETTING CASH FLOWS FROM OPERATING ACTIVITIES	**46,207,422**	**49,985,697**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12,825,270)	(11,677,203)
Gains /losses from disposal of PPE	65,886	274,358
Acquisition of intangible assets	(77,303)	(380,364)
Acquisition / disposal of financial assets	84,934,897	3,929,018
Disposal of non-current assets and liabilities held for sale	-	315,000
Interest income	1,038,343	613,960
Dividends and capital profits received	3,585,594	6,252,891
NET CASH FLOWS FROM INVESTING	**76,722,147**	**(672,340)**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.6 CONSOLIDATED CASH FLOW STATEMENT OF THE LAŠKO GROUP FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

(continuation)

(in EUR)	2014	2013
Cash flows from financing activity		
Interest paid	(16,381,650)	(18,387,798)
Capital increase	-	78,252
Increase / decrease in financial debt	(101,690,246)	(30,148,640)
Dividends paid to the owners	(2,245,909)	(39,063)
NET CASH FLOWS FROM FINANCING	**(120,317,805)**	**(48,497,249)**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**2,611,764**	**816,108**
Cash and cash equivalents at the beginning of year	**3,004,723**	**2,188,615**
Cash and cash equivalents at the end of year	**5,616,487**	**3,004,723**
- of that, cash and cash equivalents belonging to Radenska	**426,698**	**-**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.4 Notes to the consolidated financial statements

4.4.1 GENERAL DATA

Pivovarna Laško is a public limited company, registered with the Celje District Court under the decision No Srg 95/00673 and under the application No 1/00171/00. It is classified as a large company and as such is subject to regular annual audits of its financial statements. The principal activity of the Company is the production and sale of beer, malt and waters. The Company is also engaged in wholesale and retail trade.

Pivovarna Laško, d. d., (hereafter: the Company) is the controlling entity of the Laško Group (hereafter: the Group) with its registered seat in Slovenia at Trubarjeva ulica 28, 3270 Laško.

The Company's ordinary shares are quoted on the Ljubljana Stock Exchange under the "PILR" ticker symbol. The Company's share capital totals EUR 36,503,304.96 and is represented with 8,747,652 ordinary freely negotiable registered no-par-value shares. There are no limitations on the payment of dividends or other distributions of equity.

4.4.2 STATEMENT OF COMPLIANCE WITH IFRS

The financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the provisions of the Companies Act.

4.4.3 USE OF NEW AND AMENDED IFRS AND IFRIC INTERPRETATIONS

a) Standards and interpretations that entered into force during the reporting period

In the period under review, the following amendments to the existing standards issued by the International Accounting Standards Board (IASB) were applicable as adopted by the EU:

- IFRS 10 "Consolidated financial statements" that the EU adopted on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- IFRS 11 "Joint Arrangements" adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- IFRS 12 "Disclosure of interests in other entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- IAS 27 (amended in 2011) "Separate financial statements" that the EU adopted on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- IAS 28 (amended in 2011) "Investments in associates and joint ventures" that the EU adopted on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IFRS 10 "Consolidated financial statements", IFRS 11 "Joint Arrangements" and "IFRS 12 "Disclosure of Interests in Other Entities" – Transition

Guidance, which the EU adopted on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014).

- Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 (amended in 2011) "Separate Financial Statements" – Investment Entities, which the EU adopted on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IAS 32 "Financial instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities, which the EU adopted on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IAS 36 "Impairment of Assets"- Recoverable Amount Disclosure for Non-Financial Assets, which the EU adopted on 19 December 2013 (effective for periods beginning on or after 1 January 2014).
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"- Novation of Derivatives and Continuation of Hedge Accounting, which the EU adopted on 19 December 2013 (effective for periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards led to no changes in the accounting policies of the Group.

b) Standards and representations issued by the IASB and adopted by the EU that have not entered into force yet

As at the date of the financial statements approval, the following standards, amendments of the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU, have not yet come into effect:

- Amendments to a number of standards "IFRS Improvements over the period 2010 to 2012" , according to the annual IFRS improvement project encompassing IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38, which is aimed primarily at elimination of discrepancies and clarification of wording. The amended standards were adopted by the EU on 17 December 2014 and are effective for periods beginning on or after 1 February 2015.
- Amendments to a number of standards "IFRS Improvements over the period 2011 to 2013" , according to the annual IFRS improvement project encompassing IFRS 1, IFRS 3, IFRS 13 and IAS 40, which is aimed primarily at elimination of discrepancies and clarification of wording. The amended standards were adopted by the EU on 18 December 2014 and are effective for periods beginning on or after 1 January 2015.
- Amendments to IAS 19 "Employee Benefits"- Defined Benefit Plans: Employee Contributions, were adopted by the EU on 17 December 2014 and are effective for annual periods beginning on or after 1 February 2015.
- IFRIC 21 "Levies", adopted by the EU on 13 June 2014 and are effective for annual periods beginning on or after 17 June 2014.
- The Company has decided not to adopt these standards, amendments and interpretations before their effective date. The Company expects that adoption of

these standards, amendments and interpretations will initially not have a significant impact on its financial statements.

c) Standards and interpretations issued by the IASB but which have not yet been adopted by the EU

Currently, the IFRS as adopted by the European Union do not considerably differ from those adopted by the International Accounting Standards Board (IASB) with the exception of the following standards, amendments to the existing standards and interpretations which were not confirmed for use by 16 April 2015:

- IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" -Investment Entities: exemption from consolidation (effective for annual periods beginning on or after 1 January 2016).
- IFRS 11 "Joint Arrangements" - Accounting for Acquisition of Interests in Jointly Controlled Entities (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1 "Presentation of financial statements " - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Biological plants (effective for annual periods beginning on or after 1 January 2016), Amendments to IAS 27 "Separate financial statements" - Equity Method used in the separate financial statements (effective for annual periods beginning on or after 1 January 2016).
- Amendments to a number of standards "IFRS Improvements over the period 2012 to 2014" , according to the annual IFRS improvement project encompassing IFRS 5, IFRS 7, IFRS 19 and IAS 34, which is aimed primarily at elimination of discrepancies and clarification of wording. The amended standards are effective for periods beginning on or after 1 January 2016.

The Group has assessed that the adoption of these standards, amendments and interpretations will not have a significant impact on the Group's consolidated financial statements during the period of their initial application.

At the same time, the accounting for the hedging of risks associated with the portfolio of financial assets and liabilities, the principles of which the EU has not yet adopted, still remains unregulated.

The Group assesses that the accounting of risk hedging in connection with the portfolio of financial assets and liabilities in accordance with the requirements of IAS 39: "Financial Instruments: Recognition and Measurement" would not have a significant impact on the consolidated financial statements of the Group, if applied as at the reporting date.

4.4.4 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been compiled under the IFRS, the Companies Act, other acts and the Accounting Manual of Pivovarna Laško, and are expressed in euros. When disclosing and measuring the financial statement items, the provisions of the standards were directly applied, with the exception of the items where the standards provide a choice between several valuation methods.

The financial statements have been prepared taking into account the historical costs except for the financial assets, non-current assets held for sale (or assets and related liabilities of the disposal group), as well as property and investment property carried at the revalued amount or fair value. The valuation of assets and liabilities is presented in detail in the individual sections below.

When selecting the accounting policies and when deciding on their use and in the compilation of these financial statements, the Pivovarna Laško Management Board took into consideration the following three requirements:

- The financial statements are understandable when they are easily understood by users,
- The information is relevant if it assists the user in making economic decisions,
- The information is essential if its omission or untrue statement could have an impact on the economic decisions of the users.

The accounting policies presented below were consistently applied in all of the periods presented.

Going concern assumption

As at 31 December 2014, the Group's short-term liabilities exceed the amount of its short-term assets by EUR 60,176,910.

The sale of the 75.31% equity stake in Radenska was successfully closed on 17 March 2015. From the transaction (disposal of the investment in Radenska), Pivovarna Laško received proceeds amounting to EUR 51,805,392.57. The proceeds significantly contributed to the deleveraging of Pivovarna Laško in accordance with the Standstill and Restructuring Agreement. At the same time, on 17 March 2015, Pivovarna Laško received EUR 8,154,000.00 as proceeds from the sale of 600,000 (an equity stake of 11.85%)

shares in Radenska, which Pivovarna Laško had temporarily sold to DBS on 30 November 2011. On the same date (17 March 2015), Pivovarna Laško purchased from Radenska 127,928 shares in Delo, Dunajska cesta 5, Ljubljana, thus becoming the 100% owner of Delo and settling the settlement claim of Radenska. The sale of both stakes in Radenska significantly contributed to the deleveraging of the controlling entity Pivovarna Laško as well as the whole Laško Group.

On the one hand, the Agreement ensures the financial stability of Pivovarna Laško through the long-term reprogramming of its borrowings and through deleveraging the Company to a sustainable level of debt and on the other hand, the Agreement ensures the fulfilment of creditors' expectations for rapid deleveraging and simultaneous maximizing of the value for the owners. This will ensure the Company the sustainable development of quality brands and preservation of jobs.

The Agreement regulates the Group's commitments to creditors until the end of 2016. In addition to deleveraging through repayments to creditors from the cash flow from the Company's principal activity, the Agreement sets important deleveraging milestones from the consortium sale of Mercator and the processes for disposal of Radenska, Birra Peja and Delo, all of which began in 2013.

One of the key milestones for all stakeholders, including creditors, the Company and the owners, is the capital increase of Pivovarna Laško. After a transparent process of finding the investor, the capital increase will be discussed by the owners at the Annual General Meeting of Pivovarna Laško.

One significant milestone, realised in July 2014, was the sale of the investment in Mercator.

Among other things, the second milestone was represented by the closing of the sale of Radenska and the repayment of the creditor banks of Pivovarna Laško from the proceeds in accordance with the amortisation schedule, which is appended to the Restructuring Agreement. The sales agreement for the 75.31% stake in Radenska, concluded on 19 December 2014, was concluded under several suspensive conditions which must be fulfilled before the closing of the sale, which is anticipated to take place within three months of signing the agreement. The third key milestone is deleveraging from the capital injection planned for mid-2015.

If the first milestone was not fulfilled, the third one should have been met at the earliest opportunity. In such a case, the restructuring would not be terminated, however the majority of creditor banks (banks holding 85% of claims) could opt for a different option or solution. Non-compliance with the provisions of the Agreement, the amortisation plan based on the cash flow from the primary activity and deleveraging milestones, will terminate the Agreement only if so decided by the qualified majority of creditors.

The Management of the Company have assessed that the use of the going concern assumption in the preparation of the financial statements for the period ended 31 December 2014 is appropriate.

Consolidation

Subsidiaries in which the Group's indirect or direct equity is larger than half of the voting rights or the Group can in any other way influence their operation, are considered consolidated. They are consolidated in the Group's financial statements from the day when the Group assumes a controlling interest and their consolidation ends when the Group no longer holds a controlling interest in those entities. All intragroup transactions including receivables and liabilities between the Group's companies are eliminated for the purpose of consolidation. Any impairments of investments in subsidiaries are also eliminated in the consolidation. Impairment of the investment in the subsidiary Delo to its estimated value is reflected in the consolidated financial statements as an impairment of the brands recognised on acquisition. Dividends received from subsidiaries have also been eliminated. For the purpose of ensuring consistent and correct data for the needs of the Group's consolidation and financial reporting, accounting policies of the subsidiaries have been harmonized with the controlling company's policies.

The Group uses the purchase method for the accounting of the takeovers. The acquisition cost of the takeover is assessed as the fair value of assets and capital instruments issued and assumed liabilities on the day of the transaction, inclusive of expenses directly attributable to the takeover. The assumed assets, liabilities and commitments attached to a takeover are initially recorded at fair value on the day of the transaction irrespective of the size of the non-controlling interest. The surplus of the acquisition price over fair value of the Group's interest in the net assets of the acquiree is recorded as goodwill. If the cost is lower than the fair value of the net assets of the acquiree, the difference is recognised through the profit or loss as an impairment loss.

The Group accounts for transactions with the owners of the non-controlling interest in the same way as those made with external partners. Gains and losses attributable to the minority holders are disclosed in the profit or loss of the Group.

Reporting currency

a) Functional and reporting currency

The items presented in the separate financial statements of individual Group companies are denominated in the currency of the primary environment – the country where the individual company operates (this currency is the so called "functional currency"). The consolidated financial statements are presented in euro, which is also the functional and reporting currency of the parent company (Pivovarna Laško).

b) Transactions and balances

Foreign currency transactions are converted into the reporting currency using the exchange rate prevailing on the day of the transaction. Gains and losses arising from these transactions and from the conversion of cash and liabilities, denominated in a foreign currency, are recognised in the profit or loss.

Exchange rate differences arising from debt securities and other monetary financial assets are recognised at fair value and are included in the gains or losses from transactions with foreign currencies. Exchange rate differences from non-monetary items such as securities held for trading are reported as an increase or decrease in fair value. Exchange rate differences from available-for-sale securities are included in the revaluation reserve.

c) Group companies

Separate financial statements of income and cash flows of foreign subsidiaries are translated into the reporting currency of the controlling entity using the average exchange rate, whereas separate financial statements of financial position are translated into the reporting currency using the exchange rate prevailing on 31 December 2013. On disposal of a foreign subsidiary, exchange rate differences realised on disposal are recognised in the profit or loss as gains or losses from disposal.

The use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities of the Group as well as the reported income and expenses for the period.

Management estimates include among others: determination of the useful life and residual value of property, plant and equipment, as well as intangible assets; allowances made for inventories and receivables; assumptions material to the actuarial calculation of defined employee benefits; assumptions used in the calculation of potential provisions for lawsuits, as well as assumptions and estimates relating to impairment of goodwill. Regardless of the fact that management duly considers all factors that may impact the preparation of these assumptions, the actual consequences of business events may differ from those estimates. In the process of making accounting estimates, management makes judgements while considering potential changes in the business environment, new business events, new and additional information that may be available, as well as experience.

Key estimates and assumptions as at the day of the statement of financial position that are associated with future operations and which could result in significant adjustment of the book values of assets and liabilities are presented below.

Information on significant estimates about uncertainty and critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements is presented in the following notes:

- The Group assesses on an annual basis whether there are any indications of impairment of an individual cash-generating unit. If any such indications exist, the recoverable amount of non-financial assets is determined as the present value of future cash flows, based on the estimate of expected future cash flows from the cash-generating unit and determination of the relevant discount rate.
- Defined benefit obligations include the present value of termination benefits on retirement and jubilee awards. They are recognised on the basis of the actuarial calculation approved by the management. The actuarial calculation is made by using assumptions and estimates effective at the time of the calculation, and may, as a result of future changes, differ from actual assumptions applicable at that future time. This applies primarily to determination of the discount rate, assessment of employee turnover, mortality assessment, as well as assessment of the increase in

salaries. Due to the complexity of the actuarial calculation and the long-term nature of the item, defined benefit obligations are sensitive to changes in the above estimates and assessments.

- A provision is recognised when the Group has present obligations (legal or constructive) as a result of past events, a reliable estimate can be made of the amount of obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities are not recognised in the financial statements as their actual existence will be confirmed only upon the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Group. The management of the Group continually assess contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. In this case, a provision is recognised in the financial statements of the period in which the change in probability occurs.

Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivables for the sale of products, goods or services during the ordinary operations of the Group. Revenue is presented exclusive of value added tax and excise duties, rebates and reimbursements.

Revenue from the sale of products, merchandise and materials is recognised if all of the following conditions are fulfilled:

- All the significant risks and rewards of ownership of the object of sale are transferred to the buyer;
- The seller loses the management and control over what is covered by the sale;
- Amount of revenue can be reliably measured;
- A high degree of certainty is attached to the flow of economic benefits related to the transaction;
- The costs incurred with respect to transaction can be reliably measured.

Other categories of revenue are recognised based on the following criteria:

- Interest income is recognised as the income of the period to which they pertain, in accordance with the applicable interest rate and when the degree of certainty attached to the flow of economic benefits is high;
- Dividend income is recognised when the right to receive payment is established;
- Revenue from royalties is recognised on the basis of the provisions of the licence agreements.

Intangible assets

Intangible assets with a finite useful life acquired individually (not within a business combination) and which are not created within the Group are measured under the cost model i.e. they are disclosed at cost less any accumulated depreciation and accumulated impairment losses. They are amortised according to the straight-line method in the period of their estimated expected useful life periods (patents, brands, licences 5 years; software 3 years). Estimates of expected functional life periods and the amortisation method are checked on the preparation of financial statements; any changes of estimates of the categories mentioned are considered in the future periods rather than retrospectively.

Intangible assets with indefinite useful lives acquired individually (not within a business combination) and not generated within the Group are disclosed at cost less any potential impairment losses.

An item of intangible assets is recognised as an asset only when it is probable that future economic benefits will flow to the Group and the cost of an assets can be reliably measured.

Intangible assets are derecognised upon their disposal or when no future economic benefits are expected from their further use. Gains or losses arising from derecognition of an item of intangible assets are recognised in the profit or loss of the period of derecognition.

a) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and contingent liabilities of the acquiree on the acquisition date. Goodwill arising upon the acquisition of subsidiaries is recognised as an item of intangible fixed assets. Goodwill is checked, tested for impairments and measured at the initial value decreased by cumulated impairments on an annual basis. Gains and losses on disposal of a subsidiary include the present value of goodwill of the disposed entity. At 31 December 2014, the Group carried out impairment test of goodwill relating to the investment in the Union Group. According to the results of goodwill tests, its value had not changed as compared to the previous year.

b) Patents, brands and licences

Expenditures for the acquisition of patents, brands and licences are capitalised and amortised using the straight-line amortisation method during their "useful life periods" (amortisation period). If the useful life period cannot be determined, such assets are not amortised; instead, they are tested for impairment on an annual basis.

If revaluation is required, the value of intangible assets needs to be estimated and written-off to the amount of the assets replacement values. The useful life periods of brads are not determinable and therefore the impairment test has to be carried out every year. The valuations provided by certified business appraisers or by the management provide the basis for impairment recognition.

The useful lives of other intangible assets range from 3 to 10 years.

c) Other intangible assets

Whenever software applications are not considered a constituent part of the relevant computer hardware, they are accounted for as the items of intangible assets. Other intangible assets are disclosed at cost less any accumulated amortisation and accumulated impairment losses. The useful life period of other intangible assets is 10 years.

Property, plant and equipment

Land and buildings in use are accounted for using the revaluation models and are disclosed at revalued amount at the date of the revaluation, less any subsequent accumulated depreciation or impairment losses. The revaluation is made with sufficient regularity to ensure that the carrying amount of the assets does not differ materially from their fair value at the reporting date.

Appreciation of land and buildings is recognised or accumulated as the revaluation surplus in other comprehensive income except when the previous revaluation of the same land and buildings recognised in profit or loss is reversed; in this case the appreciation to the amount of the prior revaluation of the assets is recognised in profit or loss. The revaluation of land and buildings in excess of the previously appreciated amount recognised in the revaluation surplus of the same land and buildings is recognised in profit or loss.

Production facilities, machinery, all types of equipment, reusable packaging and small tools are recognised under the cost model and are disclosed at their cost less accumulated depreciation and accumulated impairment losses.

The items of property, plant and equipment being acquired are measured at cost less any impairment loss. The cost of an item of property, plant and equipment includes the relevant borrowing costs in accordance with the adopted accounting policy. They are classified under the relevant categories of property, plant and equipment, to which they will belong when completed and made available for use. Depreciation of the items of property, plant and equipment begins in the month following the month when the assets are made available for their use.

Land is not depreciated.

The depreciation of buildings is recognised in profit or loss, while the reversal of the relevant revaluation surplus is simultaneously recognised in retained earnings. On derecognition of buildings, the attributable amount of revaluation surplus is reclassified directly to retained earnings.

Depreciation is calculated using the straight line method (except for land and property, plant and equipment being acquired, which are not depreciated) and is recognised so that the cost or the revalued amount of the property, plant and equipment less any residual value is written-off in the period of its estimated functional life period. The estimates of expected functional life period, their residual values and the depreciation method are checked on the preparation of financial statements; any changes in estimates of those categories are accounted for in future periods rather than retrospectively. The expected functional life periods of individual groups of assets are as follows:

Buildings	10 – 66 years
Plant and machinery	5 – 14 years
Hardware and software	3 years
Motor vehicles	3 – 9 years

Other equipment	3 – 20 years
Reusable packaging (barrels, bottles, crates)	4 – 5 years

Cost of borrowings raised to finance the purchase of land, the construction of buildings and the purchase of equipment, are attributed to the asset's cost until the day the asset is brought to its working condition. Costs incurred in relation to property, plant and equipment increase their cost providing they increase future benefits arising from the assets in excess of the originally assessed benefits; however costs that allow the extension of the useful life of the assets initially decrease their accumulated depreciation. The extension of the useful life of an asset of property, plant and equipment relates to the extension of its originally determined useful life during which the asset is depreciated. All other repair and maintenance costs are included in profit or loss of the financial year when they are incurred.

The items of property, plant and equipment are derecognised upon their disposal or when no future economic benefits are expected from their further use. Gains or losses arising from derecognition of an item of property, plant and equipment are recognised in the profit or loss of the period of derecognition.

Investment property

Investment property is property owned by the Company for the purpose of earning rent or increasing the value of the property in the long-term. On their initial recognition, they are measured at cost, whereas subsequently they are measured using the fair value model (depreciation is not calculated), which means that the increase or decrease in their fair value is recognised in the profit or loss of the period in which these changes occurred.

An investment property is derecognised on its disposal or final termination of its use, when no future economic benefits are expected from the asset on its disposal. Gains and losses on disposal of investment property are recognised in the profit or loss of the period in which the asset is derecognised.

Impairment of property, plant and equipment, and intangible assets

On preparation of the financial statements, all items of property, plant and equipment, and intangible assets are checked for any signs of impairment. If there are indications of impairment, the asset's recoverable amount is assessed. When the recoverable amount of an individual asset cannot be established, the recoverable amount of a cash-generating unit to which the asset belongs is assessed.

The recoverable amount of the asset is the higher of its fair value decreased by the costs to sell or its value in use. The latter is assessed as the present value of discounted future cash flows associated with the financial asset taking into account the pre-tax discount rate that reflects the current market estimate of the time value of money and specific risks related to the assets that were not considered in the assessment of future cash flows.

The asset (or a cash-generating unit) is impaired to its recoverable amount if its value in use is lower than its carrying amount. Impairment is immediately recognised in profit or loss except when the asset is carried under the revaluation model; in this case the impairment is disclosed as a decrease in the revaluation surplus.

In the event of impairment reversal the value of the asset (or a cash generating unit) is increased to its new assessed recoverable amount but only to the extent that the new recoverable amount does not exceed the amount at which the assets would be valued if no impairment was recognised. Impairment reversal is immediately recognised in profit or loss except when the asset is carried under the revaluation model; in this case the impairment is disclosed as an increase in the revaluation surplus.

Investments into the associated companies

Associated companies are companies in which the Group holds between 20% and 50% of the voting rights, and in which it has a significant influence on their business, but does not control them. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not include control or joint control over those policies.

In consolidated financial statements, profits and losses, as well as the assets and liabilities of the associated companies are accounted for using the equity method unless they are classified as non-current assets held for sale in accordance with IFRS 5. Under the equity method, the investment in an associate is initially recognised in consolidated financial statement at cost; however, its later measurement depends on related interests of the investor in profit, losses and other comprehensive income of the associated company arising after the acquisition date.

If the investor’s share in losses or negative other comprehensive income of the associated company is equal to or higher than the value of its stake in the associated company (carrying amount of the financial investment into the associated company including any long-term shares that are in fact a part of net financial investments of the investor in the associated company), the investor no longer recognises its share in further losses. When the investor's share is decreased to zero, further losses are defined and the liability recognised only to the extent that the investor has incurred a legal or constructive obligation or made payments on behalf of the associate company.

On the acquisition of an investment, any potential difference between the investment's cost and the investor’s stake in the net fair value of the identifiable assets, liabilities or contingent liabilities in consolidated financial statements of the investor are accounted for as goodwill and contained in the carrying amount of the financial investment in accordance with IFRS 3. The amortisation of that goodwill is not allowed and as such is not included in the determination of the investor’s share of the profits or losses of the associated company.

Any potential negative difference between the cost and the investor’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in consolidated financial statements of the investor is immediately recognised in profit or loss.

In the determination of whether it is necessary to recognise any additional impairment loss with respect to the investor’s net investment in the associated company, the provisions of IAS 39 or IAS 28 are taken into account. Furthermore, the entire carrying amount of the investment is tested as an asset in accordance with IAS 36; its carrying amount is compared to the recoverable amount (the higher of its fair value less costs to sell or value in use).

Gains and losses from transactions between the investor (and its consolidated subsidiaries) and the associated company are recognised in the investor's consolidated financial statements only to the extent of unrelated investors' interests in the associate. The investor's interest in the profits or losses of the associated company arising from these transactions is eliminated from the investor's consolidated financial statements.

Loans and deposits issued, monetary items

Financial assets such as loans and deposits issued and monetary items are initially measured at fair value on the date of their issue or placement.

After initial measurement they are disclosed at amortised cost using the effective interest method less any impairment losses.

Financial assets available for sale

Available-for-sale financial assets are initially measured at their fair value on the date of acquisition. This fair value is usually equal to the asset's cost; however, sometimes adjustments are needed.

After the initial recognition, the financial assets available for sale are measured at fair value in the statement of financial position, whereas changes in fair value are recognised under other comprehensive income excluding the assets' impairments and interest that are recognised by using the effective interest rate and exchange rate differences.

The best evidence of an asset's fair value is normally its quoted prices on an active market. If these are not available, valuation techniques are applied that as far as possible take account of market inputs including the most recent arm's length market transactions, reference to the current fair value of another instrument that has substantially similar characteristics, and discounted cash flow analysis.

If the fair value of a financial asset available for sale cannot be reliably measured, the asset is carried at its cost taking into consideration any impairment losses.

On derecognition of an available-for-sale financial asset or its permanent impairment, the cumulative other comprehensive income is reclassified to the profit or loss of the period in which the asset is derecognised or permanently impaired.

Derivatives

Derivative financial instruments are applied in interest rate hedging. They comprise interest options and interest swaps.

Derivative financial instruments are initially recognised at cost on the day of the contract; subsequently, they are measured at fair value on the reporting date. Gains and losses arising from changes in fair value are immediately recognised in profit and loss unless they are applied in the hedging of risks.

Non-current assets held for sale or assets of disposal groups (and related liabilities)

Non-current assets held for sale or assets of disposal groups (and liabilities associated with the non-current assets) are those non-current assets or liabilities for which it is reasonably assumed that their carrying amount will be settled predominantly through their sale rather than their further use. This condition is deemed to have been complied with only if the sale is highly probable and if the assets or group of assets (and liabilities associated with them) are in the condition that makes the sale possible. The management needs to be committed to the closing of the sale process within a year from the asset's reclassification to non-current assets held for sale or to the assets of disposal group (and the associated liabilities).

The assets (and associated liabilities) related to the subsidiary for which it is planned that the controlling influence will be lost, are reclassified to the group of assets (and associated liabilities) for disposal irrespective of whether the controlling company is planning to keep the minority stake after the sale or not.

Non-current assets held for sale and assets of disposal groups are measured at the lower of carrying amount or fair value less costs to sell.

Inventories

Inventories of raw materials and consumables are disclosed at the lower of cost and net realisable value; declining values of inventories are accounted for using the weighted average cost method. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of finished products, semi-finished products and work in progress are valued at their production costs. Production costs are direct costs of materials and raw materials (labour, production services, depreciation ...) and indirect costs of production (costs of materials and raw materials, labour, services and depreciation that are accounted for in the production process but cannot be directly linked to emerging products and services).

Inventories of raw materials, materials, spare parts, products and merchandise are written off on the basis of inventory records, customer complaints and returns and other records or upon a proposal of a responsible person (also damaged products, ullage and breakages) that requires the decision of the management board of the company. The inventories are written off in full if the sale is permanently discontinued or their use is forbidden. The Group examines the serviceability of the inventory of materials and spare parts with no movement over a period of more than 12 months, 2 years or 3 years and if necessary, their value is impaired. An impairment loss of 25% is recognised for inventories with no movement over a period of more than 12 months, 50% impairment loss is recorded for inventories with no movement over a period of more than 2 years, whereas inventories with no movement over a period of more than 3 years are fully impaired.

Operating receivables

On initial recognition, operating receivables are recognised at fair value; subsequently they are measured at amortised cost using the effective interest rate method less any impairment loss.

Impairments of individual operating receivables are made when there is objective evidence that the recovery of the full amount due is impossible. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The impairment loss is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents reported in the cash flow statement comprise cash on hand, sight deposits at banks and investments into the money market instruments without bank overdrafts. Bank overdrafts are included under short-term financial liabilities in the statement of financial position.

Share capital

Ordinary shares are classified as capital. Transaction costs directly associated with the issue of new shares which are not associated to the acquisition of a company are reported as a decrease in capital. Any surpluses over the fair value of received paid-in amounts in excess of the book value of newly issued shares are recognised as a paid-in capital surplus.

Treasury shares

When the Group repurchases treasury shares, the amount paid inclusive of net transaction costs is deducted from total capital as treasury shares until these shares are removed, reissued or sold. The Group is required to create reserves for treasury shares in that same amount. Reserves for treasury shares are released when the Group disposes of or removes its treasury shares, crediting the source from which they were created. Upon the sale of treasury shares, the difference between their selling price and carrying amount is accounted for in equity with no impact on the profit or loss. Treasury shares are used for the purposes defined in Article 247 of the Companies Act.

Dividends

Until approved by the General Meeting of Shareholders, proposed dividends are accounted for as retained earnings.

Provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is highly likely that the liabilities will have to be settled and a reliable estimate of the liability can be made. Provisions may not be set aside to cover future losses from operations.

The amount of provisions is the best estimate of the outflows expected to be required to settle the present obligation at the reporting date taking into account the related risks and uncertainties. If the provisions are measured at the amounts of future cash flows required for the settlement of present obligations, and the time value of money is important, provisions are discounted to their present value.

Provisions for retirement grants and jubilee awards

In accordance with the statutory requirements and the collective agreement, the Group is obligated to pay jubilee awards and termination benefits on retirement. These employee benefits are measured using the method of accounting, which requires that an actuarial liability is assessed on the basis of the expected salary increase from the valuation date until the anticipated retirement of an employee. This means that benefits are accrued in proportion with the work performed. The assessed liability is recognised as the present value of expected future expenditure. Anticipated salary increase and employee turnover are also considered as part of the measurement.

Unrealised actuarial gains or losses of the current year from termination benefits are recognised in equity, whereas unrealised actuarial gains or losses based on the actuarial calculation of current employee benefits and interest are recognised in profit or loss. Current employee benefit costs and interest expense associated with jubilee awards are recognised in profit or loss as actuarial gains or losses.

The net liabilities of the Group in connection with long-term benefits for years of service, except for pension schemes, are equal to the earnings which employees have obtained in exchange for their service during current and previous periods. Such liabilities are calculated using the projected unit method and are discounted to their present values.

Operating liabilities

Operating liabilities comprise suppliers credits for purchased merchandise or services and liabilities to employees, the state, owners or others. Liabilities are recognised in books of account if it is likely that economic benefits will decrease due to their settlement and the amount required for their settlement can reliably be measured. They are initially recognised at fair value; subsequently they are measured at amortised cost using the effective interest rate method.

Financial liabilities

Initially, financial liabilities are recognised at fair value exclusive of any attributed transaction costs. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method. Any differences between receipts (exclusive of transaction costs) and liabilities are recognised in profit or loss over the entire period of the financial liability.

Discontinued operation

A discontinued operation is a component of a group that either has been disposed of, or re-classified as held for sale (disposal group) and:

- it represents a separate major line of business or geographical area of operation;

- is part of a single coordinated plan to dispose of a separate major lines of business or geographical areas of operations or
- is a subsidiary acquired exclusively with a view to resale.

Corporate income tax

The amount of corporate income tax reported in the statement of comprehensive income is the sum total of current and deferred tax.

Current tax is accounted for on the basis of taxable profit of the current year. In the statement of comprehensive income, the amount of taxable profit can differ from pre-tax profit on account of income and expenses taxed or fiscally recognised in other taxable periods or on account of income and expenses that will never be taxed or fiscally recognised. Current amounts of corporate income tax is accounted for at the tax rate of 17% applicable to all commercial companies registered in Slovenia. In Croatia, the registered seat of Laško Grupa, d.o.o. Zagreb, the applicable corporate income tax rate is 20%. In Kosovo, the registered seat of Birra Peja, the applicable corporate income tax rate is 10%.

Deferred tax assets and liabilities

Deferred tax is accounted for under the liability method based on temporary differences between the carrying amounts of assets and liabilities and their corresponding tax amounts disclosed in the financial statements. In principle, deferred tax liabilities are recognised on the basis of all temporary differences whereas deferred tax assets are only recognised to the amount of temporary differences for which taxable profits will be available in the future against which these temporary differences can be utilised. Deferred tax is calculated using the tax rates (and tax legislation) as prescribed by applicable legislation on the reporting date, which are expected to be used at the time when the deferred tax asset is realised or a liability for deferred tax is settled.

Deferred tax assets are verified when annual accounts are drawn up and are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

Current and deferred taxes are recognised in profit or loss except when they refer to the items recognised in other comprehensive income or equity; in such cases the current and deferred tax are recognised in other comprehensive income or directly in equity.

Segment reporting

Business segments manufacture products and render services which are in terms of risks and benefits different from the products and services of other segments. Regional (geographic) segments provide products or services within a specific economic environment which are exposed to risks and benefits which differ from those in other economic environments.

4.4.5 NOTES TO INDIVIDUAL ITEMS IN THE FINANCIAL STATEMENTS

1. Intangible assets

2014	Brands	Goodwill	Licences other IA	Property rights and long-term deferred costs	Intangibles being acquired	Total
COST						
1 January 2014	**51,211,106**	**17,197,382**	**11,855,733**	**369,083**	**231,310**	**80,864,614**
Direct acquisitions	-	-	97,207	7,063	95,052	199,322
Transfer from assets being acquired	-	-	225,284	-	(205,249)	20,035
Sale of Birra Peja	-	-	(28,575)	-	-	(28,575)
Reclassifications	-	-	-	-	39,605	39,605
Revaluation - appreciation / impairment	(4,750,048)	(1,393,832)	-	-		(6,143,880)
Disposals, reductions	-	-	(57,978)	(126,449)	-	(184,427)
Transfer to non-current assets held for sale - Radenska	-	-	(2,588,048)	(241,146)	-	(2,829,194)
31 December 2014	**46,461,058**	**15,803,550**	**9,503,623**	**8,551**	**160,718**	**71,937,500**
ACCUMULATED DEPRECIATION						
1 January 2014	**-**	**-**	**8,273,758**	**181,828**	**-**	**8,455,586**
Depreciation	-	-	977,530	18,347	-	995,877
Disposals	-	-	(48,604)	-	-	(48,604)
Transfer to non-current assets held for sale - Radenska	-	-	(2,144,268)	(217,404)	-	(2,361,672)
31 December 2014	**-**	**-**	**7,058,416**	**(17,229)**	**-**	**7,041,187**
CARRYING AMOUNT						
31 December 2014	**46,461,058**	**15,803,550**	**2,445,207**	**25,780**	**160,718**	**64,896,313**
1 January 2014	**51,211,106**	**17,197,382**	**3,581,975**	**187,255**	**231,310**	**72,409,028**

2013	Brands	Goodwill	Licences other IA	Property rights and long-term deferred costs	Intangibles being acquired	Total
COST						
1 January 2013	**56,649,152**	**17,197,382**	**11,543,366**	**234,083**	**407,268**	**86,031,251**
Direct acquisitions	-	-	84,106	135,000	148,350	367,456
Transfer from assets being acquired	-	-	324,308	-	(324,308)	-
Impairment of the brand	(5,438,046)	-	-	-	-	(5,438,046)
Disposals, reductions	-	-	(96,047)	-	-	(96,047)
31 December 2013	**51,211,106**	**17,197,382**	**11,855,733**	**369,083**	**231,310**	**80,864,614**
ACCUMULATED DEPRECIATION						
1 January 2013	**-**	**-**	**7,317,475**	**163,796**	**-**	**7,481,271**
Depreciation	-	-	973,206	18,032	-	991,238
Disposals	-	-	(16,923)	-	-	(16,923)
31 December 2013	**-**	**-**	**8,273,758**	**181,828**	**-**	**8,455,586**
CARRYING AMOUNT						
31 December 2013	**51,211,106**	**17,197,382**	**3,581,975**	**187,255**	**231,310**	**72,409,028**
1 January 2013	**56,649,152**	**17,197,382**	**4,225,891**	**70,287**	**407,268**	**78,549,980**

All intangible assets are measured under the cost model. Major items of intangible assets are brands and goodwill, the value of which is verified on an annual basis to determine whether there is any need for impairment.

The fair value of brands was verified as at 31 December 2014. Verification of the fair value of brands was performed by a certified business appraiser registered with the Slovenian Institute of Auditors. The method of the present value of expected free cash flows was used in assessing the value of these brands.

Following the valuation assessment of Delo in the consolidated financial statements, the Group recognised impairment loss on the Delo brands in the amount of EUR 4,750,048 in 2014. As at 31 December 2014, the total value of the Delo Group brands amounts to EUR nil.

To determine whether there was any need for impairment of the Pivovarna Union brands and goodwill, the management carried out impairment testing of the investment in Pivovarna Union which showed that the investment's value had not changed compared to the last day of the previous year. Thus there is no need for investment impairment and consequently there is also no need for impairment of the Pivovarna Union brands. Due to the restatement of deferred tax liabilities using the 17% tax rate (instead of 20%), the value of goodwill fell by EUR 1,393,832 and on the other hand, deferred tax assets increased by that same amount. In accordance with the valuation of the investment in Pivovarna Union, which was carried out by a certified appraiser of companies as at 31 December 2013, it is clear that since the takeover and until the end of 2013, the value of the Pivovarna Union brands has in fact increased. However, in line with the adopted accounting policy whereby intangible assets are measured at cost less any impairment losses, the appreciation in the value of brands was not recognised. As at 31 December 2014, the value of Pivovarna Union brands amounts to EUR 46,461,058 and the value of goodwill to EUR 15,803,550.

Estimated value of Delo, d. d., Ljubljana

At 31 December 2014, the value of the 80.83% stake in Delo amounted to EUR 4,566.50 thousand, which is a decrease of EUR 9,731.20 thousand compared to 2013 year-end.

The carrying amount of the investment was established in a valuation performed at the request of Pivovarna Laško by KPMG poslovno svetovanje, d.o.o., to determine the fair value of the investment in Delo for the purpose of its disposal. Valuation of the investment in Delo, as at 30 June 2014, was made by a certified business appraiser, registered with the Slovenian Institute of Auditors.

The most important elements and findings of the valuation procedure are stated below:

- The subject of the valuation was the 100% stake in Delo enabling the majority owner to influence the process of adopting decisions by management bodies as well as to influence the formation of strategy and business decisions concerning, amongst other, status changes. Based on the valuation, the values of an 80.8% stake of the controlling interest and a 19.2% stake of non-controlling interest were also determined.

- The valuation was made using the data provided by the management of Delo and which were based on results of a due diligence performed, taking into account also publicly available data. The management supplied financial forecasts for the period until the end of 2016, while based on the knowledge of historic data and future expectations regarding the company's operation as well as market characteristics, the appraiser supplemented those forecasts with data until the end of 2019. All the forecasts were made under the assumption of a going concern.
- The method of the present value of expected free cash flows was used in assessing the company's market value. In addition, a financial study of the company was also performed with emphasis on the most significant and key financial statement items in order to check, verify and adjust if necessary the financial forecasts prepared by the management, to provide the basis for the cash flow calculation. To calculate the discount rate and estimate the value of the company, a macroeconomic analysis, study of the industry and the market, as well as a comparative study of competitors were also made.
- The value of 13.06% was used for the calculation of WACC, assuming a long-term minimum growth rate of Delo of 0%. Since the company's shares are not quoted on the organised stock exchange, a 20% discount rate was applied; whereas in determination of the non-controlling interest in the company, an additional 10% discount for lack of control was applied.
- The comparable transactions and comparable entities methods were also used as the supporting methods.
- High liquidation value of the company was assessed under the assumption of its urgent and compulsory sale. As part of the liquidation value assessment, the values of the company's real estate and production machinery were also estimated by two certified appraisers, both registered with the Slovenian Institute of Auditors.

Considering the aforementioned elements and assumptions, the fair value of an 80.83% controlling interest was assessed to range between EUR 4,310 thousand and EUR 4,803 thousand with an arithmetic mean of EUR 4,556.50 thousand. Considering the aforementioned elements and assumptions, the fair value of a 19.2% non-controlling interest was assessed to range between EUR 922 thousand and EUR 1,027 thousand with an arithmetic mean of EUR 975 thousand.

Brand pledging

In order to secure its borrowings from banks, the controlling company, Pivovarna Laško, pledged some of its brands in the amount of EUR 50,000,000 that are an integral part of the Group's assets. In accordance with the accounting standards, these brands are not disclosed in the financial statements. The brands of the parent company Pivovarna Laško were assessed by a certified business appraiser in 2010 and again in 2012. The brands of the Pivovarna Union and Delo subsidiaries have been pledged also within the scope of pledges on the investments in these companies. The Group pledged 440,295 (97.60%) of shares of its subsidiary Pivovarna Union and 539,536 (80.83%) shares of subsidiary Delo as collateral against long-term and short-term borrowings from banks. The total amount pledged equals EUR 166,173,480.

2. Property, plant and equipment

2014 (in EUR)	Land	Buildings	Production plant and equipment	Other plant and equipment	Small tools	Advances for FA	FA being acquired	Total
COST								
1 January 2014	**42,831,453**	**94,025,282**	**345,097,754**	**54,620,815**	**26,999,695**	**239,566**	**4,288,445**	**568,103,010**
Direct acquisitions	(27,095)	116,936	225,053	869,711	285,912	-	13,778,580	15,249,097
Transfer from assets being acquired	96,900	2,132,872	9,182,432	635,941	2,325,447	-	(14,373,591)	1
Acquisition - re-activated	-	-	-	-	36,214	-	-	36,214
Impairment reversal	736,459	-	-	-	-	-	-	736,459
Revaluation	23,544	-	-	-	-	-	-	23,544
Impairments, appreciation	-	(2,684,036)	-	-	-	-	(466,419)	(3,150,455)
Advances given	-	-	74,520	-	-	664,023	-	738,543
Transfer from use (to the off-balanc	-	-	(1,599,941)	-	-	-	-	(1,599,941)
Reclassifications	-	-	-	31,764	-	-	(39,605)	(7,841)
Disposals	(71,896)	(38,612)	(9,750,145)	(3,899,692)	(431,740)	-	-	(14,192,085)
Transfer to non-current assets held for sale - Radenska	(5,170,698)	(11,518,440)	(42,902,795)	(9,759,273)	(2,788,258)	-	(595,060)	(72,734,524)
Investment disposal - BP	(3,322,890)	(14,625,302)	(24,999,438)	(7,205,585)	-	-	(3,836)	(50,157,051)
31 December 2014	**35,095,777**	**67,408,700**	**275,327,440**	**35,293,681**	**26,427,270**	**903,589**	**2,588,514**	**443,044,971**
ACCUMULATED DEPRECIATION								
1 January 2014	**-**	**18,260,798**	**313,052,594**	**44,932,511**	**21,791,293**	**-**	**-**	**398,037,196**
Depreciation	-	2,761,913	6,257,471	2,578,822	2,421,449	-	-	14,019,655
Transfer from use (to the off-	-	-	(1,599,941)	-	-	-	-	(1,599,941)
Reclassifications	-	-	-	4,658	59,179	-	-	63,837
Acquisitions - re-activated	-	-	-	-	36,216	-	-	36,216
Disposals	-	(257)	(9,637,556)	(3,744,425)	(431,291)	-	-	(13,813,529)
Transfer to non-current assets held for sale - Radenska	-	(4,552,193)	(37,563,728)	(8,504,928)	(2,327,380)	-	-	(52,948,229)
Investment disposal - BP	-	(11,352,495)	(16,932,440)	(5,804,369)	-	-	-	(34,089,304)
31 December 2014	**-**	**5,117,766**	**253,576,400**	**29,462,269**	**21,549,466**	**-**	**-**	**309,705,901**
CARRYING AMOUNT								
31 December 2014	**35,095,777**	**62,290,934**	**21,751,040**	**5,831,412**	**4,877,804**	**903,589**	**2,588,514**	**133,339,070**
1 January 2014	**42,831,453**	**75,764,484**	**32,045,160**	**9,688,304**	**5,208,402**	**239,566**	**4,288,445**	**170,065,814**

2013 (in EUR)	Land	Buildings	Production plant and equipment	Other plant and equipment	Small tools	Advances for FA	FA being acquired	Total
COST								
1 January 2013	**52,310,471**	**101,259,939**	**346,434,793**	**56,746,762**	**25,882,738**	**-**	**3,137,636**	**585,772,339**
Direct acquisitions	30,879	37,741	233,148	924,368	238,108	239,566	8,749,437	10,453,247
New additions	-	-	-	193,146	-	-	(193,146)	-
Transfer from assets being acquired	244,800	588,257	2,220,202	780,788	2,833,362	-	(6,667,409)	-
Acquisition - re-activated	-	-	-	-	94,155	-	-	94,155
Revaluation	(7,302,003)	(5,600,358)	-	-	-	-	(738,073)	(13,640,434)
Reclassifications	(2,246,046)	(2,157,965)	(2,697,903)	(190,134)	-	-	-	(7,292,048)
Disposals	(206,648)	(102,332)	(992,821)	(3,933,780)	(2,048,668)	-	-	(7,284,249)
31 December 2013	**42,831,453**	**94,025,282**	**345,197,419**	**54,521,150**	**26,999,695**	**239,566**	**4,288,445**	**568,103,010**
ACCUMULATED DEPRECIATION								
31 December 2012	**-**	**26,648,663**	**331,870,802**	**43,705,014**	**21,266,048**	**-**	**-**	**423,490,527**
Impairment	-	(8,025,449)	(26,025,320)	1,914,847	(47,547)		-	(32,183,469)
1 January 2013	**-**	**18,623,214**	**305,845,482**	**45,619,861**	**21,218,501**	**-**	**-**	**391,307,058**
Additions	-	-	-	120,396	94,155	-	-	214,551
Depreciation	-	2,892,606	8,169,447	3,061,364	2,504,623	-	-	16,628,040
Revaluation	-	(3,233,464)	-	4,466	-	-	-	(3,228,998)
Disposals	-	(21,558)	(962,335)	(3,873,576)	(2,025,986)	-	-	(6,883,455)
31 December 2013	**-**	**18,260,798**	**313,052,594**	**44,932,511**	**21,791,293**	**-**	**-**	**398,037,196**
CARRYING AMOUNT								
31 December 2013	**42,831,453**	**75,764,484**	**32,144,825**	**9,588,639**	**5,208,402**	**239,566**	**4,288,445**	**170,065,814**
1 January 2013	**52,310,471**	**82,636,725**	**40,589,311**	**11,126,901**	**4,664,237**	**-**	**3,137,636**	**194,465,281**

Compared to the last day of 2013, the value of property, plant and equipment of the Group decreased by EUR 36,555,935 to EUR 133,339,070, which is mainly the result of the relevant depreciation expense in the amount of EUR 14,019,655. Property, plant and equipment is down by EUR 16,067,747 on account of the disposal of Birra Peja, Sh. a., Peć. Property, plant and equipment is also down in the first quarter of 2015 on account of the planned sale of Radenska, as the assets of Radenska with a present value of EUR 19,786,295 as at 2014 year-end were transferred in full to non-current available-for-sale financial assets in accordance with IFRS 5. The reduction of EUR 378,556 relates to disposals and write-offs of certain items of property, plant and equipment. In 2014, the Group spent EUR 15,888,308 on capital expenditure, EUR 1,868,653 or 13.3% more than the total amount of depreciation expense in 2014.

The disposal of property, plant and equipment relates to the sale and write-off of obsolete assets. Property, plant and equipment amounting to EUR 141,535 have been acquired under finance lease. The items of property, plant and equipment are measured under the revaluation model, whereas equipment and low value assets are measured at cost. No valuation of real estate was performed in 2014 (with the exception of some real estate in Ljubljana) as according to the certified appraiser of real estate, the main assumptions used in the 2013 valuation have not significantly changed.

As at 31 December 2014, the real estate appraiser certified by the Slovenian Audit Institute revalued some items of real estate for financial reporting purposes. The total impairment of all real estate amounted to EUR 466,419, while the total amount of impairment reversal amounted to EUR 760,003. The effect of revaluation to a lower fair value amounting to EUR 466.419 was recognised by the Group as an item of operating expenses from revaluation, whereas the effect of revaluation to a higher fair value amounting to EUR 736,459 was recognised by the company as an item of other operating revenue. In addition, the company recognised revaluation surplus amounting to EUR 23,544.

Gains in the amount of EUR 82,102, which the Group realised on the disposal of property, plant and equipment, is reported as an item of revaluation operating revenues, whereas EUR 94,600 of losses is reported under revaluation operating expenses.

The Group pledged property, plant and equipment whose carrying amount as at 31 December 2014 amounted to EUR 87,199,871, as collateral for short-term and long-term borrowings. The carrying amount of pledged property totals EUR 78,721,141 and the carrying amount of pledged equipment equals EUR 8,478,730. As at 31 December 2014 the Group discloses liabilities for the acquisition of property, plant and equipment in the amount of EUR 3,045,641.

3. Investment property

2014 (in EUR)	Land	Buildings	Total
COST			
31 December 2013	**458,030**	**1,073,345**	**1,531,375**
Revaluation - appreciation / impairment	468,346	3,847,364	4,315,710
1 January 2014	**926,376**	**4,920,709**	**5,847,085**
Revaluation - appreciation / impairment	(154,360)	(421,866)	(576,226)
Transfer to non-current assets held for sale - Radenska	(181,252)	(860,062)	(1,041,314)
31 December 2013	**590,764**	**3,638,781**	**4,229,545**
CARRYING AMOUNT			
31 December 2013	**590,764**	**3,638,781**	**4,229,545**
1 January 2013	**926,376**	**4,920,709**	**5,847,085**

2013 (in EUR)	Land	Buildings	Total
COST			
1 January 2013	**776,343**	**6,422,690**	**7,199,033**
Revaluation - appreciation / impairment	(493,172)	(801,329)	(1,294,501)
Reclassifications (transfer from assets for sale)	1,221,666	(1,221,666)	-
Decrease in value	-	(57,447)	(57,447)
31 December 2013	**1,504,837**	**4,342,248**	**5,847,085**
CARRYING AMOUNT			
31 December 2013	**1,504,837**	**4,342,248**	**5,847,085**
1 January 2013	**776,343**	**6,422,690**	**7,199,033**

Investment property is measured at fair value. As at 31 December 2014, the investment property valuation was assessed by the certified property appraiser, who assessed their value at EUR 4,229,545. As a result of the revaluation of property to lower fair value, their value was reduced by EUR 576,226. The Group recognised EUR 709,424 of operating expenses from revaluation and EUR 133,198 of operating revenue from revaluation. In addition, the value of the investment property of the Laško Group fell on account of the transfer of all investment property held by Radenska (of EUR 1,041,314) to non-current available-for-sale assets in accordance with IFRS 5.

Investment property also includes property which is not used for carrying out the basic activity but is leased out by the Group. As at the last day of 2014, investment property comprises the following: the "Tri lilije" sports arena, the Hotel Hum catering facilities, and holiday facilities. In 2013, during the process of ownership transformation into the property of Pivovarna Laško, holiday facilities in Croatia which include holiday home at "Ičići" and holiday facilities in Barbariga, were recognised at the amount of EUR 0 i.e. the ownership transformation was not successful. Accordingly, in 2013 Pivovarna Laško and DSU signed an Agreement on regulation of mutual relationships that specifies ownership share in the aforementioned investment property. The certified appraiser of property on 1 May 2013 assessed the market value of full ownership rights to the above property. Pivovarna Laško's investments in the renovation of the above property were assessed at EUR 530,100. The property held in Croatia is in the process of disposal.

The Group realised gains of total EUR 96,485 and losses in the amount of EUR 255,313 on account of the investment property.

Although the Group sold no investment property in 2014, activities relating to the sale of investment property continued. The companies will be selling the property not critical for the operations to ensure the solvency.

Investment property in the amount of EUR 2,924,321 has been pledged as collateral for long-term and short-term borrowings raised from banks.

The Group reports no investment property on finance lease. As at 2014 year-end, the Group reports no financial or operating liabilities relating to purchases of investment property.

4. Long-term financial investments

4. A Long-term investments in subsidiaries

(in EUR)	Share in equity	2014	2013
INTERESTS IN GROUP COMPANIES			
In Slovenia:			
Radenska Miral Radenci, d. o. o.	100.00 %	182,589	182,589
Firma Del, d. o. o., Laško	100.00 %	7,427	7,427
		190,016	**190,016**
Foreign subsidiary			
Radenska, d. o. o., Zagreb	100.00 %	4,907	4,907
Radenska, d. o. o., Beograd	100.00 %	250	250
Laško Grupa, d. o. o., Sarajevo	100.00 %	232,240	232,240
Laško Grupa, Sh. p. k., Kosovo	100.00 %	1,000	-
		238,397	**237,397**
Transfer to assets held for sale - Radenska (Miral)		(182,589)	-
Transfer to assets held for sale - LG Sarajevo		(35,875)	-
Transfer to assets held for sale - Radenska (Belgrade)		(250)	-
Transfer to assets held for sale - Radenska (Zagreb)		(4,907)	-
		(223,621)	**-**
Total		**204,792**	**427,413**

Data on the subsidiaries

(in EUR)	Principal activity	Country company	Percentage holding in equity	Value total equity 31 Dec 2014	Profit/ loss 2014
Subsidiaries					
Radenska, d. d., Radenci	beverage production	Slovenia	87.162 %	65,032,005	2,366,578
Union Group	beer production and beverages production	Slovenia	98.078 %	83,529,318	10,354,061
Vital Mestinje	beverage production	Slovenia	96.920 %	3,471,355	(21,823)
Delo Group	newspaper and publishing	Slovenia	100.000 %	12,150,271	(1,310,782)
Firma Del, d. o. o., Laško	beer production	Slovenia	100.000 %	15,215	(39)
Jadranska Pivovara - Split, d. d.	beer production	Croatia	99.460 %	(152,347)	(159,088)
Laško Grupa, d. o. o., Zagreb	trade intermediation	Croatia	100.000 %	102,714	204,682
Laško Grupa, d. o. o., Sarajevo	trade intermediation	Bosnia and Her.	100.000 %	188,345	25,609
Laško Grupa, Sh. p. k., Kosovo	trade intermediation	Kosovo	100.000 %	20,651	19,651

In accordance with IAS 27, the Group measures long-term investments in the subsidiaries according to the cost model.

Due to their material irrelevance, the following companies are not included in the consolidation: Firma Del, d. o. o., Laško, Laško Grupa, d. o. o., Sarajevo and Radenska Miral, d. o. o., Radenci, Radenska, d. o. o., Zagreb and Radenska, d. o. o., Beograd. All other subsidiaries are consolidated using the full consolidation method.

Long-term investments in subsidiaries increased in 2014 by EUR 341,868 for additional acquisition of 678 shares in Pivovarna Union (EUR 277,680) and 3,683 shares in Radenska (EUR 63,188). In 2014, Pivovarna Laško founded a new company Laško Grupa, Kosovo, with a nominal capital of EUR 1,000. Since this subsidiary is not included in the consolidation due to its material irrelevance, the value of long-term investments in subsidiaries has increased by EUR 1,000. Due to the transfer of all the assets of Radenska to non-current available-for-sale assets in accordance with IFRS 5, allowances for receivables due from customers are down EUR 223,622.

For the purpose of impairment testing, the certified appraiser of companies assessed the value of the investment in Radenska and Delo as at 31 December 2014. The estimated recoverable amount of the investment in Delo as at 31 December 2014 amounted to EUR 5,541,000, reflecting a decrease of EUR 12,146,796 over the stated carrying amount. The negative difference is recognised as an impairment loss by individual companies within items of financial expenses. In the process of consolidation, these amounts were eliminated from the consolidated amount of financial expenses.

4. B. Long-term financial investments into associated companies

Data on the associated companies

(in EUR)	Activity company	Country company	Percentage Holding in equity	Value total equity 31 Dec 2014	Profit/ loss 2014
Associated companies					
Thermana, d. d., Laško	health resorts hotels and similar accommodation	Slovenia	20.630 %	713,514	(599,243)
Slopak, d. o. o., Ljubljana	waste packaging handling	Slovenia	9.750 %	812,501	410,794

Investments into associated companies are measured under the equity method. The value of investments either increases or decreases depending on the attributed profit or loss. Revaluation to higher fair value in accordance with IFRS is not recognised. Fair value of investments traded on an organised market is their quoted price on the Ljubljana stock exchange, whereas fair value of other investments is determined on the basis of value assessments.

As at 31 December 2014, long-term investments in the Group's associates include a 20.63% holding in Thermana d.d., Laško comprising a total of 645,003 shares, and a 29.22% holding in Slopak, d.o.o., Ljubljana. Based on the valuation of both investments performed in the past, as at 31 December 2014 their value equals nil. The valuation of the two investments was not re-assessed as at 31 December 2014 since the assumptions used in the two valuations made in the past had not changed in 2014.

Investment in the associate Thermana, d. d.

As at 31 December 2014, the Group holds a total of 645,003 shares of Thermana, accounting for a 20.63% equity holding. The original purchase value of the investment equalled EUR 6,897,921. In the past, the investment was impaired in full.

In October 2014, composition proceedings were initiated at the proposal of Thermana. As part of the financial restructuring of this company, the receivables of financial creditors are expected to be converted into equity. The composition proceedings are still pending.

In 2014, Thermana incurred a net loss in the amount of EUR 599,243. As at 31 December 2014, the total assets of Thermana amounted to EUR 48,688,623, and its liabilities totalled EUR 47,975,109. The company's own funds only account for 1.5% of all funds, with the funds of others accounting for 98.5%.

Sales proceedings for the investment in Thermana began in 2010. The Management issued a mandate for the organisation of the sale of Thermana to NLB. An agreement on the implementation of the sale was prepared and forwarded to owners of more than 50% of the investment. In late 2011, the owners of Pivovarna Laško signed the Agreement on the joint sale of the Thermana shares (a 51.96% stake). NLB as the sales broker commenced sales activities. Since none of the potential buyers opted to purchase the company, the sales proceedings were temporarily halted in 2012.

Investment into the associated company Slopak, d. o. o., Ljubljana

As at 2014 year-end, the Group holds a 29.22% stake in Slopak. In the past, the investment was fully impaired due to the company's negative operating result and poor financial position. The company generated a profit of EUR 410,794 in 2014. As at 2014 year-end, the company's assets amount to EUR 2,642,033, while its liabilities amount to EUR 1,829,532. Of all assets liabilities, the company's own funds account for 30.8%, the remaining 69.2% belonging to others.

4. C. Available-for-sale financial assets

(in EUR)	2014	2013
Other investments in shares and interests at cost	720,539	808,179
Other investments in shares and interests at fair value	463,395	399,468
Total	**1,183,934**	**1,207,647**
Transfer to assets held for sale - Radenska	(201,868)	-
Total	**982,066**	**1,207,647**

Movements of available-for-sale financial assets

(in EUR)	2014	2013
At 1 January	**1,207,647**	**1,249,643**
Changes during the year:		
Revaluation	27,203	-
Impairment	(47,166)	(41,996)
Sales	(3,750)	-
Transfer to non-current assets held for sale - Radenska	(201,868)	-
At 31 December	**982,066**	**1,207,647**

As at the last day of 2014, available-for-sale financial assets amount to EUR 982,066, which is a reduction of EUR 225,581 compared to the previous year, mainly as a result of the transfer of the assets of Radenska (of EUR 201,868) to non-current available-for-sale assets.

As at 31 December 2014, available-for-sale financial assets comprise the following investments: Davidov hram (EUR 240,000), Skupna pokojninska družba (EUR 120,087 - this investment was disposed of in early 2015), Geoplin (EUR 104,485), Novi center Brdo (EUR 103,824), Investicijski skladi (EUR 350,188) and Gorenjski glas (EUR 49,685).

4. D. Long-term financial lease receivables

(in EUR)	2014	2013
Long-term financial lease receivables	518,013	287,276
Total	**518,013**	**287,276**

Long-term financial lease receivables refer to the production equipment for the Bandidos brand which was leased under a finance lease to a business partner from Belarus, and packaging leased under finance lease to Birra Peja, S. h. a., Peć. The receivable due from the Belarus business partner as at 2014 year end amounts to EUR 277,700, while the receivable due from Birra Peja amounts to EUR 240,314. The receivables relating to the financial lease of the Bandidos production equipment fall due on 15 October 2015 and will be paid by the due date according to the partner's assurances. We are currently negotiating with Birra Peja the manner and timeframe of their repayment of the liabilities stemming from the financial lease of the packaging.

5. Long-term loans granted

(in EUR)	2014	2013
Other long-term loans	224,548	283,544
Long-term deposits	2,100,000	-
Long-term loans to Infond Holding and Center Naložbe	-	17,100,000
Less impairments	-	(17,100,000)
Total	**2,324,548**	**283,544**

Long-term loans granted, which amount to EUR 224,548 as at 2014 year-end, fell during the year by EUR 58,996 on account of loan repayments.

Other long-terms loans granted primarily refer to long-term housing loans granted by the Group to its employees. The interest rate on average equals a 6-month EURIBOR + 1%. The repayment period is 20 years. The last repayment is due in 2022. In 2014, Pivovarna Union approved one its employees a loan of EUR 9,000.

As at the last day of 2014, long-term loans include a deposit of EUR 2,100,000 placed by Pivovarna Union and which was transferred in 2014 from short-term deposits. In 2011, the controlling entity Pivovarna Laško agreed a contract for temporary sale of securities with Pivovarna Union as a co-obligor and pledger of a deposit amounting to EUR 2,000,000 as collateral.

Total amount of long-term loans granted to Center Naložbe in the past by Radenska and Pivovarna Union amounting to EUR 17,100,000, and which was impaired in the entire amount in 2009, was in 2014 completely written-off. The bankruptcy estate of both companies was fully distributed in 2014 and no additional payments are expected.

6. Long-term operating receivables

(in EUR)	2014	2013
Long-term operating receivables due from others	2,093,036	2,196,510
Transfer to assets held for sale - Radenska	(2,109)	-
Total	**2,090,927**	**2,196,510**

The Group's long-term operating receivables as at 31 December 2014 include the receivable of EUR 2,087,824 due from the state on account of overpaid concession fee for pumping of water over the period from 2005 to 2013. The receivable was recognised by the Group pursuant to amendment to the Waters Act in 2013; the decision of the relevant state authority has not been issued by the date of the financial statements approval. The state will refund this overpayment over 29 years.

7. Long-term deferred tax assets

(in EUR)	2014	2013
Long-term deferred tax assets	47,344,502	47,004,882
Long-term deferred tax liabilities	(13,417,587)	(15,672,141)
Transfer to assets held for sale - Radenska	(4,158,871)	
Net Long-term deferred tax assets	**29,768,044**	**31,332,741**

Long-term deferred tax assets and liabilities are calculated on the basis of temporary differences, using the liability method and by applying the 17% tax rate.

As of 31 December 2014, the Group discloses net long-term deferred tax assets amounting to EUR 29,768,044, a decrease of EUR 1,564,699 compared to the previous year. Long-term deferred tax assets increased in 2014 mainly on account of investment impairment and the increase in tax losses, while they reduced due to the transfer of the deferred tax assets of Radenska to non-current available-for-sale assets in accordance with IFRS 5 and on account of the reversal of impairments of investments sold in 2014.

Movement of deferred tax assets

(in EUR)	Provisions	Liabilities to employees	Fair value (financial assets)	Other	Total
DEFERRED TAX ASSETS					
1 January 2013	**49,979**	**766,276**	**32,213,799**	**1,659,567**	**34,689,621**
Changes in the profit or loss	81,893	(104,249)	9,603,792	2,708,691	12,290,127
Changes in the statement of comprehensive income	-	(1,817)	88,455	4,404	91,042
31 December 2013	**131,872**	**660,210**	**41,906,046**	**4,372,662**	**47,070,790**
Changes in the profit or loss	1,424	364,797	(14,945,849)	14,741,060	161,432
Changes in the statement of comprehensive income	-	162,512	(68,475)	18,243	112,280
31 December 2014	**133,296**	**1,187,519**	**26,891,722**	**19,131,965**	**47,344,502**
Transfer to non-current assets held for sale - Radenska	(84,968)	(62,996)	(3,681,259)	(1,018,794)	(4,848,017)
31 December 2014	**48,328**	**1,124,523**	**23,210,463**	**18,113,171**	**42,496,485**

As at 31 December 2014, deferred tax assets are disclosed related to financial investment impairment amounting to EUR 23,203,402, related to severance grants and jubilee awards of employees in the amount of EUR 1,124,523, related to the tax losses in the amount of EUR 18,509,374 and other amounting to EUR 4,372,662.

Deferred tax assets on account of tax losses incurred by Jadranska pivovara - Split in the amount of HRK 19,921,035 or EUR 2,601,336 were not included in the deferred tax assets of the Group since the subsidiary no longer expects taxable profits to be available in the future against which tax losses could be utilised. Taking into account the 20% tax rate, the deferred tax assets relating to the tax loss would amount to EUR 520,267.

Deferred tax assets that impact the profit or loss increased by EUR 962,563 compared to the previous year (this applies to the entire Group including the companies whose profit or loss statements are included in the continued operations). Deferred tax assets were increased by EUR 2,577,983 on account of impairment of investments performed in 2014. On sale of investments which were impaired in the past and the impairment losses were not included in the tax basis, the Group derecognised the entire amount of deferred tax assets amounting to EUR 16,826,064. On disposal of investments, the Group included impairment losses recognised in the past in its tax basis and accordingly, in 2014 individual group companies recognised tax losses amounting in total to EUR 106,649,077 (inclusive of tax losses recognised by Radenska). Accordingly, the Group recognised deferred tax assets amounting to EUR 18,130,343 considering a 17% tax rate.

Movement of deferred tax liabilities

(in EUR)	Fair value (land buildings)	Fair value (brands)	Other	Total
DEFERRED TAX LIABILITIES				
1 January 2013	**4,947,804**	**10,056,316**	**468,363**	**15,472,483**
Changes in the profit or loss	76,352	43,401	(41,400)	78,353
Changes in the statement of comprehensive income	121,349	-	-	121,349
Changes in equity	(41)	-	-	(41)
31 December 2013	**5,145,464**	**10,099,717**	**426,963**	**15,672,144**
Changes in the profit or loss	(21,586)	(807,507)	43,608	(785,485)
Changes in the statement of comprehensive income	(75,199)	-	-	(75,199)
Changes in equity	(41)	(1,393,832)	-	(1,393,873)
31 December 2014	**5,048,638**	**7,898,378**	**470,571**	**13,417,587**
Transfer of liabilities related to the disposals group of assets - Radenska	689,146	-	-	689,146
31 December 2014	**5,737,784**	**7,898,378**	**470,571**	**14,106,733**

As at 31 December 2014, deferred tax liabilities amounted to EUR 14,106,733 and were recognised on account of revaluation of the Pivovarna Union brands (EUR 7,898,380) and on account of the revaluation of property owned by the Group in the amount of EUR 5,737,784. In the statement of financial position, deferred tax assets are decreased by the amount of deferred tax liabilities.

8. Non-current assets held for sale

(in EUR)	2014	2013
Other non-current assets held for sale	5,146,807	9,208,603
IFRS 5 reclassification - Radenska assets	37,280,238	-
Total	**42,427,045**	**9,208,603**

As of 31 December 2014, the value of non-current assets held for sale equals EUR 42,427,045. Pursuant to IFRS 5 (discontinued operations), the entire assets of the subsidiary Radenska in the amount of EUR 37,280,238 and the entire assets of Jadranska pivovara - Split in the amount of EUR 5,146,807 are also included in the group of assets held for disposal. As at the last day of 2013, non-current assets included total assets of Jadranska pivovara amounting to EUR 6,115,153 as well as the investment in Večer amounting to EUR 3,098,000.

Non-current assets of Večer, d. d.

a) Procedures for the sale of the investment in Večer, d. d., Maribor

The subsidiary Delo acquired a 59.2395% stake in ČZP Večer in 2008, thus becoming the 79.2376% owner of the aforementioned company. Delo had no voting rights from the ownership of ČZP Večer shares surpassing 16.95% pursuant to Article 44 of the Prevention of Restriction of Competition Act.

With the decision of 23 September 2009, the Competition Protection Office requested from the newspaper Delo to finally dispose of the shares in ČZP Večer to eliminate the effects of the prohibited concentration. Initially, the deadline for the enforcement of the decision was one year; however, it can be extended upon the written justified request of Delo. The last request for extension of the term until 31 December 2013 was rejected by the CPA, which on 5 August 2013 issued a resolution stating that the decision of 23 September 2009 became enforceable as of 1 August 2013. Accordingly, at the end of 2013 Delo strengthened its activities relating to the sale of its investment in Večer and kept the Slovenian Competition Prevention Agency regularly informed of the progress.

A public auction for the sale of ČZP Večer shares was held in February 2014, but was unsuccessful. Intense negotiations were in progress over a period from March to June 2014 with all potential investors and in addition, a due diligence of ČZP Večer was also performed. On 10 July 2014, the sales agreement for the full 79.24% stake in ČZP Večer, Maribor, was concluded for EUR 1 million. The sale was finalised on 3 October 2014 when the buyer, Dober večer d. o. o. paid the last part of consideration in accordance with the contract. The contract envisages future cooperation between the seller and the buyer in the field of printing and publishing. The buyer accepted a commitment to, within six months of the date the shares were transferred, agree with the seller an annex to the current printing contract, extending its validity until 31 December 2017. Should the annex not be signed for reasons of the buyer, the buyer is obligated to pay additional consideration to the seller amounting to 30% of the agreed consideration or EUR 300 thousand.

Non-current assets of Radenska, d. d.

a) Procedures relating to the sale of the stake in Radenska, Radenci

Pursuant to the Restructuring and Standstill Agreement, concluded on 29 July 2013 by the management boards of Pivovarna Laško, Pivovarna Union and Radenska, the maturity of all existing loans was extended to 30 April 2014 at the earliest; subsequently the Long-term debt restructuring agreement until 31 December 2016 was also signed.

To attain sustainable level of financial debt, in 2014 the Laško Group of companies continued activities aimed at debt restructuring including deleveraging of all investments which are not crucial for the performance of the Group's principal activity. Three new key milestones were agreed, all of which are important for achievement of a sustainable level of debt. To achieve the second milestone, the Group had to accept commitment to sell Radenska.

On 1 September 2013, UniCredit CAIB as the sale consultant began procedures for the sale of the stake in Radenska. In September, a teaser was sent to potential investors. Potential investors who signed the NDA received the IM in October. The non-binding bids were received in November and in December 2013 Management pitches were held at the company's headquarters. In January 2014, due diligence reviews and negotiations with the investors on the contents of the sales agreement were underway. We received binding bids by late April 2014 and began discussions with investors regarding the transaction structure. In accordance with the restructuring agreement, performed additional due diligence and audited annual report 2013, a joint binding bid was received in June 2014 from two investors, followed by price negotiations and reconciliation of the contract, which began in July 2014. On 19 December 2014 an agreement for the sale of 3,812,023 shares of Radenska d.d. Radenci representing a 75.31% stake in the company was agreed with Kofola, družba za upravljanje, d. o. o., and Kofola S.A as the guarantor. The Agreement was agreed under a number of suspensive conditions which had to be fulfilled before the transaction could be finalised.

The sale was carried out in a transparent international two-phase process of public tender for the selection of bids.

The sale was expected to close within three months of singing the Share purchase agreement, when all the suspensive conditions were expected to be fulfilled by both the seller and the buyer.

At its session on 19 January 2015, the Supervisory Board of Pivovarna Laško gave its consent to the sale of the stake in Radenska. The Supervisory Board's consent was one of the suspensive conditions for the transaction to be finalised.

The proceeds from the sale of the stake in Radenska were received on 17 March 2015 after fulfilment of all the suspensive conditions, and this represents the fulfilment of one of the covenants agreed in the Restructuring and Standstill Agreement.

b) Estimated value of Radenska, d. d., Radenci

The book value of an 87.16% stake in Radenska (75.31% plus 11.85%) was EUR 46,535,646 as at 31 December 2014, which is less than the consideration agreed in the contract, which was signed on 19 December 2014 and the transaction was expected to be completed in March 2015. As at 31 December 2014 some of the suspensive conditions stipulated in the sales agreement had not been fulfilled, the most important being the Pivovarna Laško Supervisory Board's consent to the transaction, and the approval of the relevant regulatory bodies. The transaction was successfully closed on 17 March 2015, and the proceeds amounted to EUR 59,959,393 or EUR 13.59 per share. More detailed information on the transaction is included in the section entitled Subsequent events.

Non-current assets of Jadranska pivovara – Split, d. d.

a) Procedures in the case of a sale of the 99.46% stake in Jadranska pivovara – Split, d. d.

After several years of unsuccessful attempts to sell the entire company as a joint stock company and the asset deal, the Management Board decided in the second half of 2012 to sell the production-technical equipment of Jadranska pivovara.

Most production equipment was sold and the proceeds received in the first half of 2014. Procedures relating to the disposal of the remaining production equipment and transforming the company from a public limited company into a private limited company are still pending.

b) Valuation of Jadranska pivovara – Split, d. d.

The long-term investment in Jadranska pivovara - Split was fully impaired already in 2009. As a result its value as at 31 December 2014 amounts to EUR nil.

The fair value of real estate, machinery and equipment was verified as at 31 December 2014 by certified appraisers of real estate and equipment. The assessed liquidation market value of property is EUR 3,874,140, which is included in the consolidation, whereas the market value of the equipment is estimated to amount EUR 677,750.

9. Inventories

(in EUR)	2014	2013
Material and raw materials	11,831,073	12,677,894
Work in progress	2,135,145	2,461,296
Products	5,657,217	6,280,074
Merchandise	544,870	463,705
Advances for inventories	37,067	36,030
Transfer to assets held for sale - Radenska	(2,980,846)	-
Total	**17,224,526**	**21,918,999**

The value of inventories on the last day of 2014 amounted to EUR 17,224,526. In 2014, the value of inventories fell by EUR 4,694,473 compared to the previous year. Compared to the last day of the previous year, the value of inventories of raw materials and materials decreased by EUR 846,821, the inventories of work in progress by EUR 326,151 and the inventories of finished products by EUR 622,857. The decrease of EUR

2,980,846 relates to the transfer of all inventories of Radenska to non-current available-for-sale assets in accordance with IFRS 5.

The carrying amount of inventories does not exceed their realisable value.

In 2014, inventory allowances of total EUR 37,082 were recognised due to the write-off of obsolete inventories.

Inventory surpluses and deficits

(in EUR)	2014	2013
Inventory surplus	30,761	12,194
Inventors deficit	(23,644)	(33,098)

The regular physical stock count established inventory surpluses amounting to EUR 30,761 and deficits amounting to EUR 23,644.

10. A. Short-term operating receivables

(in EUR)	2014	2013
Short-term trade receivables:		
on domestic market	42,822,497	49,293,009
on foreign markets	8,720,636	5,636,987
Less impairments	(5,728,354)	(5,944,770)
Total	**45,814,779**	**48,985,226**
Short-term operating receivables due from others	3,406,297	3,681,733
Receivables for excess corporate tax payment	-	15,192
Advances	(60,892)	1,485,828
Less impairments	(1,202,282)	(1,206,998)
Receivables at 31 December	**47,957,902**	**52,960,981**
Transfer to assets held for sale - Radenska	(5,350,835)	-
Receivables at 31 December	**42,607,067**	**52,960,981**

As at 31 December 2014, the Group reports short-term operating receivables of EUR 42,607,067, which is a decrease of EUR 10,353,914 compared to the last day of the previous year. EUR 5,350,835 of that reduction relates to the transfer of the receivables of Radenska to non-current available-for-sale assets. Compared to the previous year, the short-term operating receivables of the entire Group are down by EUR 5,003,079. Receivables due to Slovenian companies are down EUR 6,470,512, while receivables due to foreign companies are up EUR 3,083,649.

The reported value of short-term operating and other receivables reflects their fair value.

Allowances for short-term operating receivables

(in EUR)	2014	2013
At 1 January	**5,944,770**	**6,238,132**
Written-off receivables recovered	(141,583)	(444,001)
Final write-off of receivables	(369,520)	(578,730)
Allowances made during the year	188,688	458,827
Increase in allowances for disputed	89,165	189,567
Interest transfer to disputed	3,131	80,975
Sale of Birra Peja	(6,778)	-
Other	20,481	-
Total	**5,728,354**	**5,944,770**
Transfer from/to non-current assets held for sale - Radenska	(720,631)	-
At 31 December	**5,007,723**	**5,944,770**

Allowances for receivables due from customers of the entire Group were down by EUR 216,416 in 2014. Trade receivable allowances fell by EUR 369,520 in 2014 as a result of a final write-off of receivables and also on account of EUR 141,583 of receivables which were recovered. Additional allowances were made in 2014 on account of disputed receivables amounting to a total EUR 277,853. Due to the transfer of all the assets of Radenska to non-current available-for-sale assets, allowances for receivables due from customers are down EUR 720,631.

Trade receivables in the amount of EUR 13,284,409 are collateralised by the guarantees, sureties and mortgages received. The Group's foreign trade receivables are insured with the Slovenian Export Corporation (EUR 2,360,162) and the Dardania, J. S. C. insurance company from Kosovo (EUR 1,750,000). Guarantees from customers amount to EUR 6,171,000, mortgages EUR 3,300,000 and sureties EUR 2,500,000.

As at 31 December 2014, the Group has pledged receivables totalling EUR 20,630,462 as collateral for its borrowings.

10. B. Short-term receivables for excess corporate tax payment

(v EUR)	2014	2013
Terjatve za preveč plačan davek od dohodka	1.465.456	351.495
Skupaj	**1.465.456**	**351.495**

Short-term receivables for excess payment of corporate income tax refer mainly to excess income tax prepayments calculated on the basis of the liabilities of Pivovarna Union for 2013. In 2014, most of the Group companies reported a tax loss in the total amount of EUR 89,315,427.

11. Short-term available-for-sale assets

(in EUR)	2014	2013
Short-term available-for-sale financial assets - at fair value	2,673,549	74,738,430
Short-term available-for-sale financial assets - at cost	-	919,808
Total	**2,673,549**	**75,658,238**

As at the last day of 2014, the value of short-term financial assets available for sale equals EUR 2,673,549. Short-term available-for-sale financial assets include investment in shares of Elektro Maribor in the amount of EUR 2,402,901 or 5.74%; investment in Elektro Gorenjska worth EUR 270,648 or 1.6%; investment in shares of Premogovnik Velenje (7.09%), which was valued at EUR 919,808 as at the last day of 2013 and which was fully impaired in 2014; and investment in shares of Ceste mostovi Celje (5.49%), the value of which was also fully impaired in 2014.

Investment in Poslovni sistem Mercator, d. d., Ljubljana

In 2014 the Group sold a total 878,840 MELR shares or 23.34% stake in Poslovni sistem Mercator; of which Pivovarna Laško held an 8.43% stake, Pivovarna Union a 12.33% stake and Radenska a 2.57% stake. The shares were sold at EUR 86 per share and the Group received consideration totalling EUR 75,580,326. As at the last day of 2013, the investment was restated to the stock price of a MELR share of EUR 82 recognised in the amount of EUR 72,064,962. Upon the disposal of Poslovni sistem Mercator shares, the value of short-term available-for-sale financial assets fell by EUR 72,064,962 in 2014.

On 14 June 2013, the consortium of sellers of the stake in Poslovni sistem Mercator (hereinafter: Mercator) comprised of Pivovarna Laško, Pivovarna Union, Radenska, NLB, Nova KBM, Gorenjska banka, Prvi faktor – Faktoring, Banka Koper, Hypo Alpe-Adria Bank, NFD, Banka Celje, and NFD holding (hereinafter: consortium of sellers) concluded with Agrokor, d. d. (hereinafter: Agrokor) an Agreement on the sale and purchase of a total 53% share in Mercator (hereinafter: SPA); an Annex to the SPA was concluded on 28 February 2014.

The signing of the SPA was a result of an extensive negotiations led by the London team of International Investment Bank ING Bank N. V. The negotiations ran in accordance with international good practice aiming to include all potential investors in the process. Transparency of the process as well as maximising benefits for all Mercator's stakeholders were ensured.

Closing of the transaction, resulting in the proceeds being paid, was tied to several conditions, including obtaining the relevant regulatory approvals, the rescheduling of Mercator's debt, and Laško Group companies concluding an Escrow Agreement with the crediting banks with collateral on MELR shares.

On 27 June 2014, the process for the sale of the 53% equity stake held by the consortium of sellers in Mercator was concluded.

Agrokor paid a total of EUR 172 million to the consortium of sellers for their 53% stake in Mercator.

The proceeds of EUR 75,580,326, which the Laško Group received for its 23.34% share, was earmarked for repayments to the crediting banks.

The profit on the sale, less transaction costs, amounted EUR 2,936,190 and is disclosed under financial revenue.

Impairments of the available-for-sale financial assets

In 2014, the impairment of RLVG shares (Premogovnik Velenje) of EUR 919,808 was recognised as financial expenses.

Movement of short-term financial assets available for sale

(in EUR)	2014	2013
At 1 January	75,658,238	112,630,152
Changes during the year:		
Impairment	(919,808)	(36,971,914)
Disposal (MELR)	(72,064,880)	(6,182,655)
At 31 December	**2,673,550**	**69,475,583**

The Group pledged 1,922,321 shares (5.74%) of Elektro Maribor and 270,648 shares (1.6%) of Elektro Gorenjska; the total amount pledged equals EUR 2,673,549.

12. Short-term granted loans

(in EUR)	2014	2013
Short-term deposits	5,217,978	6,320,902
Interest on loans to others	56,752	21,598
Less impairments - interest	(20,363)	(20,363)
Short-term loans	729,133	79,774,733
Less impairments	(513,906)	(79,621,763)
At 31 December 2014	**5,469,594**	**6,475,107**
Transfer to assets held for sale - Radenska	(4,224,082)	-
At 31 December 2014	**1,245,512**	**6,475,107**

As at 31 December 2014, the Group (including Radenska) reports EUR 5,217,978 of short-term deposits, EUR 729,133 of short-term loans issued, and EUR 513,906 of impairment loss recognised on the loans issued. In 2009, the Laško Group (the Fructal Group was also included – the value of the loan issued was EUR 9,400,000) granted short-term loans to companies that were then its parent companies, namely the total EUR 92,050,000 of which EUR 54,250,000 was granted to Infond Holding and EUR 37,800,000 to Center Naložbe. In 2009, the Group recognised impairment loss on account of loans issued and disclosed financial expenses as a result of the publication of insolvency and the introduction of bankruptcy proceedings against both related companies. In 2013, the companies of the Laško Group received EUR 3,391,018 as repayment of loans issued from bankruptcy estate of Center naložbe, d. d. - v stečaju and of Infond Holding, d. d. - v stečaju. The final allocation of bankruptcy estate was made in 2014 and accordingly, the Laško Group received loan repayments of total EUR 811,878. The remaining outstanding amount of loans and allowances for loans amounting to EUR 88,445,979 were derecognised from the books of account of the Group companies.

Movement of short-term loans issued

The interest rate on short term deposits ranges from 1.66% to 3.62% whereas for short-term loans issued the agreed interest rate is 5.5%.

The disclosed value of short-term loans reflects their fair value.

(in EUR)	Opening balance 1 Jan 2014	Opening balance adjustment	New loans 2014	Transfer to long-term loans	Repayments 2014	Impairment	Write-off	Write-off of impairment	Closing balance 31 Dec 2014
Deposits	6,320,902	-	11,452,076	2,100,000	10,455,000	-	-	-	5,217,978
Issued loans	79,594,208	(79,476,469)	169,412	-	(941,434)	869,509	(78,445,979)	78,445,979	215,226
Total	**85,915,110**	**(79,476,469)**	**11,621,488**	**2,100,000**	**9,513,566**	**869,509**	**(78,445,979)**	**78,445,979**	**5,433,204**

13. Cash and cash equivalents

(in EUR)	2014	2013
Cash at bank	5,454,984	2,804,329
Cash in hand and cheques	32,667	73,326
Cash in foreign currency	38,911	65,246
Cash in transit	89,925	61,822
Transfer to non-current assets held for sale - Radenska	(426,698)	-
Total	**5,189,789**	**3,004,723**

Cash at bank, cheques and cash on hand reflect their fair value. There was a reduction in cash and cash equivalents in 2014 on account of transfer of EUR 426,698 of cash and cash equivalents of Radenska to short-term assets designated for sale. Nevertheless, the amount of cash and cash equivalents has increased compared to the previous year-end by EUR 2,185,066.

14. Short-term accruals and prepaid expenditure

(in EUR)	2014	2013
Deferred cost and accrued income	990,613	856,090
Transfer to assets held for sale - Radenska	(3,528)	-
Total	**987,085**	**856,090**

Short-term accruals and prepaid expenditure refer to short-term deferred costs or expenses and short-term revenues not charged.

15. Equity of the owners of the controlling stake

The capital of the Group consists of called-up capital, share premium, profit reserves, retained earnings or accumulated loss, surplus from the revaluation of financial assets classified as assets of disposal group and also transitionally undistributed profit for the financial year or the outstanding loss for the financial year.

Share capital is shown as shareholders' equity (capital from stakes or capital contribution). Share capital is divided into called-up share capital and uncalled share capital. Uncalled share capital is deductible from share capital.

Called-up capital of the Group is defined in the Articles of Association and equals EUR 36,503,305. It is divided into 8,747,652 ordinary transferable nominal no-par-value shares. Each share gives its owner a voting right at the annual General Meeting of Shareholders and the right to participate in the profit.

As at 31 December 2014, share premium amounted to EUR 2,566,955. In the past, share premium was created from the surplus of capital paid-in based on two capital injections that exceeded the nominal value of paid-in shares and on the basis of the general capital revaluation adjustment. The value of the surplus amount of capital paid-in amounted to EUR 79,231,564 and the value of the general capital revaluation adjustment totalled EUR 23,146,157. In the past and in 2014, share premium was used to cover losses totalling EUR 99,810,726.

The reserves include legal reserves of EUR 3,650,331, reserves for treasury shares of EUR 669,571 and treasury shares as deductible amounting to EUR 669,571. Legal reserves may be used exclusively to cover losses and for capital injections. In 2014, the value of reserves remains unchanged. Treasury shares are composed of the PILR, RARG and PULG shares. On the last day of 2014, the Group's treasury shares comprised 19,891 of PILR shares, 85 PULG shares and 19,236 RARG shares. The value of PILR shares as of 31 December 2013 amounts to EUR 467,439 and the value of the shares owned by the subsidiaries amounts to EUR 202,132. Pivovarna Laško holds no treasury shares as at 31 December 2014. In 2014, reserves for treasury shares increased due to the revaluation totalling EUR 387.676.

In 2013, the Group settled net accumulated loss brought forward from past periods amounting to EUR 72,940 as at 31 December 2013 against share premium. Retained earnings reduced in 2014 by EUR 178,428 on account of the negative effect of the difference between the higher cost and lower value of the related capital of the non-controlling interest relating to acquisition of PULG and RARG shares. On the other hand, retained earnings increased by EUR 562.722 of property depreciation, while the revaluation surplus was reduced by that same amount.

Revaluation surplus increased by EUR 781,600 of the effect of property revaluation to a higher fair value; by EUR 13,257 on account of revaluation of investments; and by EUR 234,545 of deferred tax assets. At the same time the revaluation surplus was decreased on account of EUR 1,043,358 of actuarial gains/losses recognised on post-employment benefits and by EUR 562,722 of property revaluation.

16. Equity of the owners of the non-controlling stake

On the last day of 2014, the capital of the non-controlling interests amounts to EUR 10,661,619 and compared to 2013 it increased by EUR 857,338. The capital increased by net profits generated in 2014 amounting to EUR 295,827 and by EUR 758,039 of the effect of final consolidation on the sale of Birra Peja. At the same time the capita decreased by EUR 156,740 as a result of the sale of the stake in the equity of Radenska and Pivovarna Union to the controlling entity Pivovarna Laško, and by EUR 43,533 of dividends paid.

17. Provisions and long-term accrued costs and deferred revenue

(in EUR)	2014	2013
Other provisions	8,560,678	8,587,422
Provisions for retirement grants and jubilee awards	6,620,613	5,293,279
Long-term accrued costs and deferred revenue	52,333	48,927
Total	**15,233,624**	**13,929,628**
Transfer to liabilities for non-current assets held for sale - Radenska (provisions for termination benefits and jubilee awards)	(874,360)	-
Transfer to liabilities for non-current assets held for sale - Radenska (other provisions)	(4,207,000)	-
Total	**10,152,264**	**13,929,628**

As at 31 December 2014, provisions and long-term accrued costs and deferred revenue amount to EUR 10,152,264. Year-on-year comparison shows that considering the entire Group inclusive of Radenska, provisions increased by EUR 1,303,996 predominantly on account of the increase in provisions for termination benefits and jubilee awards. Due to a transfer of total amount of liabilities of Radenska amounting to EUR 5,081,360 to liabilities of disposal group in accordance with IFRS 5, provisions and accrued and deferred items decreased by EUR 3,777,364 compared to the last day of 2013.

As at the last day of 2014, provisions include EUR 4,353,678 of provisions for underpayment of concession fee by Pivovarna Laško and Vital relating to the period from 2005 to 2013. The provisions were recognised by the two companies pursuant to the amendment to the Waters Act adopted in 2013. The concession fee is payable over a period of 29 years in equal annual payments increased by the relevant interest. The governing body's decree regulating the aforementioned levies for the past periods was issued in 2014 and appealed by both companies.

Provisions for redundancy payments and years of service awards amount to EUR 5,746,253 as at 2014 year-end. Long-term accruals and deferred income of EUR 52,333 as at 31 December 2014 mainly refer to the exemptions in respect of the payment of contributions for the disabled above the quota.

The amount of provisions for retirement and jubilee rewards as at 31 December 2014 was calculated by an authorised actuary. Provision calculation was made for each individual employee by taking into account the amount of termination benefit on retirement which an individual is entitled to under the Employment contract, and the cost of all expected jubilee wards for total years of service with the company until retirement. The actuary considered the following assumptions in the calculation:

- In accordance with the collective and individual employment contracts, employees are entitled to termination benefits on retirement equal to two average gross wages in Slovenia in the past three months, or equal to three employee's wages if the latter is more beneficial for individual employee.
- In addition, jubilee benefits are payable in accordance with the collective and individual employment contacts taking into account total years of service, namely: jubilee awards equal to 50%, 75% or 100% of the average gross wages in the company for the past three months are payable for each 10, 20, 30 or 40 years of total years of service;
- a 0.5% annual growth in wages was taken into account for the period from 2015 to 2017 (past service allowance). Thereafter, a 2% annual growth in wages was considered which is equal to a zero growth in wages when taking into account the target inflation in the Euro zone;
- a 1.3% increase in termination benefits and jubilee awards in accordance with the Decree on the levels of reimbursed work-related expenses not to be included in the tax base is taken into account for the ear 2015, a 1.8% increase for 2016 and a 3% annual increase thereafter;
- the calculation of provisions for severance payments is tied to the years of pensionable service of each individual employee;
- the annual discount rate is 1.9%;
- employee turnover depends in particular upon the their age;
- employees' death rate was considered using the mortality tables of the Slovenian population in 2007;
- the present value of the employer's liabilities relating to classification of an employee as a redundant worker equals the present value of the liabilities for severance payments;
- it is assumed that the employees will utilise their right to the old-age pension and therefore, the obligation to pay jubilee awards to an employee subsequently according to the projection, will not arise.

Based on actuarial calculation, the Group recognised in the profit or loss unrealised actuarial gains on account of severance payments in the amount of EUR 1,062,608, current employee benefit costs amounting to EUR 102,243, and interest expenses in the amount of EUR 144,605. Regarding jubilee awards, the Group recognised in the profit or loss current employee benefit costs, interest expense and actuarial gains totalling EUR 461,862.

Movement of provisions and accruals and deferred income

(in EUR)	Termination benefits on retirement	Jubilee awards	Disabled above quota	Other	Total
At 1 January 2014	**3,525,694**	**1,766,802**	**49,711**	**8,587,420**	**13,929,627**
Increase - formation	1,251,590	461,861	81,770	168,848	1,964,069
Decrease - utilisation	(101,686)	(204,220)	(79,148)	(180,340)	(565,394)
Decrease - reversal	(58,450)	(20,977)	-	(15,250)	(94,677)
Total	**4,617,148**	**2,003,466**	**52,333**	**8,560,678**	**15,233,625**
Transfer to liabilities for non-current assets held for sale - Radenska	(603,870)	(270,490)	-	(4,207,000)	(5,081,360)
At 31 December 2014	**4,013,278**	**1,732,976**	**52,333**	**4,353,678**	**10,152,265**

In 2014 the Group additionally set aside provisions for retirement benefits and jubilee awards of total EUR 1,931,727, whereas provisions in the amount of EUR 385,533 were reversed.

Other provisions of the entire Group (inclusive of Radenska) are roughly at the level recorded in the previous year. As a result of transfer of Radenska provisions to non-current assets held for sale, total amount of provisions decreased by EUR 4,207,000 of transferred amount.

Long-term accruals and deferred income decreased in 2014 on account of utilisation of exemption for disability pension insurance for disabled persons in the amount of EUR 79,148, and increased on account of the exemption of payment of contributions for the disables amounting to EUR 49,428.

18. Long-term financial liabilities

(in EUR)	2014	2013
Long-term bank borrowings	107,537,375	68,740,558
Other long-term financial liabilities	26,438	18,132
Long-term borrowings from other companies	38,560	30,835
Total	**107,602,373**	**68,789,525**
Transfer to short-term financial liabilities	(1,867,442)	(51,563,985)
Total	**105,734,931**	**17,225,540**

Maturity of long-term borrowings from banks

(in EUR)	2014	2013
Maturity from 4 to 6 years	626,000	-
Maturity from 2 to 4 years	3,684,315	4,666,743
Maturity from 1 to 2 years	101,359,617	12,853,122
Short-term amounts of long-term borrowings	1,867,442	51,274,965
Total	**107,537,374**	**68,794,830**

Movement of long-term borrowings from banks

(in EUR)	Principal amount 1 January 2014	Transformaion of short-term	New loans 2014	Transfer from short-term	Transfer to short-term and current part of liab.	Repayments 2014	Principal 2014	Amounts maturing 2015	Long-term part
Bank	67,367,433	215,799,043	42,850	3,227,362	32,042	59,299,312	227,105,334	121,522,124	105,669,933
Other lenders	48,967	-	16,031	-	-	-	64,998	-	64,998
Total	**67,416,400**	**215,799,043**	**58,881**	**3,227,362**	**32,042**	**59,299,312**	**227,170,332**	**121,522,124**	**105,734,931**

As at 31 December 2014 the Group reported EUR 107,537,375 of long-term borrowings from banks. Of that, EUR 1,867,442 matures in 2015. The short-term portion of long-term loans is disclosed under short-term borrowings. Pursuant to the applicable contracts, most (EUR 101,359,617 of long-term borrowings mature within a period of two years, whereas a further EUR 3,684,315 of long-term borrowings mature within four years and the remaining EUR 626,000 between four and six years.

On average, the fixed interest rate for long-term borrowings in 2014 amounted to between 3.5% and 4.96%, which on average equals the 6-month EURIBOR + 4.8 percentage points or the 3-month EURIBOR + 4.45 percentage points.

The disclosed value of long-term financial liabilities reflects their fair value.

Long-term borrowings are fully collateralised by securities, mortgages and pledged property (detailed notes under Short-term financial liabilities).

19. Short-term operating liabilities

(in EUR)	2014	2013
Short-term liabilities to Group companies as suppliers	76,409	131,671
Short-term liabilities to other suppliers	23,171,494	24,013,994
Short-term operating liabilities to others:		
to employees	2,899,766	3,164,002
to the state	9,196,800	10,067,951
Short-term liabilities from advances	187,558	174,670
Other short-term liabilities	3,627,653	2,578,509
Total	**39,159,680**	**40,130,797**
Transfer to liabilities for non-current assets held for sale - Radenska	(3,696,417)	-
Total	**35,463,263**	**40,130,797**

As at 31 December 2014, short-term operating liabilities amount to EUR 35,463,263. Compared to 2013 year-end they are down EUR 4,667,534, mainly on account of the transfer of the operating liabilities of Radenska to liabilities for non-current assets available for sale of EUR 4,238,749. There were no significant changes in individual categories of operating liabilities of the entire Group as compared to the previous year. Supplier payables decreased by EUR 842,501, payables to the state for the increase in excise duty fell by EUR 871,151, whereas payables to employees decreased by EUR 264,236. Compared to the last day of the previous year, other short-term operating liabilities increased by EUR 1,050,703, mainly on account on deposits for packaging and fees for returnable packaging (Laško Grupa Zagreb), as well as salary deductions.

Maturity structure of trade payables

(in EUR)	2014	2013
Not past due	21,567,430	19,739,909
From 1 to 30 days past due	859,587	2,551,490
From 31 to 60 days past due	625,084	342,394
From 61 to 90 days past due	175,677	82,605
From 91 to 180 days past due	10,355	1,393,334
From 181 to 360 days past due	977	661
Due and outstanding in excess of 360 days	8,793	35,272
Total	**23,247,903**	**24,145,665**
Transfer to liabilities for non-current assets held for sale - Radenska	**3,696,417**	
Total	**19,551,486**	**24,145,665**

20. Short-term corporate tax liabilities

As at the last day of 2014, none of the group companies are reporting income tax payable since most of the companies recognised tax loss for 2014 financial year as a result of losses on sale of investments at prices which were lower than the investments' costs and which were considerably impaired in the past periods.

21. Short-term financial liabilities

(in EUR)	2014	2013
Short-term amounts of long-term financial liabilities	1,867,442	51,563,985
Interest payable on borrowings	1,241,697	2,406,050
Short-term borrowings from the Group	13,265	-
Short-term bank borrowings	119,619,990	264,773,071
Other short-term financial liabilities	(72,561)	(996,696)
Total	**122,669,833**	**317,746,410**
Transfer to liabilities for non-current assets held for sale - Radenska	(14,851)	-
Total	**122,654,982**	**317,746,410**

Movements in short-term bank borrowings

(in EUR)	Principal amount 1 January 2014	New loans 2014	Most recent Consolidation Birra Peja	Current amounts long-term Financial liabilities	Transfer from long-term borrowings	Transfer to long-term borrowings	Repayments and renegotiated 2014	Outstanding 31 Dec 2014
Short-term bank borrowings	266,860,472	3,630,237	(4,415,852)	121,435,401	41,554	219,671,736	46,392,644	121,487,432
Total	**266,860,472**	**3,630,237**	**(4,415,852)**	**121,435,401**	**41,554**	**219,671,736**	**46,392,644**	**121,487,432**

As at 31 December 2014, short-term financial liabilities of the Laško Group total EUR 122,654,982, of which EUR 121,487,432 relates to borrowings raised from banks. Compared to the last day of the previous year, short-term borrowings from banks decreased by EUR 194,849,624.

The Group pledged 539,516 shares (80.83%) of Delo, 4,399,803 shares (86.92%) of Radenska, 440,295 shares (97.6%) of Pivovarna Union, 1,922,321 shares (5.74%) of Elektro Maribor, 270,648 shares (1.6%) of Elektro Gorenjska, and 645,003 shares (20.6%) of Thermana. The carrying amount of the pledged shares as at 31 December 2014 amounts to EUR 214,992,968.

Some bank borrowings are collateralised with mortgages and pledges of movable property and investment property. The carrying amount of pledged immovable and movable property and investment property as at 31 December 2014 amounts to EUR 81,645,462. In addition, borrowings from banks are collateralised with receivables amounting to EUR 20,630,000 as at 31 December 2014, and by pledges of Pivovarna Laško brands amounting to EUR 50,000,000. As at 31 December 2014, the total value of outstanding short-term borrowings from banks collateralised with shares, mortgages, pledges of movable property, investment property and receivables, equals EUR 229,024,807. All of the Group's borrowings from banks are collateralised.

The average effective interest rate for the short-term borrowings ranges as fixed from 4.96% to 6% or as variable 1- to 6-month EURIBOR increased by 4.25 to 4.5 percentage points.

The disclosed value of short-term financial liabilities reflects their fair value.

22. Short-term accrued costs and deferred income

(in EUR)	2014	2013
Short-term accrued costs and deferred income	6,651,114	6,154,229
Transfer to liabilities for non-current assets held for sale - Radenska	(481,479)	-
Total	**6,169,635**	**6,154,229**

The liabilities related to the holiday entitlement not taken, severance pay for redundant workers, excise duty on unsold products kept in the warehouse and other short- term deferred revenues are disclosed under short-term accruals and deferred income. Compared to the 2013 year-end, short-term accruals and deferred income increased by EUR 496,886. Following a transfer of accrued costs and deferred income of Radenska to liabilities of disposal group, short-term accrued costs and deferred income amount to EUR 6,169,636, which is roughly at the level recorded in the previous year.

23. Operating revenues and expense

Operating revenues and expenses relate to the continued operations, therefore to the companies of the Laško Group excluding Radenska, Birra Peja, and Jadranska pivovara - Split. The result of the latter were recognised as the profit or loss from discontinued operations in compliance with IFRS 5. For comparative purposes, the operating results of the aforementioned companies in 2013 were also adjusted and recognised as an item of discontinued operations, whereas in the 2013 Annual Report they were recognised as an item of continued operations.

23. A. Net sales revenues

(in EUR)	2014	2013
Revenue from the sale of products and services on domestic market	171,787,794	181,102,474
Revenue from the sale of products and services on foreign markets	38,341,603	31,630,607
Revenues from the sale of material and merchandise on dom. market	5,126,227	6,154,852
Revenues from the sale of material and merchandise on for. markets	187,054	250,484
Total	**215,442,678**	**219,138,417**

(in EUR)	2014	2013
Net sales on the domestic market	176,914,021	187,257,326
Revenue from sales in foreign markets	38,528,657	31,881,091
Total	**215,442,678**	**219,138,417**

Compared to the previous year, net sales revenues of continued operations are down EUR 3,696,139 or 1.7%. Net sales revenues on the local market decreased by EUR 10,343,305 or 5.14%, whereas net sales revenue on foreign markets increased by EUR 6,647,166 or 20.9%. In 2014, the Group generated 82.1% of total sales revenue on the local market compared to 85.5% in 2013. The share of net sales revenues generated on export markets stood at 17.9% in 2014, compared to 14.5% in 2013.

The biggest share of revenues on foreign markets is generated on the markets of former Yugoslavia in particular in Croatia, but also the share of sales on the EU markets has been on the increase.

23. B. Other operating revenues (including operating revenues from revaluation)

(in EUR)	2014	2013
Revenue from reversal of provisions	79,428	126,074
Other operating revenue	2,208,376	5,479,167
Revaluation operating revenue from current assets	101,976	465,061
Revaluation operating revenue from non-current assets	40,563	69,885
Total	**2,430,343**	**6,140,187**

Compared to the previous year, net sales revenues of the continued operations amount to EUR 2,430,222 and are down EUR 3,709,965 or 60.4%. Other operating revenue includes revenues on the default interest charged to customers, the revaluation of investment real estate to higher fair values, the reimbursement of environmental taxes and excise duties, revenue from the disposal of fixed assets, the recovery of receivables for which allowances were made in previous years, revenues from reversal of provisions, received subsidies, bankruptcy estate payments, and others. In 2013, these revenues included, in addition to the above, revenues related to the excess payment of water concession fee for the period from 2005 to 2013 in the amount of EUR 2,189,775.

23. C. Costs and other operating expenses

(in EUR)	2014	2013
Costs of materials, raw materials and merchandise	79,468,098	81,503,377
Costs of services	55,229,916	54,845,686
Amortisation and depreciation expense	11,604,774	12,938,569
Revaluation operating expense from current assets	7,999,680	10,353,185
Revaluation operating expense from non-current assets	269,940	727,695
Employee benefit costs	30,116,428	30,644,906
Social security contributions on salaries	5,268,094	5,926,401
Other costs of labour	6,425,602	5,025,323
Costs of provisions	25,500	16,003
Other operating expenses	6,160,385	9,865,531
Total	**202,568,417**	**211,846,676**

Operating expenses of EUR 202,568,417 in 2014 are down EUR 9,278,259 or 4.4% on the 2013. Costs of raw materials and materials are down 2.5%, mainly on account of lower purchasing prices of some raw materials, transport materials and non-returnable packaging, while this is in part the result of more rational use. Lower prices of electricity and natural gas, as well as lower use of natural gas, significantly impacted lower costs of materials, which are down by approximately 15% despite increased sales.

The cost of services from continued operations are roughly at the level recorded in the previous year. Marketing costs have increased and account for 34% of total costs of services, as have costs of services, selling expenses, costs of consultancy services, cost of maintenance and costs other services. Due to the change in the method of beverages delivery to customers, the largest drop was recorded in the cost of transportation. Year-on-year comparison shows a significant decline in the cost of banking services relating to borrowings. This is due to the fact that these costs are recorded as an item of financial expenses, whereas in 2013 they were reported as an item of operating expenses.

Payroll costs are down by EUR 528,478 compared to the previous year as are levies paid on salaries (a decline of EUR 658,307), while other labour costs are up EUR 1,400,279 as a result of increased payment and accruals of severance paid to redundant workers, provisions for termination benefits and jubilee awards, and bonuses paid to employees in Pivovarna Union on celebration of 150 years of the company.

In 2014, the depreciation and amortisation costs decreased by EUR 1,333,795 compared to 2013 as a consequence of the low investment activity in recent years. Revaluation operating expenses were recognised on account of impairment of the Delo brands amounting to EUR 4,750,048, which decreases the value of intangible assets, and as a result of property revaluation to a lower fair value amounting to EUR 3,249,632.

Environmental costs, such as water concession fees, land taxes, packaging fees, water rates, environmental taxes for waste packaging and electronic equipment, account for the greatest share of other operating expenses. In 2013, other operating expenses were up 60% as they included, in addition to those mentioned above, a liability for water concession fees underpaid between 2005 and 2013 of EUR 5,576,805.

23. D. Financial income and expense

(in EUR)	2014	2013
FINANCIAL INCOME less foreign exchange differences	**3,631,369**	**4,443,440**
Financial income from shares in the profits	220,758	467,013
Financial income from loans	(62,742)	561,391
Financial income from operating receivables	316,576	511,765
Financial income from investment disposal/impairment reversal	2,615,749	-
Financial income from reversal of loan impairments	541,028	2,903,271
FINANCIAL EXPENSE less foreign exchange differences	**(18,253,137)**	**(50,433,733)**
Financial expenses due to impairment and write-off of investments	(2,195,425)	(33,602,558)
Financial expenses for financial liabilities	(15,885,354)	(16,510,093)
Financial expenses for operating liabilities	(172,358)	(321,082)
FOREIGN EXCHANGE RATE DIFFERENCES on financing	**746**	**(1,466)**
Foreign exchange losses	(1,046)	(1,927)
Foreign exchange gains	1,792	461
Net financial expenses	**(14,621,022)**	**(45,991,759)**

The Laško Group recorded EUR 3,633,161 of financial income from continued operations in 2014; majority (72%) relates to EUR 2,615,749 of capital gains from disposal of investment in shares of Poslovni sistem Mercator. The amount does not include capital gains of Radenska amounting to EUR 326,138 since the entire operating profit of the company is reported in disclosure 25 Discontinued operations.

In 2014, the Group recognised financial income amounting to EUR 541,028 from the final allocation of the bankruptcy estate of Infond Holding - v stečaju and Center Naložbe - v stečaju. In 2013, financial income from allocation of the bankruptcy estate amounted to EUR 2,903,271.

In 2014, the financial expenses of the Laško Group amounted to EUR 18,254,183 and exceed financial revenues by EUR 14,621,022. Financial expenses for interest from bank borrowings amounted to EUR 13,571,362. Financial expenses for financial liabilities include EUR 2,313,992 of expenses incurred on restructuring of borrowings. The Group recognised EUR 2,195,425 of financial expenses on account of investment impairment in 2014. Majority of these expenses relate to capital losses on the sale of investment in Večer.

24. Income tax

24. A. Tax on continued operations

(in EUR)	2014	2013
Current tax	1,224	1,609,371
Deferred tax	(1,207,501)	(9,908,429)
Total	**(1,206,277)**	**(8,299,058)**

From continued operations the Group discloses a corporate tax expense amounting to EUR 1,224 and an increase in deferred tax assets of EUR 1,207,501.

The income tax of the Group differs from the theoretical tax amount which would arise if the basic tax rates of the domestic country were used. The tax base is calculated as a difference between taxable revenues and taxable expenses at the level of each individual company in the Group. If taxable expenses exceed taxable revenues, the company will show a tax loss which can be covered by future taxable income. The following companies in the Laško Group generated uncovered tax loss as at 31 December 2014 that will be covered by future taxable income: Pivovarna Laško: EUR 53,182,483, Pivovarna Union: EUR 34,098,137 and Delo: EUR 14,989,569. The total tax loss relating to the Group's retained operations amounts to EUR 102,270,189 as at 2014 year-end, while the associated deferred tax assets amount to EUR 17,385,932. Further details on the deferred tax assets are disclosed under Note 7. Long-term deferred tax assets.

The tax base is reduced by tax deductions related to:

- Fiscal benefits for research and development;
- Fiscal benefits for voluntary supplementary pension insurance;
- Fiscal benefits for the employment of disabled persons and
- Fiscal benefits deductions for donations.

The tax authorities may, at any time within a period of five years after the end of the year for which a tax assessment was due, carry out an inspection of the company's operations, which may lead to assessment of additional tax liabilities, default interest and penalties regarding corporate income tax or other taxes and levies. The management of the Company is not aware of any circumstances that could result in a significant tax liability.

Deferred tax which affects profit or loss is shown in the table of movements in deferred tax assets and in the table of movements in deferred tax liabilities.

24. B. Tax on discontinued operations

(in EUR)	2014	2013
Deferred tax	244,938	(2,318,991)
Total	**244,938**	**(2,318,991)**

25. Discontinued operations

Profit or loss account from discontinued operations

(in EUR)	2014	2013
Discontinued operation		
Net sales revenues	36,145,471	47,881,223
Change in inventories of products and work in progress	478,180	(456,923)
Other operating revenue	876,926	2,726,920
Costs of goods, materials and services	(23,408,169)	(31,307,797)
Employee benefit costs	(6,931,990)	(8,459,978)
Amortisation of intangible assets and depreciation of property, plant and equipment	(3,409,878)	(4,680,859)
Costs of provisions	(10,217)	(1,340,000)
Write-downs	(29,296)	(5,290,714)
Other operating expenses	(776,132)	(2,316,608)
OPERATING PROFIT OR LOSS	**2,934,895**	**(3,244,736)**
Financial income	678,026	2,422,950
Financial expenses	(1,630,533)	(7,737,351)
PROFIT OR LOSS BEFORE TAX	**1,982,388**	**(8,559,137)**
Deferred tax	(244,938)	2,318,991
NET PROFIT OR LOSS OF THE YEAR FROM DISCONTINUED OPERATIONS	**1,737,450**	**(6,240,146)**
Net profit /loss per share from discontinued operations		
Net profit/loss per share	0.20	(0.71)
Diluted net profit/loss per share	0.20	(0.71)

26. Sale of the shares of Birra Peja, Peć

26. A. Proceeds received

The contractually-agreed proceeds on the sale of the subsidiary Birra Peja amount to EUR 14,750,000. On 16 July 2014, the transaction was successfully concluded by the satisfaction of the suspensive conditions agreed in the sales agreement and the transfer of proceeds for the share and claim amounting to EUR 13,000,000. The remaining claim of EUR 1,750,000, which is collateralised and bears interest, is expected to be paid within one year.

In accordance with the Restructuring and Standstill Agreement, the proceeds were used to effect pro-rata disbursement to the crediting banks of Pivovarna Union.

26. B. Net assets discontinued

(in EUR)	2014
ASSETS	
Intangible assets	28,575
Property, plant and equipment	16,067,747
Inventories	3,788,149
Short-term available-for-sale assets	35,231
Short-term operating receivables	3,123,205
Cash and cash equivalents	94,907
Short-term accruals and prepaid expenditure	28,634
Total assets	**23,166,448**
LIABILITIES	
Provisions and long-term accrued costs and deferred revenue	15,250
Long-term financial liabilities	10,247
Short-term financial liabilities	4,696,065
Short-term operating liabilities	4,861,755
Short-term accrued costs and deferred income	428,569
Total liabilities	**10,011,886**
NET ASSETS	**13,154,562**

26. C. Profit on the disposal of a subsidiary

(in EUR)	2014
Proceeds received	12,656,243
Net assets	13,154,562
Profit on the disposal of a subsidiary	**(498,319)**

26. D. Net cash flow on the disposal of a subsidiary

(in EUR)	2014
Proceeds received as cash	1,784,581
Cash alienated	94,907
Profit on the disposal of a subsidiary	**1,689,674**

27. Exchange rate differences

Exchange rate differences from operations and financing considered in the profit or loss are as follows:

(in EUR)	2014	2013
Foreign exchange differences from operations	14,826	8,439
Foreign exchange differences from financing	746	(1,698)
Total	**15,572**	**6,741**

28. Net profit / loss per share from continued operations

(in EUR)	2014	2013
Equity of the owners of the controlling interest	1,936,012	(23,917,465)
Number of ordinary shares issued	8,747,652	8,747,652
Treasury shares	19,891	19,891
Weighted number of ordinary shares issued	8,727,761	8,727,761
Net profit or loss per share	**0.22**	**(2.74)**
Adjusted net profit or loss per share	**0.22**	**(2.74)**

The net loss per share from continued operations is calculated by dividing net revenue which belongs to the shareholders of the controlling interest by the weighted average number of shares on the market during the year, with the exception of the average number of treasury shares.

29. Changes in other comprehensive income

(in EUR)	2014	2013
Financial assets available for sale	15,198	(93,136)
Revaluation of real estate	799,465	(3,434,740)
Deferred tax on account of revaluation	56,981	(137,965)
Translation reserve	-	(24,236)
Unrealised actuarial gains / losses from post-employment benefits	(881,855)	(132,752)
OTHER COMPREHENSIVE INCOME	**(10,211)**	**(3,822,829)**

30. Dividends per share

The controlling company Pivovarna Laško did not pay out dividends in 2014 (2013: no dividend paid). However, dividends were paid by the subsidiary Pivovarna Union. Accordingly, EUR 43,533 of dividends was paid to the owners of the non-controlling interests.

31. Business combinations - acquisition of a dominant influence

No business combinations occurred in 2014.

4.4.6 FINANCIAL INSTRUMENTS AND RISKS

31. Financial risks

31. A. Credit risk

The carrying amount of financial assets represents exposure to credit risk.

Credit risk exposure

(in EUR)	2014	2013
Issued loans	3,570,060	6,758,651
Investments	529,556	287,276
Receivables less amounts due from the state and advances given	41,311,292	51,281,913
thereof trade receivables	36,817,385	48,985,226
Cash and cash equivalents	5,189,789	3,004,724
Total	**50,600,697**	**61,332,564**

Credit risk comprises all risks having an effect on decreasing the economic benefits of the Group due to the insolvency of business partners, both customers and borrowers, which could lead to non-fulfilment of their contractual liabilities. To this end, the receivables are constantly monitored by business partner and maturity and the collection, reminders and charging interest on arrears and also the recovery through enforcement of judicial decisions contribute to better payment discipline of the Group's customers. The Laško Group manages the credit risk also by collateralising its receivables on foreign markets. Receivables from more risky partners on the domestic and foreign markets are additionally collateralised by bank guarantees and mortgages, and by insuring them with the SID insurance undertaking. When such security cannot be provided with certainty, business is conducted on the basis of advance payments.

Receivables due from our major wholesalers on the local market are only partly collateralised and subsequently, there is a large credit risk exposure to this particular segment. Over the entire 2014 financial year the payment discipline of our major buyers worsened, which caused constant and daily liquidity problems. Our largest customers are especially prone to payment delays, thus generating additional liquidity difficulties. We estimate that there is a considerable risk of the increase in payment indiscipline in 2015, which is the consequence of the financial crisis in all segments of the economy. The management believes that the credit risk is increasing due to fierce economic conditions.

Investments disclosed in the table comprise only financial lease receivables.

Maturity of trade receivables

(in EUR)	2014	2013
Not past due	33,888,858	30,567,614
Up to 30 days	8,642,984	11,379,196
From 31 to 60 days past due	1,037,610	1,587,206
From 61 to 90 days past due	227,418	1,478,521
Maturity more than 90 days	7,746,263	9,917,459
At 31 December	**51,543,133**	**54,929,996**
Transfer to non-current assets held for sale - Radenska	(5,717,613)	-
At 31 December	**45,825,520**	**54,929,996**

Compared to 2014 year-end, the balance of trade receivables has fallen by EUR 9,104,476; however, a major part of this relates to the transfer of trade receivables due from Radenska to non-current available-for-sale assets. Comparing trade receivables including those due from Radenska, they are down by EUR 3,386,863 or 6.2%. Receivables that have not yet matured are up EUR 3,321,244 or 11%, which is partly due to increased scope of sales and partly due to extension of contractually agreed payment terms and conditions. Receivables not yet mature account for 65.7% of all trade receivables. Most matured receivables are in the group of maturity up to 30 days (16.8%) and those with maturity in excess of 90 days (15%). A legal action was started against most of receivables with maturity exceeding 90 days and allowances were recognised and charged to profit or loss. Detailed monitoring of receivables that have matured and appropriate response ensure efficient credit risk management.

Trade receivables in the amount of EUR 13,284,409 are collateralised by the guarantees, sureties and mortgages received. The Group's foreign trade receivables are insured with the Slovenian Export Corporation (EUR 2,360,162) and the Dardania, J. S. C. insurance company from Kosovo (EUR 1,750,000). Guarantees from customers amount to EUR 6,171,000, mortgages EUR 3,300,000 and sureties EUR 2,500,000.

As at 31 December 2014, the Group has pledged receivables totalling EUR 20,630,462 as collateral for its borrowings.

32. B. Liquidity risk

With regard to financial risks, monitoring liquidity risk, which is the risk of loss due to short-term and long-term insolvency, is of particular significance. To avoid problems with the current liquidity, the Group manages the liquidity risk, drafts and implements a policy of regular liquidity management including the planning of cash outflows and sufficient inflows. The controlling entity Pivovarna Laško is exposed to the highest liquidity risk.

Monitoring of the fundamental financing and liquidity ratios pursuant to Article 14 of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act, which prescribes criteria under which an entity is deemed insolvent, is particularly important and necessary in ensuring effective liquidity risk management. Regular monitoring of an entity's liquidity position is of particular importance as it ensures timely response and helps to avoid unfavourable consequences of an emerging liquidity crisis.

Due to the signing of the Restructuring and Standstill Agreement and the successful disinvestment, the liquidity situation has improved; however, in view of the difficult situation on financial markets and the entire economic environment, the Group's exposure to liquidity risk is still very high and requires special attention.

As at 2014 year-end, the Laško Group records an excess of short-term assets over short-term liabilities in the amount of EUR 60,176,910. On the last day of the previous year, the surplus of short-term liabilities over short-term assets amounted to EUR 194,688,006. The negative excess has been therefore reduced by EUR 134,511,096. The reason lies in the repayment of some borrowings with the proceeds from the sale of investments and the reclassification of short-term loans into long-term loans. By concluding the Restructuring and Standstill Agreement at the end of April 2014, the Group rescheduled its borrowings until the end of 2016.

In 2014, the investments in Poslovni sistem Mercator and Birra Peja, Peć, were sold. The negative excess of short-term liabilities over short-term assets also reduced on account of the transfer of all assets and liabilities of Radenska to short-term assets and liabilities available-for-sale due to the planned sale of the company (and concluded share purchase agreement) in March 2015.

Maturity structure of trade payables

(in EUR)	2014	2013
Not past due	21,567,431	19,739,909
From 1 to 30 days past due	859,587	2,551,490
From 31 to 60 days past due	625,084	342,394
From 61 to 90 days past due	175,677	82,605
From 91 to 180 days past due	10,355	1,393,334
From 181 to 360 days past due	977	661
Maturity more than 360 days	8,793	35,272
Total	**23,247,904**	**24,145,665**
Transfer to liabilities for non-current assets held for sale - Radenska	(3,696,417)	-
Total	**19,551,487**	**24,145,665**

Maturity of short-term financial liabilities to banks

(in EUR)	2015 Principal	2015 Interest	Total
January - March	3,986,860	2,838,597	6,825,457
April - June	107,766,860	2,491,792	110,258,652
July - September	4,866,860	1,556,178	6,423,038
October - December	4,866,852	1,481,462	6,348,314
Total	**121,487,432**	**8,368,029**	**129,855,461**

Maturity of long-term financial liabilities to banks

(in EUR)	2014	2013
Maturity from 4 to 6 years	626,000	-
Maturity from 2 to 4 years	3,684,315	4,666,743
Maturity from 1 to 2 years	101,359,617	12,853,122
Short-term amounts of long-term borrowings	1,867,442	51,274,965
Total	**107,537,374**	**68,794,830**

A debt restructuring and standstill agreement was signed with the banks on 30 April 2014. Detailed information is included in Section 4.4.12 SUBSEQUENT EVENTS.

32. C. Interest rate risk

Interest rate risk is the risk of a possible change in the reference interest rate on the financial market, mainly due to borrowings linked to a variable interest rate (EURIBOR). In 2014, the decreasing tendency of the EURIBOR continued, which had a positive impact on borrowing costs linked to a variable interest rate (EURIBOR). Financing under variable interest rate conditions represents one third of all the Group's financing while the other two thirds represent borrowings with a fixed interest rate. Although the interest rate hedging of long-term debt at variable interest rates is sensible, most of the Group's borrowings mature in 2015 and 2016. Hence we will monitor developments on financial markets and take appropriate action at the right time. The management have assessed the interest rate risk as rather high but manageable.

(in EUR)	Interest	Average interest rate in %	Difference interest
Actual financial expense for interest paid	**10,994,416**	**4.84**	**-**
Expenses resulting from 1% increase in interest rates	13,265,990	5.84	2,271,574
Expenses resulting from 1% decrease in interest rates	8,722,842	3.84	(2,271,574)
Expenses resulting from 1.5% increase in interest rates	14,401,776	6.34	3,407,360
Expenses resulting from 1.5% decrease in interest rates	7,587,056	3.34	(3,407,360)

In 2014, the average interest rate of all bank loans amounted to 4.84%.

Considering the level of debt at 2014 year-end and if the average interest rate were to increase by 1% or 1.5%, finance expense would grow to EUR 2,271,574 or 3,407,360, respectively.

If the interest rate dropped by 1 or 1.5%, financial expense would decrease by EUR 2,271,574 or EUR 3,407,360, respectively.

The Group issues loans and deposits at fixed interest rates.

32. D. Price risk

The Group is exposed to price risks on the downstream side and on the upstream side.

On the downstream side, a risk is the increase of retail prices compared to the declining purchasing power of the population. The retail prices are also affected by the trade margin, the level of excise duty and value added tax. With regard to the situation in the country, there is a potential risk of increasing excise duty on alcohol and alcoholic beverages – beer, the introduction of excise duty on sweet drinks and increased rate of value-added tax. All these risks can result in increased retail prices. This increase can cause a shift of focus of consumers to cheaper products, the substitutes of our products (e.g.: shift from beer to wine since there is no excise duty on wine and is thus relatively cheaper) or a shift to shopping abroad where these duties are lower. Each drop in sales of the beer on the domestic market by 1% represents a decrease in revenues by EUR 560,000 compared to the revenues in 2014. The Company has no influence on this risk, which is assessed as significant.

Risks on the upstream side due to the exposure to the prices of input materials that depend on the individual harvest of barley, maize and hops are assessed as moderate since the impact is slightly reduced by globalisation. However, global inflation pressures of oil, poor harvests, climate changes, currency fluctuations and similar could gain in importance. The risks are minimised by including all the adequate suppliers into the supply chains within the Laško Group and thus ensure optimal prices and smooth supply.

32. E. Foreign exchange risk

Foreign exchange risk is insignificant since the majority of contracts concluded by the Group with the suppliers is expressed in EUR and therefore the changes in exchange rates have little or no direct effect on our prices. The same applies to our products that are invoiced in EUR.

32. F. Capital management

The main purpose of the management of the Group's equity is to ensure, as far as possible, the best credit rating and capital adequacy to finance the operations and to maximise the value for the owners.

Calculation of the ratio between net financial liabilities and equity (gearing ratio) at 31 December

(in EUR)	2014	2013
Financial liabilities	228,389,913	334,971,950
Cash	5,189,789	3,004,724
Net financial liabilities	**223,200,124**	**331,967,226**
Equity	62,289,213	58,213,883
Gearing ratio (in %)	**358.33**	**570.25**

The ratio between net financial liabilities and equity indicates that the Laško Group is over-indebted.

32. G. The risk of changes in fair value of financial instruments

The risk of changes in fair value of financial investments, property, plant and equipment and investment property is undoubtedly also an important financial risk. Investments are increasingly more difficult to dispose of at desirable prices that would not be significantly lower than their historical costs.

In 2014, the Group succeeded in selling some available-for-sale financial assets (the investment in the MELR shares), and thus eliminated the risks related to the fair value of available-for-sale financial assets. The investment in Večer was also sold in 2014, resulting in the elimination of the risk of further deterioration in the investment's value.

Fair value measurement of assets and liabilities (fair value hierarchy) at 31 December

(in EUR)	Book value 31 Dec 2014	Level 1	Level 2	Level 3	2014 TOTAL	Book value 31 Dec2013	Level 1	Level 2	Level 3	2013 TOTAL
Assets at fair value	**146,896,872**	**-**	**101,616,256**	**45,280,616**	**146,896,872**	**208,744,085**	**72,064,962**	**124,397,584**	**12,281,539**	**208,744,085**
Financial assets available for sale	2,673,549	-	-	2,673,549	2,673,549	75,137,898	72,064,962	-	3,072,936	75,137,898
PPE at fair value (property)	97,386,711	-	97,386,711	-	97,386,711	118,910,499	-	118,910,499	-	118,910,499
Investment property	4,229,545	-	4,229,545	-	4,229,545	5,487,085	-	5,487,085	-	5,487,085
Non-current assets held for sale	42,607,067	-	-	42,607,067	42,607,067	9,208,603	-	-	9,208,603	9,208,603
Assets measured at cost including fair value disclosure	**52,250,080**	**5,189,789**	**-**	**47,060,291**	**52,250,080**	**58,748,600**	**3,004,723**	**-**	**55,743,877**	**58,748,600**
Loans and deposits issued	1,245,512	-	-	1,245,512	1,245,512	6,758,651	-	-	6,758,651	6,758,651
Trade receivables	45,814,779	-	-	45,814,779	45,814,779	48,985,226	-	-	48,985,226	48,985,226
Cash	5,189,789	5,189,789	-	-	5,189,789	3,004,723	3,004,723	-	-	3,004,723
Liabilities measured at cost including fair value disclosure	**250,328,859**	**-**	**-**	**250,328,859**	**250,328,859**	**357,581,895**	**-**	**-**	**357,581,895**	**357,581,895**
Borrowings	227,157,365	-	-	227,157,365	227,157,365	333,567,901	-	-	333,567,901	333,567,901
Trade payables	23,171,494	-	-	23,171,494	23,171,494	24,013,994	-	-	24,013,994	24,013,994

The Group measures fair value of assets and liabilities in the statement of financial position according to the following fair value hierarchy:

- level 1: assets and liabilities whose fair value is determined based on market inputs (without adjustments) observed on active stock markets,
- level 2:assets and liabilities whose fair value is determined based on inputs other than quoted market prices that are observable directly or indirectly,
- level 3: assets and liabilities whose fair value is determined based on valuation techniques using unobservable inputs.

4.4.7 SEGMENT REPORTING

33. Segment reporting

33. A. Business segments

Business segments are divided into four parts and are presented separately for the segments of beer, other drinks, newspaper and publishing activities and other activities.

The other segment contains the sale of services, by-products and merchandise. This segment includes all investments that fall outside the core business of the Group. The liabilities of the other segment include the value of financial liabilities as of 31 December 2012 that the Group assumed for the financing of investments (including the loans granted to the companies Center Naložbe and Infond Holding the value of which was completely impaired in 2009 following the non-settlement of financial liabilities).

2014 (in EUR)	Beer	Other beverages	Newspaper publishing activity	Other	Total
Net sales by segments	130,313,444	52,960,077	45,073,914	23,240,714	**251,588,149**
Net sales revenues	**130,313,444**	**52,960,077**	**45,073,914**	**23,240,714**	**251,588,149**
Profit or loss from operations	**21,576,930**	**2,085,710**	**(6,238,537)**	**861,550**	**18,285,653**
Net financial expenses					(15,573,530)
Profit or loss before tax					**2,712,123**
Income tax					(1,224)
Tax payable					962,563
Profit or loss for the year					**3,673,462**
Assets by segment	155,955,034	65,272,362	26,267,895	42,414,001	**289,909,292**
Brands	46,460,507	-	-	-	**46,460,507**
Goodwill	15,803,548	-	-	-	**15,803,548**
Liabilities by segment	174,634,351	29,167,061	82,282,194	3,800,528	**289,884,134**
Investments	9,482,652	3,162,433	220,169	2,583,165	**15,448,419**
Costs not impacting cash flows	9,280,672	3,682,029	1,828,363	223,588	**15,014,652**

2013 (in EUR)	Beer	Other beverages	Newspaper Publishing Activity	Other	Total
Net sales by segments	142,632,178	51,974,583	46,306,836	26,106,443	**267,020,040**
Net sales revenues	**142,632,178**	**51,974,583**	**46,306,836**	**26,106,443**	**267,020,040**
Profit or loss from operations	**31,736,179**	**(2,173,981)**	**(4,629,213)**	**(14,402,482)**	**10,530,503**
Net financial expenses					(51,306,161)
Profit or loss before tax					**(40,775,658)**
Income tax					(1,609,371)
Tax payable					12,227,420
Profit or loss for the year					**(30,157,609)**
Assets by segment	177,643,154	77,750,558	32,154,837	98,534,259	**386,082,808**
Brands	46,461,058	-	4,750,048	-	**51,211,106**
Goodwill	17,197,380	-	-	-	**17,197,380**
Liabilities by segment	191,702,062	42,688,102	86,787,072	75,100,175	**396,277,411**
Investments	6,948,364	2,464,789	341,779	1,065,771	**10,820,703**
Costs not impacting cash flows	9,965,654	4,997,039	1,892,982	763,753	**17,619,428**

Sales by geographic segments are disclosed under Note 33. B.

33. B. Geographical segments

(in EUR)	2014	2013
Net sales		
Slovenia	207,522,148	231,628,133
Foreign markets	44,066,001	35,391,907
Total	**251,588,149**	**267,020,040**
Assets		
Slovenia	275,834,247	348,128,252
Foreign markets	14,075,045	37,954,556
Brand (Slovenia)	46,460,507	51,211,106
Goodwill (Slovenia)	15,803,548	17,197,380
Total	**352,173,347**	**454,491,294**
Investments		
Slovenia	15,319,689	10,030,238
Foreign markets	128,730	790,465
Total	**15,448,419**	**10,820,703**

Net sales revenues on foreign markets were mainly realised on the markets of former Yugoslavia and the assets on foreign markets relate exclusively to the assets on the markets of former Yugoslavia.

4.4.8 RELATED PARTY TRANSACTIONS

34. Transactions with related parties

34. A. Sales to related companies

(in EUR)	2014	2013
Subsidiaries	14,400	71,566
Associates	140,739	168,160
Total	**155,139**	**239,726**

34. B. Purchases from related companies

(in EUR)	2014	2013
Subsidiaries	348,635	516,498
Associates	339,981	511,469
Other related parties	-	85,724
Total	**688,616**	**1,113,691**

34. C. Operating receivables and liabilities – related companies

(in EUR)	2014	2013
Trade receivables due from related companies		
Subsidiaries	2,862	54,592
Associates	18,885	13,737
Total	**21,747**	**68,329**
Trade payables to related companies		
Subsidiaries	35,360	65,504
Other related parties	64,540	65,059
Total	**99,900**	**130,563**

34. D. Loans acquired from the companies of the Laško Group

(in EUR)	2014	2013
Other related parties	13,461	13,255
Total	**13,461**	**13,255**

34. E. Loans issued to the companies of the Laško Group

(in EUR)	2014	2013
Subsidiaries	150,568	-
Total	**150,568**	**-**

34. F. Financia revenue from the companies of the Laško Group

(in EUR)	2014	2013
Subsidiaries	3,151	-
Other related parties	-	37,222
Total	**3,151**	**37,222**

34. G. Guarantees issued to associated companies

(in EUR)	2014	2013
Subsidiaries	-	871,921
Total	**-**	**871,921**

4.4.9 REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS AND THE EMPLOYEES WITH INDIVIDUAL CONTRACT OF EMPLOYMENT

The Group is managed by the management boards and supervisory boards whose remuneration is presented in the tables below:

(in EUR)	2014	2013
MANAGEMENT BOARD		
Fixed remuneration	1,366,191	1,396,240
Other receipts (benefits)	46,414	58,945
Variable remuneration (incentive pay)	58,784	-
Jubilee awards	-	1,536
Total	**1,471,389**	**1,456,721**

(in EUR)	Fixed part	Other receipts (benefits)	Variable part (bonuses)	Total
MANAGEMENT BOARD				
Dušan Zorko	186,400	7,491	257	194,148
Milan Hojnik	133,868	1,845	-	135,713
Mira Močnik	91,281	5,137	-	96,418
Sebastjan Gergeta	18,526	-	-	18,526
Boris Matijaščić	80,515	-	-	80,515
Zlatko Bebić	42,384	-	-	42,384
Marjeta Zevnik	138,400	3,432	11,757	153,589
Irma Gubanec	132,000	1,761	-	133,761
Mirjam Hočevar	138,400	9,509	23,257	171,166
Gorazd Lukman	138,400	7,381	11,757	157,538
Nada Jakopec	96,000	4,184	-	100,184
Slavko Alojz Bogataj	74,001	1,543	-	75,544
Matej Oset	138,400	4,130	11,757	154,287
Total	**1,408,575**	**46,413**	**58,785**	**1,513,773**

(in EUR)	2014	2013
INDIVIDUAL CONTRACTS OF EMPLOYMENT		
Fixed remuneration	2,763,935	2,962,207
Other receipts (benefits)	87,336	115,910
Variable remuneration (incentive pay)	114,566	91,400
Jubilee awards	3,043	5,007
Termination benefits	95,000	20,492
Total	**3,063,880**	**3,195,016**

(in EUR)	2014	2013
SUPERVISORY BOARD'S AUDIT COMMITTEE - attendance fees		
Jože Bajuk	5,600	-
Peter Groznik	-	5,040
Bojan Cizej	4,100	4,760
Igor Teslić	4,162	4,921
Total	**13,862**	**14,721**

(in EUR)	2014	2013
SUPERVISORY BOARD'S BENCHMARKING COMMITTEE - attendance fees		
Dragica Čepin	2,220	-
Goran Branković	3,220	-
Keith Miles	1,250	-
Total	**6,690**	**-**

(in EUR)	2014	2013
SUPERVISORY BOARD'S HR COMMITTEE - attendance fees		
Janez Škrubej	-	-
Borut Jamnik	-	3,440
Goran Branković	1,220	-
Jože Bajuk	1,220	-
Borut Bratina	-	2,440
Dragica Čepin	1,220	2,440
Total	**3,660**	**8,320**

(in EUR)	2014	2013
SUPERVISORY BOARD'S COMMITTEE FOR MATERIAL REVIEW - attendance fees		
Peter Groznik	-	426
Bojan Cizej	-	426
Dragica Čepin	-	426
Jože Bajuk	-	451
Total	**-**	**1,729**

(in EUR)	2014	2013
SUPERVISORY BOARD MEMBERS OF THE LAŠKO GROUP - attendance fees		
Brigita Oplotnik Rajh	27,245	6,714
Bojan Cizej	27,341	31,800
Dragica Čepin	51,065	52,457
Borut Bratina	-	11,573
Peter Groznik	30,474	37,426
Mirjam Hočevar	-	11,150
Borut Jamnik	-	11,083
Franko Lipičar	15,070	15,300
Goran Brankovič	25,156	6,062
Vladimir Malenković	20,750	30,201
Enzo Smrekar	-	4,658
Dominik Omar	13,870	14,200
Terezija Peterka	15,950	15,070
Primož Mlekuš	14,750	13,850
Jože Bajuk	16,465	5,670
Pavel Teršek	13,870	14,200
Janez Škrubej	91	-
Marjeta Zevnik	19,650	10,114
Robert Šega	-	15,502
Branimir Piano	13,650	15,850
Jure Ferlin	13,650	15,850
Matjaž Zupin	-	-
Sebastjan Gergeta	-	-
Total	**319,047**	**338,730**

4.4.10 CONTINGENT LIABILITIES AND ASSETS

The Management Boards of the Laško Group of companies do not expect any significant losses from contingencies described below.

A lawsuit brought against Pivovarna Laško by MIP

On 21 March 2013 the Company received a lawsuit brought by MIP, d. o. o., Gornji Vakuf, Uskoplje, which was lodged by the plaintiff's attorney Matej Erjavec from Ljubljana for the payment of EUR 1,135,481.43.

In the action, the plaintiff demands the payment of damages relating to the loss of profits incurred by the plaintiff due to unjustified withdrawal from the Sales contract worth EUR 1,085,481.43, and damages for the loss of reputation in the amount of EUR 50,000.00.

On 22 April 2013 the Company issued a defence plea stating that the plaintiff's claim was unfounded. The court of first instance has not ruled on this matter yet.

Lawsuit brought by Perutnina Ptuj, d.d. for payment of EUR 10,116,488.71 plus costs and interest

The plaintiff filed a claim against Pivovarna Laško on 31 December 2010 at the District Court of Celje demanding payment of EUR 10,116,488.71 including costs and interest. The plaintiff justified its claim by stating that the legal representative of Pivovarna Laško signed a comfort letter on 10 January 2009 and thus allegedly committing to fulfil the obligation of Perutnina Ptuj to Poslovni sistem Mercator on account of loan contracts. This refers to two loan contracts which Perutnina Ptuj concluded with Poslovni sistem Mercator: one on 24 January 2008 amounting to EUR 5,000,000.00 and the second one on 27 February 2008 for EUR 15,000,000.00. According to the representations made by the plaintiff, the disputed amount relates to a part of the loan which, as alleged by the plaintiff, should be paid by Pivovarna Laško. The plaintiff further states that Pivovarna Laško has only partly fulfilled its obligations referred to in the comfort letter; namely, through its business partners it secured cash amounting to EUR 11,864,476.50 to Perutnina Ptuj as a settlement of the loan to PS Mercator. The latter is allegedly demonstrated by the account of payments made by Infond Holding and Center naložbe. Perutnina Ptuj is thus suing for the remaining amount. The defence statement was submitted within the set deadlines. The court issued a ruling on 22 January 2011 allowing the incidental intervention by Boško Šrot, former director of Pivovarna Laško, for the defendant Pivovarna Laško. The court has so far not fixed the date for the hearing.

The action of NKBM against Pivovarna Laško for the sum of EUR 6,570,542.25 plus costs and interest

Pursuant to the agreement on the pledge of book-entry securities concluded on 5 June 2009 between Nova kreditna banka Maribor (NKBM) as the creditor, Center naložbe as the debtor and Pivovarna Laško as the lienor, Pivovarna Laško pledged to NKBM 345,304 shares of Radenska (ticker symbol: RARG) as collateral for a loan raised by Center naložbe with NKBM. The aforementioned agreement on the pledge of book-entry securities was signed by the former director Boško Šrot on behalf of Pivovarna Laško.

On 22 November 2011, Pivovarna Laško received the judgement of the Maribor District Court allowing the enforcement on the pledged shares to repay the claim in the amount of EUR 7,349,552.52 plus costs and interest from 29 July 2011 in the commercial dispute between NKBM as the plaintiff and Pivovarna Laško as the defendant. The court thus allowed the enforcement against the 345,304 RARG pledged shares, ruling that the defendant Pivovarna Laško is obligated to suffer the sale of these shares and repay the claim from the proceeds of the sale. The judgement became final and enforceable on 8 December 2011.

Pursuant to the aforementioned judgement and the enforcement motion of NKBM, on 22 December 2011 the court issued an enforcement order whereby the court approved the proposed enforcement against the pledged RARG shares by selling the shares and repaying the creditor from the proceeds. So far the RARG shares have not been sold in the enforcement proceedings. The creditor NKBM proposed deferred enforcement and accordingly on 28 October 2013 the court ruled for the enforcement to be postponed until 1 October 2014.

On 17 June 2014, Pivovarna Laško received the decision of the Celje District Court allowing the intervention of the new creditor in the enforcement proceedings. The Bank Assets Management Company (Družba za upravljanje terjatev bank, Ljubljana - DUTB) took the place of the original creditor Nova KBM, Maribor, as the disposal of the underlying claim has resulted in the automatic transfer of the lien from the former to the current creditor. The proceedings are still pending.

CEN ADRIA, d. o. o. – v stečaju, Matulji (Croatia)

In 2006 Pivovarna Laško filed an application for enforcement against Cen Adria, Matulji, demanding payment of outstanding invoices totalling Kn 857,292.53 (Euro equivalent of 114,764.73) including costs and interest. Cen Adria appealed and currently the case is proceeding in the same way as in the case of an appeal against a payment order in contentious proceedings.

In 2006, during the above proceedings, Cen Adria filed a counter action against Pivovarna Laško and Jadranska pivovara Split, Vranjic, demanding payment of damages totalling Kn 25.000.000,00 (euro equivalent of approx. 3,346,720.21), which Cen Adria allegedly incurred due to untimely termination of the Contract on Business Cooperation (Ugovor o poslovnoj suradnji). During the proceedings and upon the appeal of Pivovarna Laško, the Rijeka Commercial Court declared itself incompetent and referred the case to the Commercial Court in Split (the registered seat of the second defendant). Cen Adria appealed against the decision of the Commercial Court in Rijeka. The High court in Zagreb subsequently ruled the court in Rijeka as having territorial jurisdiction.

In 2012, bankruptcy proceedings were instigated against Cen Adria. The main hearing of both these cases was held on 17 January 2013 at the Commercial court in Rijeka.

Jadranska pivovara - Split and Pivovarna Laško both believe that Cen Adria's claim for a counter action is unfounded since Jadranska pivovara - Split terminated the disputed

Contract on business cooperation in compliance with the contractual terms and conditions.

In the case of Cen Adria against Pivovarna Laško and Jadranska pivovara - Split, the main hearing was held on 24 April 2013, 26 September 2013, and 27 November 2013. In 2014, hearings took place on 15 July, 12 September and 19 November; one hearing has took place so far in 2015 (on 10 February). The next hearing is scheduled for 27 May 2015.

Potential liability relating to the purification of wastewater

As at 31 December 2014, the Laško Group discloses a contingent liability of EUR 1,066,000 relating to the Agreement regulating mutual relationships ensuring the purification of wastewater generated by Pivovarna Laško through the Laško communal purification plant. The agreement was concluded in 2001 with the Laško municipality, while the contingent liability has been recorded on the basis of calculations received and drafted by the other contracting party. The Group has obtained a legal opinion in this case based on which it believes that the amount of the liability and the likelihood of payment are relatively low; as a result, provisions have not been formed as at 31 December 2014.

Denationalisation requests in Radenska, d. d., Radenci

In 1993, Rudolf Höhn Šarič, Baltimore, the US, filed an application for the denationalisation of seized real estate as the denationalisation beneficiary. The lodged request regards the restitution of an ownership stake in the former company and subordinate restitution into ownership and possession of real estate and the payment of damages. In kind, this represents the majority of land and buildings inside the Radenci Health Resort in Radenci and a part of the land and buildings at the location of the current Boračeva bottling plan.

Administrative procedure before the Administrative Unit of Gornja Radgona

The denationalisation request was lodged in compliance with the Denationalization Act on 4 May 1993. In June 2009, after the Supreme Court of the Republic of Slovenia ruled in its audit procedures that the beneficiary Rudolf Hohn Šarič was as from 28 August 1945 regarded a citizen of the former Yugoslavia and now Slovenia, the proceedings continued before the Administrative unit Gornja Radgona. To date proceedings have involved lodging of written submissions, clarification of facts and circumstances which are crucial in the ruling as well as establishment of facts as to whether the beneficiary Wilhelmina Hohn Šarič had the right to a compensation from a foreign country based on the Financial and settlement agreement between Austria and Germany from 1961 and related rules laid down for the implementation.

The Gornja Radgona Administrative unit issued a decision and supplementary decision on 27 June 2012, which rejected the request for the privatisation of the nationalised company Zdravilišče Slatina Radenci, Höhn and Comp., public trading company in Radenci with a 48% stake owned by Wilhelmina Höhn Šarič. In the appeal proceedings, the Ministry of Economic Development and Technology on 25 February 2013 rejected the appeal against the decision of the Gornja Radgona Administrative Unit as unjustified.

The beneficiary lodged an action on 19 April 2013 at the Administrative Court of the Republic of Slovenia for reversal of the decisions issued.

In December 2012, the Administrative Unit in Gornja Radgona appointed the expert to produce an expert opinion concerning the value of the company Zdravilišče Slatina Radenci, Hohn and Comp. public trading company together with the brands such as Radenska and labels with the trademark label comprised of three hearts, the label of two hearts and the label of one heart including the movable property. The buildings and land are not subject to the expert opinion. The expert opinion on the matter was issued in April 2013 assessing the company's net assets to EUR 19,711,741, while the value of brands was assessed at EUR 27,895,387 as at 31 December 2012.

The Gornja Radgona Administrative unit issued a ruling on 31 July 2014 in the matter concerning the denationalisation of the nationalised company Zdravilišče Slatina Radenci, Höhn and Comp., public trading company in Radenci i.e. Kuranstalt Sauerbrunn-Radein Aktiengesellschaft, Bad Radein, public limited company. In its ruling it:

- rejected the request for denationalisation of the nationalised company Kuranstalt Sauerbrunn - Radein Aktiengesellschaft, Bad Radein in which Ante Šarič held a 48% stake;
- rejected the request for denationalisation of the nationalised company Zdravilišče Slatina Radenci, Höhn and Comp., public trading company in Radenci;
- rejected the request for denationalisation after the deceased Wilhelmina Wiesler (nee Šarić) as the first-order heir after the deceased Ante Šarić and Wilhelmina Šarić.

In the appeal proceedings, the Ministry of Economic Development and technology on 5 December 2014 rejected the appeal of the beneficiaries against the ruling.

On 29 August 2014, the Gornja Radgona Administrative Unit issued a partial decision rejecting the claim for the return of one half of certain items of real estate owned by Radenska, which had been taken from dr. Ante Šarič. On 16 September 2014, an appeal was lodged against the decision at the Ministry of Agriculture and Environment and the Ministry of Infrastructure. The Ministry of Agriculture and Environment rejected the appeal with its decision on 13 October 2014. Subsequently an action was lodged with the Administrative Court of the Republic of Slovenia.

Non-contentious proceedings for the return of property pursuant to the Enforcement and Criminal Actions Act are taking place before the District Court in Novo mesto.

The motion was filed on 20 December 2010 for the return of property under the Enforcement of Criminal Sanctions Act. The beneficiaries Michael Wiesler and Barbara Purre Wiesler (grandchildren of Dr Anton Šarič) filed a motion against Radenska and ten other defendants (Terme Krka, the Republic of Slovenia, the Radenci, Gornja Radgona and Šmarješke Toplice municipalities, Slovenske železnice, D.S.U., Radenska Miral, etc.) for the return of assets and a proposal of the notification with regard to the procedure before the Slovenian Intellectual Property Office relating to the assets nationalised from Anton Šarić by the ruling of the Court of Slovenian National Honour.

The beneficiaries assessed the value of Radenska to be EUR 14,500,000.00 in respect of half of the property requested in the denationalisation process. In addition, they are enforcing the return of 12 brands of Radenska, Radenci, and payment of damages for the right to the mineral water and land on which the mineral water springs are located. Pursuant to the ZIKS, on 23 December 2010, the two beneficiaries registered a notice of pending action on all Radenska land subject to the denationalisation proceedings. Notices of dispute have also been placed on several brands of Radenska at the Intellectual Property Office. The first hearing was held at the District Court in Novo mesto on 25 March 2013. The District Court in Novo mesto issued an order, which was received on 19 June 2013, rejecting the request for the return of the nationalised property. Furthermore, the court determined the disputed value of the proceedings to be EUR 34,200,000.00. The beneficiary lodged an appeal against the court's decision at the High Court in Ljubljana, which on 3 April 2014 issued a decision rejecting the appeal and confirming the decision of the court of first instance. The decision of the District Court in Novo mesto in favour of Radenska became final on 14 May 2014. In September 2014, at the proposal of Radenska, the Intellectual Property Office registered a note on the disputed brands stating that the proposal for the return of the seized brads according to the ZIKS had been rejected according to the final decision of the District Court in Novo mesto. On 5 May 2014, the beneficiaries lodged an audit request against the decision of the High Court in Ljubljana in connection with the decision of the District Court in Novo mesto.

After the closing of the sale of the stake in Radenska owned by Pivovarna Laško on 17 March 2015, all the above-mentioned claims and procedures continue against Radenska, as Pivovarna Laško has not been contractually bound to acquire them. As a result, all the contingent liabilities arising from the above-mentioned denationalisation requests remain with Radenska.

4.4.11 COSTS OF THE AUDITOR

The cost of the audit of the Laško Group performed by Ernst & Young, d. o. o. for the year 2014 amounted to EUR 92,180.

4.4.12 SUBSEQUENT EVENTS

Joint process for the capital injection into Pivovarna Laško and the sale of Pivovarna Laško shares

On 3 February 2015, Pivovarna Laško concluded a Non-disclosure agreement and Cooperation agreement with the members of the Sales consortium governing the manner of mutual cooperation in the joint process of ensuring the capital increase of Pivovarna Laško and the sale of the shares (stakes) held by Sales consortium members in Pivovarna Laško. On 16 March 2015, Sklad obrtnikov in podjetnikov and Banka Koper, d. d. jointed the Sales consortium. Now, the Consortium holds a 51.11% stake in Pivovarna Laško.

In the final phase of the joint process of ensuring the capital increase of Pivovarna Laško and the sale of the shares held by Sales consortium members in Pivovarna Laško, Pivovarna Laško received five bids on 19 March 2015.

Pivovarna Laško and the Sales consortium will carefully review the bids received and decide on how the negotiations are to continue in the joint process of ensuring the capital increase of Pivovarna Laško and the sale of the shares held by Sales consortium members in Pivovarna Laško. While the Management Board of Pivovarna Laško is happy with the current status of the joint process, the final transaction documents are subject to negotiation and the consent of all stakeholders; thus the successful closing will depend on the fulfilment of further conditions.

The company regularly informs the public of the progress of the joint process of ensuring the capital increase and the sale of the shares in Pivovarna Laško on the SEOnet portal of the Ljubljana Stock Exchange and on the Company's website www.pivo-lasko.si.

The sale of the shares in Radenska

The sale of the 75.31% equity stake in Radenska was successfully closed on 17 March 2015. From the transaction (disposal of the investment in Radenska), Pivovarna Laško received proceeds amounting to EUR 51,805,392.57. The proceeds significantly contributed to the deleveraging of Pivovarna Laško in accordance with the Standstill and Restructuring Agreement.

From the proceeds, Pivovarna Laško also settled its liabilities due to Radenska, namely EUR 33,100,000 relating to the short term borrowings and EUR 1,044,184 relating to the settlement claim according to Article 542 of the Companies Act.

On 17 March 2015, Pivovarna Laško received EUR 8,154,000.00 as proceeds from the sale of 600,000 (an equity stake of 11.85%) shares in Radenska, which Pivovarna Laško had temporarily sold to DBS on 30 November 2011. On the same date, it purchased 127,928 shares in Delo, Dunajska cesta 5, Ljubljana, thus becoming its 100% owner.

The General Meeting of shareholders of Radenska was held on 17 March 2015 as part of the conclusion of the sale of Radenska. At the General Meeting, the shareholders approved changing the company's articles of association, were briefed on the resignation of the existing members of the company's supervisory board and elected new members of the supervisory board.

The sale of the stake in Radenska represents the fulfilment of one of the covenants agreed in the Restructuring and Standstill Agreement.

Halting the enforcement at the proposal of the Banking Assets Management Company (BAMC)

On 7 April 2015, in the enforcement matter ref. no. Ig 147/2011 brought by the creditor Banking Assets Management Company (BAMC) against Pivovarna Laško for the settlement of EUR 7,349,552.25, the Company recived the final decision of the Celje County Court halting the proceedings at the proposal of the creditor (the BAMC).

The creditor BAMC proposed the halting of the enforcement proceedings pursuant to the implementation of the Agreement for the sale and purchase of shares of Radenska, d. d., Radenci agreed by Pivovarna Laško as the seller and Kofola, družba za upravljanje, d. o. o., as the buyer on 8 January 2015 for the sale of 345,304 RARG shares (a 6.82%

share of Radenska), which were the subject of the enforcement filed by the BAMC. The proceeds of EUR 4,692,681.36 (EUR 13.59 per share) was paid to the BAMC on 9 April 2015, while the seized shares were transferred to Kofola on 8 April 2015.

This matter actually concerns the enfocement matter in which the court issued on 22 December 2011 its decision allowing the enforcement against 345,304 pledged RARG shares for the payment of EUR 7,349,552.25 (see: Enforcement of NKBM (new creditor DUTB) against Pivovarna Laško). The enforcement related to the agreement on the pledge of book-entry securities concluded on 5 June 2009 between Nova kreditna banka Maribor (NKBM) as the creditor, Center naložbe as the debtor and Pivovarna Laško as the lienor, according to which Pivovarna Laško pledged the shares as collateral for a loan raised by Center naložbe with NKBM. The aforementioned agreement on the pledge of book-entry securities was signed by the former director Boško Šrot on behalf of Pivovarna Laško. On 16 June 2014 the court allowed the BAMC to take the place of the original creditor Nova KBM, Maribor, as the disposal of the underlying claim had resulted in the automatic transfer of the lien from the former to the current creditor.

Signing the sales agreement between the Sales consortium and Heineken International B.V., the Netherlands, for the sale of a 51.11% stake in Pivovarna Laško.

On 13 April 2015, the Pivovarna Laško Sales consortium (Družba za upravljanje terjatev bank, d. d., Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., Alpen invest, družba za upravljanje investicijskih skladov, d. o. o., Abanka Vipa, d. d., KD Skladi, družba za upravljanje, d. o. o., Nova kreditna banka Maribor, d. d., Zavarovalnica Triglav, d. d., Sklad obrtnikov in podjetnikov, Banka Koper, d. d.), etablished by the owners of Pivovarna Laško in late 2014 and which hold a 51.11% stake in Pivovarna Laško, informed the Management Board of Pivovarna Laško that they had come to an agreement to sell the 51.11% take in Pivovvarna Laško to Heineken International B.V., and that the members of the Sales consortium and Heineken International B.V.had conclude a share purchase agreement (SPA) covering the mentioned stake.

The proceeds will be paid and the shares trnasfered upon the fulfillment of the suspensive conditions defined in the share purchae agreement. Upon signing the share purchase agreement, the buyer also concluded a Cooperation agreement with Pivovarna Laško, with which the buyer underrtakes to ensure the continued financial stability of Pivovarna Laško after the transaction closes.

ANNUAL REPORT OF THE LAŠKO GROUP AND PIVOVARNA LAŠKO, D. D., FOR THE 2014 FINANCIAL YEAR

5 FINANCIAL REPORT OF PIVOVARNA LAŠKO, D. D.

CONTENTS

5.1 Statement of compliance

The Management Board of Pivovarna Laško is responsible for the preparation of the annual report of the Company as well as the financial statements, in a manner providing the public with a fair presentation of the Company's financial position and the results of its operations in accordance with the International Financial Reporting Standards as adopted by the European Union and with the Companies Act.

The Management Board of Pivovarna Laško hereby gives its approval to the business report and the financial statements for the year ended 31 December 2014 and confirms the following:

- the financial statements have been compiled under assumption of Pivovarna Laško being able to continue its operations as a going concern,
- the appropriate accounting policies were consistently applied and any changes thereof have been disclosed;
- the accounting estimates have been prepared in a fair and diligent manner and comply with the principle of prudence and good management.

The Management Board is responsible for the implementation of measures to ensure the maintenance of the value of the assets of the Company and for the prevention of fraud and other irregularities and their detection.

Laško, 16 April 2015

mag. Dušan Zorko
President of the Management Board

Marjeta Zevnik
Member of the Management Board

Mirjam Hočevar
Member of the Management Board

Gorazd Lukman
Member of the Management Board

Matej Oset
Member of the Management Board

Building a better
working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owners of Pivovarna Laško d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of Pivovarna Laško d.d., which comprise the statement of financial position as at December 31, 2014, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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 procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Pivovarna Laško d.d., as of December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited financial statements.

Ljubljana, 16 April, 2015

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

Mateja Repušič
Certified auditor

5.3 Audited financial statements of Pivovarna Laško for the year ended 31 December 2013 compiled under IFRS

5.3.1 STATEMENT OF FINANCIAL POSITION OF PIVOVARNA LAŠKO, D. D., AT 31 DECEMBER 2014

(in EUR)	Notes	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets		**246,873,598**	**301,383,218**
Intangible assets	1	701,953	938,015
Property, plant and equipment	2	43,868,755	43,937,583
Investment property	3	3,739,693	4,315,710
Long-term investments in the subsidiaries	4.A	168,601,241	224,526,224
Financial assets available for sale	4.C	241,655	241,655
Long-term loans	5	376	376
Long-term financial lease receivables	6	518,013	533,230
Long-term deferred tax assets	7	29,201,912	26,890,425
Short-term assets less short-term deferred and accrued items		**72,870,185**	**55,643,989**
Non-current assets held for sale	8	46,535,646	-
Inventories	9	6,711,132	6,937,658
Short-term operating receivables	10.A	18,829,865	20,154,988
Financial assets available for sale	11	270,648	26,305,484
Short-term loans	12	292,308	1,888,641
Cash and cash equivalents	13	230,586	357,218
Short-term accruals and prepaid expenditure	14	**113,842**	**33,717**
Total short-term assets		**72,984,027**	**55,677,706**
TOTAL ASSETS		**319,857,625**	**357,060,924**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

5.3.1 STATEMENT OF FINANCIAL POSITION OF PIVOVARNA LAŠKO, D. D., AS AT 31 DECEMBER 2014

(continuation)

(in EUR)	Notes	31 Dec 2014	31 Dec 2013
EQUITY		**58,071,010**	**68,078,212**
Equity	15	**58,071,010**	**68,078,212**
Share capital		36,503,305	36,503,305
Share premium		15,128,046	24,760,570
Profit reserves		3,730,093	3,730,094
Revaluation surplus		2,709,566	3,084,243
LIABILITIES		**261,786,615**	**288,982,712**
Provisions and long-term accrued costs and deferred revenue		**5,829,031**	**6,636,075**
Provisions for retirement grants and jubilee awards	16	1,599,762	1,333,160
Other provisions	16	4,209,804	5,253,988
Long-term accrued costs and deferred revenue	16	19,465	48,927
Long-term liabilities		**72,918,398**	**2,377,590**
Long-term financial liabilities	17	72,918,398	2,377,590
Short-term liabilities less short-term accrued and deferred items	18	**181,763,264**	**279,239,347**
Short-term operating liabilities	18.A	27,861,203	24,101,331
Short-term financial liabilities	18.C	153,902,061	255,138,016
Short-term accrued costs and deferred income	19	**1,275,922**	**729,700**
Total short-term liabilities		**183,039,186**	**279,969,047**
TOTAL EQUITY AND LIABILITIES		**319,857,625**	**357,060,924**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

5.3.2 INCOME STATEMENT OF PIVOVARNA LAŠKO, D. D., FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

(in EUR)	Notes	2014	2013
Net sales revenues	20.A, B.	91,200,214	90,161,103
Change in inventories of products and work in progress		161,414	407,541
Other operating revenue	20.C	919,356	825,109
Costs of goods, materials and services	20.D	(65,473,721)	(63,508,789)
Employee benefit costs	20.D	(10,951,954)	(10,453,650)
Amortisation of intangible assets and depreciation of property, plant and equipment	20.D	(4,560,308)	(4,760,999)
Revaluation operating expense	20.D	(264,113)	(1,624,784)
Provisions	20.D	-	(1,044,184)
Other operating expenses	20.E	(2,971,662)	(7,007,901)
OPERATING PROFIT OR LOSS		**8,059,226**	**2,993,446**
Financial income	21	3,486,367	1,083,314
Financial expenses	21	(23,650,432)	(37,898,288)
PROFIT OR LOSS BEFORE TAX		**(12,104,839)**	**(33,821,528)**
Tax		2,256,931	5,208,846
NET PROFIT OR LOSS OF THE YEAR FROM CONTINUED OPERATIONS		**(9,847,908)**	**(28,612,682)**
Discontinued operation		-	699,996
NET PROFIT OR LOSS OF THE YEAR FROM DISCONTINUED OPERATIONS		**-**	**699,996**
TOTAL PROFIT OR LOSS FOR THE YEAR		**(9,847,908)**	**(27,912,686)**
Net profit /loss per share from continued operations:			
Net loss per share		(1.1258)	(3.2709)
Diluted net loss per share		(1.1258)	(3.2709)
Net profit /loss per share from discontinued operations:			
Net loss per share		-	0.0800
Diluted net loss per share		-	0.0800
Net loss per share:			
Net loss per share	24	(1.1258)	(3.1909)
Diluted net loss per share		(1.1258)	(3.1909)

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

5.3.3 STATEMENT OF OTHER COMPREHENSIVE INCOME OF PIVOVARNA LAŠKO FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

(in EUR)	Notes	2014	2013
Net profit or loss for the year		**(9,847,908)**	**(27,912,686)**
Other comprehensive income			
Gains/losses from revaluation of property	25	-	(741,111)
Deferred tax on account of revaluation	25	36,516	71,638
TOTAL OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT AND LOSS AT A FUTURE DATE		**36,516**	**(669,473)**
Unrealised actuarial gains / losses from post-employment benefits	25	(213,848)	1,622
Deferred tax on unrealised actuarial gains / losses	25	18,039	243
TOTAL OTHER COMPREHENSIVE INCOME THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS		**(195,809)**	**1,865**
OTHER COMPREHENSIVE INCOME	25	**(159,293)**	**(667,608)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(10,007,201)**	**(28,580,294)**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

5.3.4 STATEMENT OF CHANGES IN EQUITY OF PIVOVARNA LAŠKO FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

(v EUR)	Osnovni kapital	Kapitalske rezerve	Zakonske rezerve	Rezerve za lastne deleže	Skupaj rezerve iz dobička	Čisti poslovni izid preteklih let	Čisti poslovni izid	Presežek iz prevrednotenja	SKUPAJ KAPITAL
ZAČETNO STANJE na dan 1. januar 2014	**36.503.305**	**24.760.570**	**3.650.331**	**79.763**	**3.730.094**	**-**	**-**	**3.084.243**	**68.078.212**
Spremembe v vseobsegajočem donosu									
Čisti poslovni izid poslovnega leta	-	-	-	-	-	-	(9.847.908)	-	(9.847.908)
Drugo	-	-	-	-	-	-	-	(159.294)	(159.294)
Skupaj spremembe v vseobsegajočem donosu 2014	**-**	**-**	**-**	**-**	**-**	**-**	**(9.847.908)**	**(159.294)**	**(10.007.202)**
Spremembe v kapitalu									
Pokrivanje tekoče izgube	-	(9.632.524)	-	-	-	(215.384)	9.847.908	-	-
Drugo	-	-	-	-	-	215.384	-	(215.384)	-
Skupaj spremembe v kapitalu	**-**	**(9.632.524)**	**-**	**-**	**-**	**-**	**9.847.908**	**(215.384)**	**-**
KONČNO STANJE na dan 31. december 2014	**36.503.305**	**15.128.046**	**3.650.331**	**79.763**	**3.730.094**	**-**	**-**	**2.709.565**	**58.071.010**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

5.3.5 STATEMENT OF CHANGES IN EQUITY OF PIVOVARNA LAŠKO FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

(in EUR)	Share capital	Share premium	Legal reserves	Reserves for treasury shares	Other profit reserves	Total profit reserves	Retained earnings	Net profit or loss	Revaluation surplus	TOTAL EQUITY
OPENING BALANCE at 1 January 2013	**36,503,305**	**52,087,131**	**3,650,331**	**139,038**	**-**	**3,789,369**	**-**	**-**	**3,985,156**	**96,364,961**
Transactions with owners										
Other changes	-	-	-	-	-	-	293,544	-	-	293,544
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**293,544**	**-**	**-**	**293,544**
Changes in comprehensive income										
Net profit or loss for the year	-	-	-	-	-	-	-	(27,912,685)	-	(27,912,685)
Fixed assets revaluation reserve	-	-	-	-	-	-	-	-	(741,111)	(741,111)
Tax on individual items of comprehensive income	-	-	-	-	-	-	-	-	71,881	71,881
Other (actuary)	-	-	-	-	-	-	-	-	1,622	1,622
Total changes in comprehensive income in 2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(27,912,685)**	**(667,608)**	**(28,580,293)**
Changes in equity										
Loss settlement	-	(27,326,561)	-	-	(59,275)	(59,275)	(526,849)	27,912,685	-	-
Utilisation of reserves for treasury shares and interests	-	-	-	(59,275)	59,275	-	-	-	-	-
Other	-	-	-	-	-	-	233,305	-	(233,305)	-
Total movements in equity	**-**	**(27,326,561)**	**-**	**(59,275)**	**-**	**(59,275)**	**(293,544)**	**27,912,685**	**(233,305)**	**-**
CLOSING BALANCE at 31 December 2013	**36,503,305**	**24,760,570**	**3,650,331**	**79,763**	**-**	**3,730,094**	**-**	**-**	**3,084,243**	**68,078,212**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

5.3.6 CASH FLOW STATEMENT OF PIVOVARNA LAŠKO, D. D., FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

(in EUR)	Notes	2014	2013
OPERATING PROFIT		**8,059,226**	**2,993,446**
Adjustments for:			
Property impairment	20.D	-	1,161,834
Elimination of revaluation operating expenses from fixed assets and investment real estate		(155,262)	-
Elimination of revaluation operating expenses from fixed assets	20.D	720,839	1,490,268
Depreciation of PPE and investment property	20.D	4,323,677	4,525,464
Amortisation of intangible assets	20.D	236,631	235,535
Short-term assets written-off	20.D	252,489	312,825
Net movements in provisions	On 16	23,290	5,288,239
Total adjustments		**5,401,664**	**13,014,165**
MOVEMENTS IN WORKING CAPITAL			
Inventories and non-current assets held for sale	9.	226,526	894,429
Operating and other receivables	6.,10.A	1,007,725	(1,214,462)
Operating and other liabilities	18.A,19	3,232,452	3,170,125
Total movements in working capital		**4,466,703**	**2,850,092**
NET CASH FLOWS FROM OPERATING ACTIVITIES		**17,927,593**	**18,857,703**
Cash flows from investing activities			
Acquisition of property, plant and equipment	2	(4,212,621)	(3,649,999)
Gains /losses from disposal of PPE	2	(2,330)	(136,971)
Acquisition of intangible assets	1	(568)	58,231
Acquisition / disposal of financial assets	4.A,11	27,289,302	1,057,890
Disposal of non-current assets and liabilities held for sale		-	315,002
Interest income	21	65,878	225,823
Dividends and capital profits received	21	3,420,489	857,491
NET CASH FLOWS FROM INVESTING		**26,560,150**	**(1,272,533)**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

In 2013 and 2014, Pivovarna Laško recorded no positive tax basis and also no tax liability for the 2013 and 2014 financial years.

5.3.6 CASH FLOW STATEMENT OF PIVOVARNA LAŠKO, D. D., FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

(continuation)

(in EUR)	Notes	2014	2013
Cash flows from financing activity			
Interest paid	21	(13,919,228)	(13,095,024)
Increase / decrease in financial debt	17,18.C	(30,695,147)	(4,428,393)
NET CASH FLOWS FROM FINANCING		**(44,614,375)**	**(17,523,417)**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		**(126,632)**	**61,753**
Cash and cash equivalents at the beginning of year	13	**357,218**	**295,465**
Cash and cash equivalents at the end of year	13	**230,586**	**357,218**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

In 2013 and 2014, Pivovarna Laško recorded no positive tax basis and also no tax liability for the 2013 and 2014 financial years.

5.3.7 LOSS SETTLEMENT OF THE FINANCIAL YEAR

(in EUR)	2014	2013
Net loss for the year	**(9,847,908)**	**(27,912,685)**
Loss settlement:		
Other profit reserves used to cover net loss	-	59,275
Loss settlement from retained earnings	215,384	526,849
Share premium used to cover net loss	9,632,524	27,326,561
ACCUMULATED LOSS AT 31 DECEMBER	**-**	**-**

The net loss of 2014 in the amount of EUR 9,847,908 was covered by retained earnings amounting to EUR 215,384 and share premium in the amount of EUR 9,632,524.

5.4 Notes to the separate financial statements

5.4.1 GENERAL DATA

Pivovarna Laško is a public limited company, registered with the Celje District Court under the decision No Srg 95/00673 and under the application No 1/00171/00. It is classified as a large company and as such is subject to regular annual audits of its financial statements. The principal activity of the Company is the production and sale of beer, malt and waters. The Company is also engaged in wholesale and retail trade.

Pivovarna Laško (hereinafter referred to as: the Company) is the parent company of the Laško Group with its headquarters in Slovenia: Trubarjeva ulica 28, 3270 Laško, Slovenia.

The Company's ordinary shares are quoted on the Ljubljana Stock Exchange under the "PILR" ticker symbol. The Company's share capital totals EUR 36,503,304.96 and is represented with 8,747,652 ordinary freely negotiable registered no-par-value shares. There are no limitations on the payment of dividends or other distributions of equity.

5.4.2 STATEMENT OF COMPLIANCE WITH IFRS

The separate financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and provisions of the Companies Act.

5.4.3 USE OF NEW AND AMENDED IFRS AND IFRIC INTERPRETATIONS

a) Standards and interpretations that entered into force during the reporting period

In the period, the following amendments to the existing standards issued by the International Accounting Standards Board (IASB) were applicable as adopted by the EU:

- IFRS 10 "Consolidated financial statements" that the EU adopted on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- IFRS 11 "Joint Arrangements" adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- IFRS 12 "Disclosure of interests in other entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- IAS 27 (amended in 2011) "Separate financial statements" that the EU adopted on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- IAS 28 (amended in 2011) "Investments in associates and joint ventures" that the EU adopted on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IFRS 10 "Consolidated financial statements", IFRS 11 "Joint Arrangements" and "IFRS 12 "Disclosure of Interests in Other Entities" – Transition

Guidance, which the EU adopted on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014).

- Amendments to IFRS 10 “Consolidated financial statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 (amended in 2011) “Separate Financial Statements” – Investment Entities, which the EU adopted on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IAS 32 “Financial instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities, which the EU adopted on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IAS 36 “Impairment of Assets”- Recoverable Amount Disclosure for Non-Financial Assets, which the EU adopted on 19 December 2013 (effective for periods beginning on or after 1 January 2014).
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”- Novation of Derivatives and Continuation of Hedge Accounting, which the EU adopted on 19 December 2013 (effective for periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards led to no changes in the accounting policies of the Group.

b) Standards and representations issued by the IASB and adopted by the EU that have not entered into force yet

As at the date of the financial statements approval, the following standards, amendments of the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU, have not yet come into effect:

- Amendments to a number of standards “IFRS Improvements over the period 2010 to 2012” , according to the annual IFRS improvement project encompassing IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38, which is aimed primarily at elimination of discrepancies and clarification of wording. The amended standards were adopted by the EU on 17 December 2014 and are effective for periods beginning on or after 1 February 2015.
- Amendments to a number of standards “IFRS Improvements over the period 2011 to 2013” , according to the annual IFRS improvement project encompassing IFRS 1, IFRS 3, IFRS 13 and IAS 40, which is aimed primarily at elimination of discrepancies and clarification of wording. The amended standards were adopted by the EU on 18 December 2014 and are effective for periods beginning on or after 1 January 2015.
- Amendments to IAS 19 “Employee Benefits”- Defined Benefit Plans: Employee Contributions, were adopted by the EU on 17 December 2014 and are effective for annual periods beginning on or after 1 February 2015.
- IFRIC 21 “Levies”, adopted by the EU on 13 June 2014 and are effective for annual periods beginning on or after 17 June 2014.

The Company has decided not to adopt these standards, amendments and interpretations before their effective date. The Company expects that adoption of these standards, amendments and interpretations will initially not have a significant impact on its financial statements.

c) Standards and interpretations issued by the IASB but which have not yet been adopted by the EU

Currently, the IFRS as adopted by the European Union do not considerably differ from those adopted by the International Accounting Standards Board (IASB) with the exception of the following standards, amendments to the existing standards and interpretations which were not confirmed for use by 31 March 2015:

- IFRS 9 “Financial instruments” (effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 10 “Consolidated financial statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” -Investment Entities: exemption from consolidation (effective for annual periods beginning on or after 1 January 2016).
- IFRS 11 “Joint Arrangements” - Accounting for Acquisition of Interests in Jointly Controlled Entities (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1 “Presentation of financial statements” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Biological plants (effective for annual periods beginning on or after 1 January 2016), Amendments to IAS 27 “Separate financial statements” - Equity Method used in the separate financial statements (effective for annual periods beginning on or after 1 January 2016).
- Amendments to a number of standards “IFRS Improvements over the period 2012 to 2014” , according to the annual IFRS improvement project encompassing IFRS 5, IFRS 7, IFRS 19 and IAS 34, which is aimed primarily at elimination of discrepancies and clarification of wording. The amended standards are effective for periods beginning on or after 1 January 2016.

The Company estimates that the adoption of these standards, amendments and interpretations will not have a significant impact on the Company’s financial statements during the period of initial application.

At the same time, the accounting for the hedging of risks associated with the portfolio of financial assets and liabilities, the principles of which the EU has not yet adopted, still remains unregulated.

The Group assesses that the accounting of risk hedging connected to the portfolio of financial assets and liabilities to be in accordance with the requirements of IAS 39: "Financial Instruments: Recognition and Measurement" would not have a significant impact on the consolidated financial statements of the Group, if applied as at the reporting date.

5.4.4 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparations

The financial statements have been compiled under the IFRS, the Companies Act, other acts and the Accounting Manual of Pivovarna Laško, and are expressed in euro. When disclosing and measuring the financial statement items, the provisions of the standards were directly applied, with the exception of the items where the standards provide a choice between several valuation methods.

The financial statements have been prepared taking into account historical costs except for the financial assets, non-current assets held for sale (or assets and related liabilities of the disposal group), property and investment property carried at revalued amount or fair value. The valuation of assets and liabilities is presented in detail in individual sections below.

When selecting the accounting policies and when deciding on their use and in the compilation of these financial statements, the Pivovarna Laško Management Board took into consideration the following three requirements:

- The financial statements are understandable when they are easily understood by users,
- The information is relevant if it assists the user in making economic decisions,
- The information is essential if its omission or untrue statement could have an impact on the economic decisions of the users.

The accounting policies presented below were consistently applied in all of the periods presented.

Going concern assumption

As at 31 December 2014, the Company's short-term liabilities exceed the amount of its short-term assets by EUR 110,055,159.

At the end of April 2014, Pivovarna Laško, Pivovarna Union and Radenska signed a Debt Rescheduling and Standstill Agreement with all of the 18 creditor banks. The Agreement defines important financial restructuring milestones, whereas final maturity of the majority of the company's borrowings has been rescheduled to the end of 2016.

On the one hand, the Agreement ensures the financial stability of Pivovarna Laško through the long-term reprogramming of its borrowings and through deleveraging the Company to a sustainable level of debt and on the other hand, the Agreement ensures the fulfilment of creditors' expectations for rapid deleveraging and simultaneous maximizing of the value for the owners. This will ensure the Company the sustainable development of quality brands and preservation of jobs.

The Agreement regulates the Group's commitments to creditors until the end of 2016. In addition to deleveraging through repayments to creditors from the cash flow from the Company's principal activity, the Agreement sets important deleveraging milestones from the consortium sale of Mercator and processes for disposal of Radenska, Birra Peja and Delo, all of which began in 2013.

One of the key milestones for all stakeholders, including creditors, the Company and the owners, is the capital increase of Pivovarna Laško. After a transparent process of finding the investor, the capital increase will be discussed by the owners at the Annual General Meeting of Pivovarna Laško.

The first significant milestone was the repayment of borrowings with the proceeds from sale of Mercator by the end of July 2014. The proceeds of EUR 27.3 million, which Pivovarna Laško received for its 8.43% share, significantly contributed to the deleveraging of the Laško Group and realisation of the first significant milestone referred to in the Restructuring and Standstill Agreement.

Among other things, the second milestone was represented by the closing of the sale of Radenska and the repayment of the creditor banks of Pivovarna Laško from the proceeds in accordance with the amortisation schedule, which is appended to the Restructuring Agreement. The sales agreement for the 75.31% stake in Radenska, concluded on 19 December 2014, was concluded under several suspensive conditions which had to be fulfilled before the closing of the sale, which was anticipated to take place within three months of signing the agreement.

The non-fulfilment of any of the milestones defined in the Restructuring and Standstill Agreement will result in the banks being able to recall all loans with an 85% majority of the vote. As a result, in November 2014 the Laško Group requested the creditor banks waive their right to withdrawal from the Agreement and extend the deadline for repayment of borrowings from the proceeds on the sale of investments in auxiliary activities until 30 June 2015. Since a sufficient number of banks waived their right to withdrawal from the Agreement due to the non-fulfilment of the second milestone and agreed to extend the deadline until 30 June 2015, the Agreement stands. After the closing of the sale of Radenska, which was expected to take place in late March 2015 and which actually closed on 17 March 2015, the creditors of Pivovarna Laško were repaid from the proceeds of the sale in the amount of EUR 22.8 million; at the same time, the borrowings of Pivovarna Laško from Radenska in the amount of EUR 33.1 million were settled.

The third key milestone is deleveraging from additional injection of capital in mid-2015. After the relevant public notice was posted on Seonet, the process continued in early July

2014 and is still pending. Some selected investors who submitted their non-binding bids in November 2014 have performed due diligence reviews.

In 2014, Pivovarna Laško Group has reduced its exposure to banks by repaying loan principal of EUR 30.7 million, including changes to the utilisation of the approved revolving loan. As at 31 December 2014, the Group's debt to the banks resulting from the principal of loans received amounts to EUR 184.9 million. The intra-Group debt remains at the same level as at the end of 2013.

The Management of the Company have assessed that the use of the going concern assumption in the preparation of the financial statements for the period ended 31 December 2014 is appropriate.

Foreign currencies

All the items presented in the financial statements of the Company are denoted in the currency of the primary environment – the country where the Company operates (this currency is the so called "functional currency"). The financial statements are presented in euro, which is also the functional and reporting currency of the Company.

Foreign currency transactions are converted into the reporting currency using the exchange rate valid on the day of the transaction. Gains and losses arising from these transactions and from the conversion of cash and liabilities, denominated in a foreign currency, are recognised in the profit or loss.

Exchange rate differences arising from debt securities and other monetary financial instruments are recognised at fair value and are included in the profit or loss of transactions with foreign currencies. Exchange rate differences from non-monetary items such as securities held for trading are reported as an increase or decrease in fair value. Exchange rate differences from securities available-for-sale are included in the revaluation surplus.

The use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities of the Company as well as the reported income and expenses for the period.

Management estimates include among others: determination of the useful life and residual value of property, plant and equipment, as well as intangible assets; allowances made for inventories and receivables; assumptions material to the actuarial calculation of defined employee benefits; assumptions used in the calculation of potential provisions for lawsuits, as well as assumptions and estimates relating to impairment of goodwill. Regardless of the fact that management duly considers all factors that may impact the preparation of these assumptions, the actual consequences of business events may differ from those estimates. In the process of making accounting estimates, management makes judgements while considering potential changes in the business environment, new business events, new and additional information that may be available, as well as experience.

Key estimates and assumptions as at the day of the statement of financial position that are associated with future operations and which could result in significant adjustment of the book values of assets and liabilities are presented below.

Information on significant estimates about uncertainty and critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements is presented in the following notes:

- The Company assesses on an annual basis whether there are any indications of impairment of an individual cash-generating unit. If any such indications exist, the recoverable amount of non-financial assets is determined as the present value of future cash flows, based on the estimate of expected future cash flows from the cash-generating unit and determination of the relevant discount rate.
- Defined benefit obligations include the present value of termination benefits on retirement and jubilee awards. They are recognised on the basis of the actuarial calculation approved by the management. The actuarial calculation is made by using assumptions and estimates effective at the time of the calculation, and may, as a result of future changes, differ from actual assumptions applicable at that future time. This applies primarily to determination of the discount rate, assessment of employee turnover, mortality assessment, as well as assessment of the increase in salaries. Due to the complexity of the actuarial calculation and the long-term nature of the item, defined benefit obligations are sensitive to changes in the above estimates and assessments.
- A provision is recognised when the Company has present obligations (legal or constructive) as a result of past events, a reliable estimate can be made of the amount of obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities are not recognised in the financial statements as their actual existence will be confirmed only upon the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Company. The management of the Company continually assess contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. In this case, a provision is recognised in the financial statements of the period in which the change in probability occurs.

Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivables for the sale of products, goods, or services rendered during the ordinary operations of the Company. Revenue is presented exclusive of value added tax and excise duties, rebates and reimbursements.

Revenue from the sale of products, merchandise and materials is recognised if all of the following conditions are fulfilled:

- All the significant risks and rewards of ownership of the object of sale are transferred to the buyer;

- The seller loses the management and control over what is covered by the sale;
- Amount of revenue can be reliably measured;
- A high degree of certainty is attached to the flow of economic benefits related to the transaction;
- The costs incurred with respect to transaction can be reliably measured.

Other categories of revenue are recognised based on the following basis:

- Interest income is recognised as the income of the period to which they pertain, in accordance with the applicable interest rate and when the degree of certainty attached to the flow of economic benefits is high;
- Dividend income is recognised when the right to receive payment is established;
- Revenue from royalties is recognised on the basis of the provisions of the licence agreements.

Investments into the subsidiaries

A subsidiary company is a company where Pivovarna Laško, the controlling company, has the power to govern the subsidiary's financial and operating policies.

In separate financial statements of Pivovarna Laško, the investments into subsidiaries are measured at their acquisition values in compliance with IAS 27 (except when classified as non-current assets) held for sale in compliance with IFRS 5).

When establishing whether in the financial statements of Pivovarna Laško any loss due to impairment of the investment into the subsidiary should be recognised, the provisions of IAS 27 or IAS 39 are considered. Furthermore, the entire carrying amount of the investment is tested as an asset in accordance with IAS 36; its carrying amount is compared to the recoverable amount (the higher of its fair value less costs to sell or value in use).

Investments into the associated companies

An associate is an entity in which the Company has a significant influence and which is neither a subsidiary nor a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In separate financial statements of Pivovarna Laško, the investments into the associated companies are measured at cost in accordance with IAS 28.

Intangible assets

Intangible assets with a finite useful life acquired individually (not within a business combination) and not generated within the Company are measured after recognition using the cost model or are disclosed at cost less any accumulated depreciation and any accumulated impairment. They are depreciated according to the straight-line method in the period of their estimated expected functional life periods of individual items of intangible assets or their components. Amortisation of an item of intangible assets begins when the asset is made available for its use (patents, brands, licences 5 years; software application 3 years). Estimates of expected functional life periods and the depreciation method are checked with every preparation of financial statements; potential changes of estimates of the categories mentioned are considered for the future periods and not retroactively.

Intangible assets with indefinite useful life are not amortised; instead, their recoverable amount is tested regularly by the Company. When the asset's assessed recoverable amount is lower than its carrying amount, the asset is impaired in accordance with provisions of IAS 36, and the resulting impairment loss is recognised in the profit or loss.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its further use. Gains or losses arising from derecognition of an item of intangible assets are recognised in the profit or loss of the period of derecognition.

Amortisation rates are as follows:

Investment into leasehold assets	10 – 33.3 %
Other intangible assets	33.3 %
Software applications	10 %
Concession	33.3 %
Licences, patents	10 %

Property, plant and equipment

Land and buildings in use are accounted for using the revaluation models and are disclosed at revalued amount at the date of the revaluation, less any subsequent accumulated depreciation or impairment losses. The revaluation is made with sufficient regularity to ensure that the carrying amount of the assets does not differ materially from their fair value at the reporting date.

Appreciation of land and buildings is recognised or accumulated as the revaluation surplus in other comprehensive income except when the previous revaluation of the same land and buildings recognised in profit or loss is reversed; in this case the appreciation to the amount of the prior revaluation of the assets is recognised in profit or loss. Downward revaluation of land and buildings that exceeds potential previously recognised revaluation surplus of the same land and buildings is recognised in profit or loss.

Production facilities, machinery, all types of equipment, reusable packaging and small tools are recognised under the cost model and are disclosed at their cost less accumulated depreciation and accumulated impairment losses.

The items of property, plant and equipment being acquired are measured at cost less any impairment loss. The cost of an item of property, plant and equipment includes the relevant borrowing costs in accordance with the adopted accounting policy. They are classified under the relevant categories of property, plant and equipment, to which they will belong when completed and made available for use. Depreciation of the items of property, plant and equipment begins in the month following the month when the assets are made available for their use.

Land is not depreciated.

The depreciation of buildings is recognised in profit or loss, while the reversal of the relevant revaluation surplus is simultaneously recognised in retained earnings. On derecognition of buildings, the attributable amount of revaluation surplus is reclassified directly to retained earnings.

Depreciation is calculated using the straight line method (except for land and property, plant and equipment being acquired, which are not depreciated) and is recognised so that the cost or the revalued amount of the property, plant and equipment less any residual value is written-off in the period of its estimated functional life period. The estimates of expected functional life time and residual values and the depreciation method are checked with every preparation of financial statements; potential changes in estimates of the categories mentioned are used for future periods and not retrospectively. The expected functional life periods of individual groups of assets are as follows:

Buildings	10 – 66 years
Plant and machinery	5 – 14 years
Hardware and software	3 years
Motor vehicles	3 – 9 years
Other equipment	3 – 20 years
Reusable packaging (barrels, bottles, crates)	3 – 5 years

Borrowing costs related to financing the purchase of land, the construction of buildings and the purchase of equipment are attributed to the value of the fixed asset from the day of bringing the asset to its working condition. Costs incurred in relation to property, plant and equipment increase their cost providing they increase future benefits arising from the assets in excess of the originally assessed benefits; however costs that allow the extension of the useful life of the assets initially decrease their accumulated depreciation. The extension of the useful life of an asset of property, plant and equipment relates to the extension of its originally determined useful life during which the asset is depreciated. All other repair and maintenance costs are included in profit or loss of the financial year when they are incurred.

An item of property, plant and equipment is derecognised on its disposal or when no economic benefits are expected to be available from the asset on its disposal. Gains or losses arising from derecognition of an item of property, plant and equipment are recognised in the profit or loss of the period of derecognition.

Investment property

Investment property is property owned by the Company for the purpose of earning rent or increasing the value of the property in the long-term. On recognition, they are measured at cost whereas subsequently they are measured using the so called fair value model (depreciation is not calculated), which means that the increase or decrease in their fair value affects profit or loss of the period in which it is effected.

Investment property is derecognised on its disposal or final termination of its use and no economic benefits might be expected to be available from the asset when it is disposed. Gains and losses on disposal of investment property are recognised in the profit or loss of the period in which the asset is derecognised.

Impairment of property, plant and equipment, and intangible assets

On preparation of the financial statements, all items of property, plant and equipment, and intangible assets are checked for any signs of impairment. If there are indications of impairment, the asset's recoverable amount is assessed. If the recoverable amount of an individual asset cannot be established, the recoverable amount of a cash-generating unit is estimated to which the asset concerned belongs.

The recoverable amount of the asset is the higher of its fair value decreased by the costs to sell or its value in use. The latter is estimated as the current value of discounted future cash flows associated with the financial asset taking into account the discount rate before taxation that reflects the current market estimate of the time value of the money and specific risks related to the assets that were not considered in the estimate of future cash flows.

The asset (or a cash-generating unit) is impaired to its recoverable amount if the latter is lower than its book value. Impairment is immediately recognised in profit or loss except when the asset is carried under the revaluation model; in this case the impairment is disclosed as a decrease in the revaluation surplus.

Loans and deposits issued, monetary items

Financial assets such as loans and deposits issued and monetary items are initially measured at fair value on the date of their issue or placement.

After initial measurement they are disclosed at amortised cost using the effective interest method less any impairment losses.

Financial assets available for sale

Available-for-sale financial assets are initially measured at their fair value on the date of acquisition. This fair value is usually equal to the asset's cost; however, sometimes adjustments are needed.

After the initial recognition, the financial assets available for sale are measured at fair value in the statement of financial position and changes in fair value are recognised under other comprehensive income excluding their impairments and interest that are recognised by using the effective interest rate and exchange rate differences.

The best evidence of an asset's fair value is normally its quoted prices on an active market. If these are not available, valuation techniques are applied that as far as possible take account of market inputs including the most recent arm's length market transactions, reference to the current fair value of another instrument that has substantially similar characteristics, and discounted cash flow analysis.

If the fair value of a financial asset available for sale cannot be reliably measured, the asset is carried at its cost taking into consideration any impairment losses.

On derecognition of an available-for-sale financial asset or its permanent impairment, the cumulative other comprehensive income is reclassified to the profit or loss of the period in which the asset is derecognised or permanently impaired.

Derivatives

Derivative financial instruments are used for managing interest rate risks. They comprise interest options and interest swaps.

Derivative financial instruments are first recognised at cost on the day a contract is concluded and later revalued to the fair value on the reporting date. Gains and losses arising from changes in fair value are immediately recognised in profit and loss unless they are applied in the hedging of risks.

Inventories

Inventories of raw materials and consumables are disclosed at the lower of cost and net realisable value; declining values of inventories are accounted for using the weighted average cost method. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of finished products, semi-finished products and work in progress are valued at their production costs. Production costs are direct costs of materials and raw materials (such as labour, production services, depreciation) and indirect costs of production (such as costs of materials and raw materials, labour, services and depreciation) that are accounted for in the production process but cannot be directly linked to emerging products and services.

Inventories of raw materials, materials, spare parts, products and merchandise are written off on the basis of inventory records, customer complaints and returns and other records or upon a proposal of a responsible person (also damaged products, ullage and breakages) that requires the decision of the management board of the company. The inventories are written off in full if the sale is permanently discontinued or their use is forbidden. The Group examines the usefulness of the stocks of materials and spare parts with less than 5 years of movement and if necessary, their value is 100% impaired.

Operating receivables

On initial recognition, operating receivables are recognised at fair value; subsequently they are measured at amortised cost using the effective interest rate method less any impairment loss.

Impairments of operating receivables are made when there is objective evidence that the Company will not be able to collect the full amount due. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The impairment loss is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents reported in the cash flow statement comprise cash on hand, sight deposits at banks and investments into the money market instruments without bank overdrafts. Bank overdrafts are included under short-term financial liabilities in the statement of financial position.

Share capital

Ordinary shares are classified as capital. Transaction costs directly associated with the issue of new shares which are not associated to the acquisition of a company are reported as a decrease in capital. Any surpluses over the fair value of received paid-in amounts in excess of the book value of newly issued shares are recognised as a paid-in capital surplus.

Treasury shares

If the company repurchases treasury shares in the financial year, the paid amount inclusive of transaction costs and exclusive of tax is deducted from total capital as treasury shares until these shares are removed, reissued or sold. The company must create reserves for own shares in the identical amount for that financial year. At the same time, it must also form provisions for PILR shares owned by the subsidiaries. Reserves for treasury shares are released when the Company disposes of or removes its treasury shares, crediting the source from which they were created. Upon the sale of such shares, the difference between the sale and book value of own shares is directly calculated into equity capital and has no effect on profit or loss. Treasury shares are used for the purposes defined in Article 247 of the Companies Act.

Dividends

Until approved by the General Meeting of Shareholders, proposed dividends are accounted for as retained earnings.

Provisions

Provisions are recognised when the Company shows a legal obligation as a result of past transactions for which a probable likelihood exists in the future that it will have to settle the liability and when a reliable estimate of the liability can be made. Provisions may not be set aside to cover future losses from operations.

The amount of provisions is the best estimate of the outflows expected to be required to settle the present obligation at the reporting date taking into account the related risks and uncertainties. If the provision is measured at the level of future cash flows and the time value of money is important, the amount is discounted to the current value.

The net liabilities of the Company associated with long-term employee benefits for years of service, except for pension schemes, are equal to the earnings which employees have obtained in exchange for their service during current and previous periods. Such liabilities are calculated using the projected unit method and are discounted to their present values.

Operating liabilities

Operating liabilities comprise suppliers credits for purchased merchandise or services and liabilities to employees, the state, owners or others. Liabilities are recognised if it is likely that due to their settlement the factors enabling economic benefit will decrease and the amount for settlement can reliably be measured. They are initially recognised at fair value; subsequently they are measured at amortised cost using the effective interest rate method.

Financial liabilities

Initially, financial liabilities are recognised at fair value exclusive of any attributed transaction costs. Financial liabilities are reduced by debt restructuring costs. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method. Any differences between receipts (exclusive of transaction costs) and liabilities are recognised in profit or loss over the entire period of the financial liability.

Discontinued operation

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale (disposal group) and:

- represents a separate major line of business or geographical area of operation;
- is part of a single coordinated plan to dispose of a separate major lines of business or geographical areas of operations or
- is a subsidiary acquired exclusively with a view to resale.

Corporate income tax

The amount of corporate income tax reported in the statement of comprehensive income is the sum total of current and deferred tax.

Current tax is accounted for on the basis of taxable profit of the current year. In the statement of comprehensive income, the amount of taxable profit can differ from pre-tax profit on account of income and expenses taxed or fiscally recognised in other taxable periods or on account of income and expenses that will never be taxed or fiscally recognised. Current amounts of corporate income tax is accounted for at the tax rate of 17% applicable to all commercial companies registered in Slovenia. In Croatia, the registered seat of Laško Grupa, d.o.o. Zagreb, the applicable corporate income tax rate is 20%. In Kosovo, the registered seat of Birra Peja, the applicable corporate income tax rate is 10%.

Deferred tax receivables and deferred tax liabilities

Deferred taxes are shown in their entirety while observing the liability method based on temporary differences between carrying amounts of assets and liabilities and disclosed tax amounts in the financial statements. In principle, deferred tax liabilities are recognised on the basis of all temporary differences whereas deferred tax assets are only recognised to the amount of temporary differences for which taxable profits will be available in the future against which these temporary differences can be utilised. Deferred tax assets and liabilities are calculated using the tax rate (and legislation) applicable on the reporting date which is expected to be effective at the time the deferred tax is realised or liability for deferred tax settled.

Deferred tax receivables are verified when annual accounts are drawn up and are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Current and deferred taxes are recognised in profit or loss except when they refer to the items recognised in other comprehensive income or equity; in such cases the current and deferred tax are recognised in other comprehensive income or directly in equity.

5.4.5 NOTES TO INDIVIDUAL ITEMS IN THE FINANCIAL STATEMENTS

1. Intangible assets

2014 (in EUR)	Licences and other intangible assets	Total
COST		
1 January 2014	**3,282,210**	**3,282,210**
Direct acquisitions	569	569
31 December 2014	**3,282,779**	**3,282,779**
ACCUMULATED DEPRECIATION		
1 January 2014	**2,344,195**	**2,344,195**
Depreciation	236,631	236,631
31 December 2014	**2,580,826**	**2,580,826**
CARRYING AMOUNT		
31 December 2014	**701,953**	**701,953**
1 January 2014	**938,015**	**938,015**

2013 (in EUR)	Licences and other intangible assets	Total
COST		
1 January 2013	**3,424,590**	**3,424,590**
Direct acquisitions	13,725	13,725
Disposals, reductions	(156,105)	(156,105)
31 December 2013	**3,282,210**	**3,282,210**
ACCUMULATED DEPRECIATION		
1 January 2013	**2,192,809**	**2,192,809**
Depreciation	235,535	235,535
Disposals	(84,149)	(84,149)
31 December 2013	**2,344,195**	**2,344,195**
CARRYING AMOUNT		
31 December 2013	**938,015**	**938,015**
1 January 2013	**1,231,781**	**1,231,781**

As at 31 December 2014, the items of intangible assets mostly comprise software licences and costs of investments in leasehold assets. No intangible assets have been pledged. The Company pledged a part of the brand names in the amount of EUR 50 million as security for short-term borrowings from banks which are a constituent part of the Company's assets. In accordance with the accounting standards, the Company's own brand names are not disclosed in the financial statements.

2. Property, plant and equipment

2014 (in EUR)	Land	Buildings	Production plant and equipment	Other plant and equipment	Small tools	FA being acquired	Advances	Total
COST								
1 January 2014	**7,515,433**	**23,032,342**	**108,629,267**	**23,905,805**	**11,297,315**	**1,013,754**	**239,566**	**175,633,482**
Direct acquisitions	-	-	-	4,659	40,184	4,196,793	-	4,241,636
Transfer from assets being acqu	96,900	337,075	2,830,064	572,663	928,437	(4,765,139)	-	-
Advances for property, plant and equipment	-	-	-	-	-	-	61,027	61,027
Disposals	-	-	(7,089)	(778,009)	(229,825)	-	-	(1,014,923)
31 December 2014	**7,612,333**	**23,369,417**	**111,452,242**	**23,705,118**	**12,036,111**	**445,408**	**300,593**	**178,921,222**
ACCUMULATED DEPRECIATION								
1 January 2014	**-**	**8,879**	**102,930,468**	**19,626,996**	**9,129,556**	**-**	**-**	**131,695,899**
Depreciation	-	718,395	1,420,286	1,221,268	963,728	-	-	4,323,677
Reclassifications	-	-	-	4,658	27,414	-	-	32,072
Disposals	-	-	(7,089)	(762,301)	(229,791)	-	-	(999,181)
31 December 2014	**-**	**727,274**	**104,343,665**	**20,090,621**	**9,890,907**	**-**	**-**	**135,052,467**
CARRYING AMOUNT								
31 December 2014	**7,612,333**	**22,642,143**	**7,108,577**	**3,614,497**	**2,145,204**	**445,408**	**300,593**	**43,868,755**
1 January 2014	**7,515,433**	**23,023,463**	**5,698,799**	**4,278,809**	**2,167,759**	**1,013,754**	**239,566**	**43,937,583**

2013 (in EUR)	Land	Buildings	Production plant and equipment	Other plant and equipment	Small tools	FA being acquired	Advances	Total
COST								
1 January 2013	**7,887,235**	**25,600,344**	**108,189,127**	**25,052,022**	**11,184,827**	**221,508**	**39,000**	**178,174,063**
Direct acquisitions	-	-	-	-	-	3,707,582	-	3,707,582
Transfer from assets being acqu	244,800	126,571	440,140	614,652	1,489,173	(2,915,336)	-	-
Advances for property, plant and equipment	-	-	-	-	-	-	200,566	200,566
Revaluation	(616,602)	(2,694,573)	-	-	-	-	-	(3,311,175)
Disposals	-	-	-	(1,760,869)	(1,376,685)	-	-	(3,137,554)
31 December 2013	**7,515,433**	**23,032,342**	**108,629,267**	**23,905,805**	**11,297,315**	**1,013,754**	**239,566**	**175,633,482**
ACCUMULATED DEPRECIATION								
1 January 2013	**-**	**961,724**	**101,539,818**	**19,958,752**	**9,437,646**	**-**	**-**	**131,897,940**
Additions	-	-	-	120,396	-	-	-	120,396
Depreciation	-	794,979	1,390,650	1,293,760	1,046,075	-	-	4,525,464
Impairment reversal	-	(1,747,824)	-	-	-	-	-	(1,747,824)
Disposals	-	-	-	(1,745,912)	(1,354,165)	-	-	(3,100,077)
31 December 2013	**-**	**8,879**	**102,930,468**	**19,626,996**	**9,129,556**	**-**	**-**	**131,695,899**
CARRYING AMOUNT								
31 December 2013	**7,515,433**	**23,023,463**	**5,698,799**	**4,278,809**	**2,167,759**	**1,013,754**	**239,566**	**43,937,583**
1 January 2013	**7,887,235**	**24,638,620**	**6,649,309**	**5,093,270**	**1,747,181**	**221,508**	**39,000**	**46,276,123**

The disposal of property, plant and equipment relates to the sale and write-off of such assets. Property, plant and equipment amounting to EUR 45,050 have been acquired under finance lease.

Gains in the amount of EUR 9,294, which the Company realised on disposal of property, plant and equipment is reported as an item of revaluation operating expenses, whereas EUR 11,624 of losses realised on disposal of those assets is reported as revaluation operating expense.

The Company pledged property, plant and equipment whose carrying amount as at 31 December 2014 amounted to EUR 27,473,800, as collateral for short-term and long-term borrowings. The carrying amount of pledged property totals EUR 24,249,746 and the carrying amount of pledged equipment equals EUR 3,224,054. As at 31 December 2014 the Company reports commitments for the acquisition of property, plant and equipment in the amount of EUR 260,485.

3. Investment property

2014 (in EUR)	Land	Buildings	Total
COST			
1 January 2014	**468,346**	**3,847,364**	**4,315,710**
Revaluation - appreciation / impairment	(154,360)	(421,657)	(576,017)
31 December 2014	**313,986**	**3,425,707**	**3,739,693**
CARRYING AMOUNT			
31 December 2014	**313,986**	**3,425,707**	**3,739,693**
1 January 2014	**468,346**	**3,847,364**	**4,315,710**

2013 (in EUR)	Land	Buildings	Total
COST			
1 January 2013	**(56,074)**	**5,709,012**	**5,652,938**
Revaluation - appreciation / impairment	(697,246)	(639,982)	(1,337,228)
Reclassifications	1,221,666	(1,221,666)	-
31 December 2013	**468,346**	**3,847,364**	**4,315,710**
CARRYING AMOUNT			
31 December 2013	**468,346**	**3,847,364**	**4,315,710**
1 January 2013	**(56,074)**	**5,709,012**	**5,652,938**

Investment property also includes property which is not used for carrying out the basic activity but is leased out by the Company. As at the last day of 2014, the "Tri lilije" sports arena (EUR 1,277,482), the Hotel Hum catering facility (EUR 1,735,732) and holiday facilities (EUR 726,479) are also included in the Company's investment property.

Pursuant to the valuation report prepared by a certified appraiser of property, drafted based on the capitalisation of future income approach, in 2014 the Company recognised revaluation operating expenses in the amount of EUR 709,215 and revaluation operating revenue amounting to EUR 133,198, as the difference between the assessed value of investment property and their carrying amount.

The Company incurred EUR 201,626 of expenses from investment property primarily relating to maintenance and facility management, and EUR 26,736 of rental income and payments received for the use of holiday facilities.

Investment property in the amount of EUR 2,884,365 has been pledged as collateral for long-term and short-term borrowings raised from banks.

4. Long-term financial investments

4. A Long-term investments in subsidiaries

(in EUR)	Share in equity	2014	2013
INTERESTS IN GROUP COMPANIES			
In Slovenia:			
Firma Del, d. o. o., Laško	100.000 %	7,427	7,427
Delo, d. d., Ljubljana	80.834 %	4,566,500	14,297,704
Pivovarna Union, d. d., Ljubljana	98.078 %	162,405,436	162,127,755
Vital Mestinje	96.920 %	1,457,761	1,457,761
Radenska, d. d., Radenci		-	46,472,460
		168,437,124	**224,363,107**
Foreign subsidiary:			
Laško Grupa, d. o. o., Zagreb	100.000 %	2,709	2,709
Laško Grupa, d. o. o., Sarajevo	69.220 %	160,408	160,408
Laško Grupa, Sh. p. k., Kosovo	100.000 %	1,000	-
		164,117	**163,117**
Total		**168,601,241**	**224,526,224**

Data on the subsidiaries

(in EUR)	Principal activity	Country company	Percentage holding in equity	Total equity 31 Dec 2014	Profit/ loss 2014
Subsidiaries					
Radenska, d. d., Radenci	beverage production	Slovenia	87.162 %	65,032,005	2,366,578
Union Group	beer production and beverages production	Slovenia	98.078 %	83,529,318	10,354,061
Vital Mestinje	beverage production	Slovenia	96.920 %	3,471,355	(21,823)
Delo Group	newspaper and publishing	Slovenia	80.834 %	12,150,271	(1,310,782)
Firma Del, d. o. o., Laško	beer production	Slovenia	100.000 %	15,215	(39)
Jadranska Pivovara - Split, d. d.	beer production	Croatia	99.460 %	(152,347)	(159,088)
Laško Grupa, d. o. o., Zagreb	trade intermediation	Croatia	100.000 %	102,714	204,682
Laško Grupa, d. o. o., Sarajevo	trade intermediation	Bosnia and Herz.	69.220 %	188,345	25,609
Laško Grupa, Sh. p. k., Kosovo	trade intermediation	Kosovo	100.000 %	20,651	19,651

In accordance with IAS 27, the Company values long-term financial investments in the subsidiaries according to the cost model.

The Company possesses 442,443 shares of the subsidiary Pivovarna Union or a 98.078% stake; 539,536 shares in the subsidiary Delo or an 80.834% stake, 5,396,932 shares in the subsidiary Jadranska pivovara – Split or a 99.460% ownership stake and 4,412,032 shares in the subsidiary Radenska or an 87.162% ownership stake.

In addition, the Company holds majority stake in the following subsidiaries: Vital Mestinje (96.92%), Laško Grupa, Zagreb (100%), Laško Grupa, Sarajevo (69.22%), Laško Grupa, Kosovo (100%) and Firma Del (100%).

Long-term investments in subsidiaries increased in 2014 by EUR 341,868 for additional acquisition of shares in Pivovarna Union (EUR 277,680) and Radenska (EUR 63,188). In 2014, Pivovarna Laško founded a new company Laško Grupa, Kosovo, with a nominal capital of EUR 1,000.

For the purpose of impairment testing, the certified appraiser of companies assessed the value of the investment in Radenska and Delo as at 30 June 2014.

The estimated recoverable amount of the investment in Delo on the last day of 2014 amounted to EUR 4,566,500, reflecting a decrease of EUR 9,731,204 over the stated carrying amount. The negative difference is recognised as an impairment loss in financial expenses. In 2014, pursuant to IFRS 5, the Company transferred the long-term investment in Radenska amounting to EUR 46,535,646 to non-current available-for-sale assets.

1. Investment in the subsidiary Pivovarna Union, Ljubljana

As at 31 December 2014, Pivovarna Laško holds 442,443 shares of its subsidiary Pivovarna Union or a 98.078% stake amounting to EUR 162,405,436.

The investment was tested for impairment, however it was established that the investment's value equals that as at the end of last year and that there is thus no need for impairment.

2. Investment in the subsidiary Delo, Ljubljana

As at 31 December 2014, the investment in Delo amounts to EUR 4,566,500, which is a reduction of EUR 9,371,204 compared to its value on the last day of 2013.

a) Estimated value of Delo, Ljubljana

At 31 December 2014, the value of the 80.83% stake in Delo amounted to EUR 4,566.50 thousand, which is a decrease of EUR 9,731.20 thousand compared to 2013 year-end.

The carrying amount of the investment was established in a valuation performed at the request of Pivovarna Laško by KPMG poslovno svetovanje, d.o.o., to determine the fair value of the investment in Delo for the purpose of its disposal. Valuation of the investment in Delo, as at 30 June 2014, was made by a certified business appraiser, registered with the Slovenian Institute of Auditors.

The most important elements and findings of the valuation procedure are stated below:

- The subject of the valuation was the 100% stake in Delo enabling the majority owner to influence the process of adopting decisions by management bodies as well as to influence the formation of strategy and business decisions concerning, amongst other, status changes. Based on the valuation, the values of an 80.8% stake of the controlling interest and a 19.2% stake of non-controlling interest were also determined.
- The valuation was made using the data provided by the management of Delo and which were based on results of a due diligence performed, taking into account also publicly available data. The management supplied financial forecasts for the period until the end of 2016, while based on the knowledge of historic data and future expectations regarding the company's operation as well as market characteristics, the appraiser supplemented those forecasts with data until the end of 2019. All the forecasts were made under the assumption of a going concern.
- The method of the present value of expected free cash flows was used in assessing the company's market value. In addition, a financial study of the company was also performed with emphasis on the most significant and key financial statement items in order to check, verify and adjust if necessary the financial forecasts prepared by the management, to provide the basis for the cash flow calculation. To calculate the discount rate and estimate the value of the company, a macroeconomic analysis, study of the industry and the market, as well as a comparative study of competitors were also made.

- The value of 13.06% was used for the calculation of WACC, assuming a long-term minimum growth rate of Delo of 0%. Since the company's shares are not quoted on the organised stock exchange, a 20% discount rate was applied; whereas in determination of the non-controlling interest in the company, an additional 10% discount for lack of control was applied.
- The comparable transactions and comparable entities methods were also used as the supporting methods.
- High liquidation value of the company was assessed under the assumption of its urgent and compulsory sale. As part of the liquidation value assessment, the values of the company's real estate and production machinery were also estimated by two certified appraisers, both registered with the Slovenian Institute of Auditors.

Considering the aforementioned elements and assumptions, the fair value of an 80.83% controlling interest was assessed to range between EUR 4,310 thousand and EUR 4,803 thousand with an arithmetic mean of EUR 4,556.50 thousand.

b) Procedures for the sale of a 100-percent stake in Delo, Ljubljana

The Laško Group continues the sale of its entire stake in Delo.

In light of the successful closing of the sale of Večer the sales process for Delo will also continue. In 2014 the Company signed an exclusivity agreement with the potential investor who began the due diligence process of the company's operations. The exclusivity period expired in February 2015, and the potential buyer was invited to improve its non-binding bid and the SPA conditions. Some other investors, who have also singed an NDA and received the Investment Memorandum, are interested in purchasing the company. The due diligence reviews of the company are underway.

Upon the closing of the sale of Radenska, Pivovarna Laško increased its stake in Delo to 100%, as it purchased Radenska's 19.17% share on 17 March 2015.

3. Financial investment in Jadranska pivovara – Split, d. d.

a) Valuation of Jadranska pivovara – Split, d. d.

The long-term investment in Jadranska pivovara - Split was fully impaired already in 2009. As a result its value as at 31 December 2014 amounts to EUR nil.

The fair value of real estate, machinery and equipment was verified as at 31 December 2014 by a certified appraiser. The assessed liquidation market value of property is EUR 3,874,140, which is included in the consolidation, whereas the equipment is revalued to its contractual value amounting to EUR 677,750.

Movements in long-term investments – subsidiaries

(in EUR)	2014	2013
At 1 January	**224,526,224**	**237,715,141**
Changes during the year:		
Founding of LG Kosovo, Sh. p. k.	1,000	-
Acquisition of Radenska, d. d., Radenci	63,188	-
Acquisition of Pivovarna Union, d. d.	277,680	10,790
Acquisition of Delo, d. d., Ljubljana	-	-
Impairments of Pivovarna Union, d. d., Ljubljana	-	(7,210,857)
Transfer to non-current assets held for sale - Radenska	(46,535,646)	
Impairments of Delo, d. d., Ljubljana	(9,731,204)	(5,988,850)
At 31 December	**168,601,242**	**224,526,224**

b) Procedures relating to the sale of the 99.11% stake in Jadranska pivovara – Split, d. d.

After several years of unsuccessful attempts to sell the entire company as a joint stock company and the asset deal, the Management Board decided in the second half of 2012 to sell the production-technical equipment of Jadranska pivovara.

Most production equipment was sold and the proceeds received in the first half of 2014. Procedures relating to the disposal of the remaining production equipment and transforming the company from a public limited company into a private limited company are still pending.

4. B. Long-term financial investments into associated companies

Data on the associated companies

(in EUR)	Activity company	Country company	Percentage Holding in equity	Value total equity 31 Dec 2014	Profit/ loss 2014
Associated companies					
Thermana, d. d., Laško	health resorts hotels and similar accommodation	Slovenia	20.630 %	713,514	(599,243)
Slopak, d. o. o., Ljubljana	waste packaging handling	Slovenia	9.750 %	812,501	410,794

As at 31 December 2014, Pivovarna Laško holds 645,003 shares of Thermana accounting for a 20.63% stake in the company. The original purchase value of the investment equalled EUR 6,897,921. In 2010, the investment was impaired to EUR nil. Between 2010 and 2013, we intensively attempted to sell the investment through the sales broker NLB d.d., however no bids were received from any potential investors. NLB as the broker assessed that there was no interest in the market to purchase a majority holding of Thermana and at the end of 2013, the sale of the investment was abandoned.

In October 2014, composition proceedings were initiated at the proposal of Thermana. As part of the financial restructuring of this company, the receivables of financial creditors are expected to be converted into equity. The composition proceedings are still pending.

4. C. Long-term available-for-sale financial assets

(in EUR)	2014	2013
Other investments in shares and interests at cost	241,655	241,655
Total	**241,655**	**241,655**

Compared to the previous year, the value of available-for-sale financial assets did not decrease.

5. Long-term loans granted

(in EUR)	2014	2013
Other long-term loans	376	376
Total	**376**	**376**

Long-term loans refer to housing loans granted by the Company to its employees or the purposes of solving their housing-related issues

6. Long-term financial lease receivables

(in EUR)	2014	2013
Long-term financial lease receivables	518,013	533,230
Total	**518,013**	**533,230**

Long-term financial lease receivables refer to the production equipment for the Bandidos brand which was leased under a finance lease to a business partner from Belarus, and packaging leased under finance lease to Birra Peja. The receivable due from the Belarus business partner as at 2014 year end amounts to EUR 277,700, while the receivable due from Birra Peja amounts to EUR 240,313.

7. Long-term deferred tax liabilities

(in EUR)	2014	2013
Long-term deferred tax assets - at the beginning of the year	27,521,805	27,521,805
Changes in the profit or loss	2,256,932	-
Changes in the statement of financial position	18,039	-
Long-term deferred tax liabilities	(594,864)	(631,380)
Net Long-term deferred tax assets	**29,201,912**	**26,890,425**

Long-term deferred tax assets and liabilities are calculated on the basis of temporary differences, using the liability method and by applying the 17% tax rate.

Movement of deferred tax assets

(in EUR)	Liabilities to employees	Fair value of financial assets	Other	Total
DEFERRED TAX ASSETS				
1 January 2013	**266,160**	**19,909,678**	**1,231,679**	**21,407,517**
Changes in the profit or loss	(136,011)	3,398,556	2,851,743	6,114,288
31 December 2013	**130,149**	**23,308,234**	**4,083,422**	**27,521,805**
Changes in the profit or loss	421,481	(3,213,830)	5,049,281	2,256,932
Changes in the statement of comprehensive income	18,039	-	-	18,039
31 December 2014	**569,669**	**20,094,404**	**9,132,703**	**29,796,776**

Long-term deferred tax assets reported in the profit or loss statement increased by a total of EUR 2,256,931, namely on account of employee payables in the amount of EUR 421,481, while the deferred tax assets reported in the statement of comprehensive income are up by EUR 18,039, as are the deferred tax assets relating to the tax loss of EUR 5,049,281, while the deferred tax assets are down as a result of the impairment of financial assets of EUR 3,213,830.

Movement of deferred tax liabilities

(in EUR)	Fair value (land & buildings)	Total
DEFERRED TAX LIABILITIES		
1 January 2013	**703,262**	**703,262**
Changes in the statement of other comprehensive income	(71,882)	(71,882)
31 December 2013	**631,380**	**631,380**
Changes in the statement of other comprehensive income	(36,516)	(36,516)
31 December 2014	**594,864**	**594,864**

Deferred tax liabilities were recognised on account of property revaluation to the fair value and which is reported in the revaluation surplus. In 2014, the value of deferred tax liabilities decreased by EUR 36,516, which is the consequence of the property revaluation. As at 31 December 2014, deferred tax liabilities amount to EUR 594,864, accounted at the tax rate of 17%.

8. Non-current assets held for sale

(in EUR)	2014	2013
Other non-current assets held for sale	46,535,646	-
Total	**46,535,646**	**-**

Non-current assets held for sale

As at 31 December 2014, Pivovarna Laško reports non-current assets held for sale of EUR 46,535,646 relating to the financial investment in Radenska, which represents an 87.162% stake in Radenska. On the last day of 2014, Pivovarna Laško is registered in the Radenska's share register as the undisputed holder of 75.31% shares of Radenska. The former management pledged 345,305 RARG shares (a 6.82% stake) for the benefit of Center Naložbe with NKBM. On the basis of the final judgement in the dispute between Nova Kreditna banka Maribor as the plaintiff and lienor, and Pivovarna Laško as the defendant and lienee, in 2011 the investment in Radenska was impaired by EUR 3,637,650, which corresponds to the average cost and carrying amount of 345,304 RARG shares. The investment was reclassified to assets of disposal groups. Due to the pledging of RARG shares, financial expenses had already been recognised in 2009 and accrued costs and deferred revenues formed in the identical amount. In 2013 the asset as well as the relevant accrued costs and deferred revenue were derecognised from the Company's books of account.

On 17 June 2014, Pivovarna Laško received the decision of the Celje District Court allowing the intervention of the new creditor in the enforcement proceedings. The Bank Asset Management Company (Družba za upravljanje terjatev bank, Ljubljana - DUTB) took the place of the original creditor Nova KBM, Maribor, as the disposal of the underlying claim has resulted in the automatic transfer of the lien from the former to the current creditor. The proceedings are still pending.

The ownership of 600,000 RARG shares (an 11.85% stake), which Pivovarna Laško temporarily sold to Deželna banka Slovenije in 2011, is not registered in the Radenska share register. Pursuant to the contract and despite temporary transfer of the ownership, the seller, Pivovarna Laško retained the right to the shares and therefore, the investment was not derecognised.

Based on the above facts the official ownership as reported in the Radenska share register (82.13%) differs from the actual ownership on the basis of which the controlling company exercises its management rights (93.984%) and from its share of equity investment in Radenska (87.162%).

a) Procedures relating to the sale of the stake in Radenska, Radenci

Pursuant to the operational and financial restructuring of the Laško Group, UniCredit CAIB as the sale consultant, on 1 September 2013 began procedures for the sale of the stake in Radenska. The sale was carried out in a transparent international two-phase process of public tender for the selection of bids. On 19 December 2014, Pivovarna Laško as the seller, Kofola, družba za upravljanje d.o.o., as the buyer and Kofola S.A., as the guarantor, concluded an agreement for the sale of 3,812,023 shares in Radenska or a 75.31% stake in Radenska. The Agreement was agreed under a number of suspensive conditions which had to be fulfilled before the transaction could be finalised. The sale was expected to close within three months of singing the Share purchase agreement, when all the suspensive conditions were expected to be fulfilled by both the seller and the buyer. At its session on 19 January 2015, the Supervisory Board of Pivovarna Laško gave its consent to the sale of the stake in Radenska. The Supervisory Board's consent was one of the suspensive conditions for the transaction to be finalised. The proceeds from the sale of the stake in Radenska were received on 17 March 2015 after fulfilment of all the suspensive conditions, and this represents the fulfilment of one of the covenants agreed in the Restructuring and Standstill Agreement.

9. Inventories

(in EUR)	2014	2013
Material and raw materials	3,554,217	3,926,609
Work in progress	1,047,873	1,076,418
Products	1,711,780	1,515,665
Merchandise	362,896	382,936
Advances for inventories	34,366	36,030
Total	**6,711,132**	**6,937,658**

Movement of inventory allowances

(in EUR)	2014	2013
Formation	33,491	67,659
Balance at the end of period	**33,491**	**67,659**

The value of inventories decreased by EUR 226,526 or 3.3% compared to the previous year. The largest decrease in value (9.5%) was recorded in terms of inventory of materials and raw materials. As at 31 December 2014, inventories amounting to EUR 2 million were pledged. The carrying amount of inventories does not exceed their realisable value.

In 2014, the inventory allowances were recognised equalling EUR 33,491 due to a write-off of obsolete inventory.

Inventory surpluses and deficits

(in EUR)	2014	2013
Inventory surplus	23,092	4,329
Inventory deficit	(33,071)	(16,769)

Inventory deficit amounting to EUR 33,071 and inventory surplus in the amount of EUR 23,092 were determined as a result of the annual stock count of materials, work in progress, semi-finished products and products.

10. A. Short-term operating receivables

(in EUR)	2014	2013
Short-term trade receivables:		
on domestic market	16,976,212	18,428,046
on foreign markets	6,305,852	6,110,846
Less impairments	(4,878,106)	(4,830,469)
Total	**18,403,958**	**19,708,423**
Short-term operating receivables due from others	983,930	1,060,924
Advances	56,336	-
Less impairments	(614,359)	(614,359)
At 31 December	**18,829,865**	**20,154,988**

As at 31 December 2014, the Company reports short-term operating receivables amounting to EUR 18,829,865, which is a decrease of EUR 1,325,123 compared to the last day of the previous year. Receivables against domestic customers are down by EUR 1,451,834 on account of successful recovery, while receivables against foreign customers are up by EUR 195,006.

The reported value of short-term operating and other receivables reflects their fair value.

Allowances for short-term operating receivables

(in EUR)	2014	2013
At 1 January	4,830,469	5,013,555
Written-off receivables recovered	(62,654)	(241,185)
Final write-off of receivables	(74,692)	(179,762)
Allowances made during the year	137,864	43,992
Increase in allowances for disputed	89,165	189,567
Decrease in amortisation during the year	(43,991)	-
Interest transfer to disputed	1,945	4,302
At 31 December	**4,878,106**	**4,830,469**

The accounts receivable allowances increased on account of disputes by EUR 89,165, additional allowances in the amount of EUR 137,864, and by EUR 1,945 of interest. On the other hand, the accounts receivable allowances decreased on account of disputes by EUR 62,654, write-offs in the amount of EUR 74,692, and by EUR 43,991 of write-downs.

Trade receivables in the amount of EUR 5,675,490 are collateralised by the guarantees and sureties received in the amount of EUR 5,039,000.

The maturity structure of receivables is disclosed in section 5.4.6 FINANCIAL INSTRUMENTS AND RISKS– Note 26. A. Credit risk.

As at 31 December 2014, the borrowings raised by the Company are collateralised by trade receivables in the amount of EUR 10,000,000.

10. B. Short-term receivables for excess corporate tax payment

In the 2014 tax return the Company reported tax loss in the amount of EUR 29,701,656. As at 31 December 2014, total unsettled tax loss amounts to EUR 53,168,945, and includes accumulated tax losses brought forward from previous periods and the net loss of the financial year. In 2013, the Company reported no tax base and thus in 2014 it did not make any prepayments of corporate income tax.

11. Short-term available-for-sale assets

(in EUR)	2014	2013
Short-term available-for-sale financial assets - at fair value	270,648	26,305,484
Total	**270,648**	**26,305,484**

As at the last day of 2014, short-term available-for-sale financial assets amount to EUR 270,648, which is a reduction of EUR 26,034,806 compared to the previous year.

Movement of short-term financial assets available for sale

(in EUR)	2014	2013
At 1 January	26,305,484	37,909,041
Changes during the year:		
Impairment	-	(11,603,557)
Disposal (MELR)	(26,034,836)	-
At 31 December	**270,648**	**26,305,484**

Financial investments available-for sale

Investment in the shares of Elektro Gorenjska totalling EUR 270,648 (1.6%) are included in the available-for-sale financial assets.

Closing the sale of the shares of Mercator

On 14 June 2013, the consortium of sellers of the stake in Poslovni sistem Mercator (hereinafter: Mercator) comprised of Pivovarna Laško, Pivovarna Union, Radenska, NLB, Nova KBM, Gorenjska banka, Prvi faktor – Faktoring, Banka Koper, Hypo Alpe-Adria Bank, NFD, Banka Celje, and NFD holding (hereinafter: consortium of sellers) concluded with Agrokor, d. d. (hereinafter: Agrokor) an Agreement on the sale and purchase of a total 53.12% share in Mercator (hereinafter: SPA); an Annex to the SPA was concluded on 28 February 2014.

The signing of SPA was a result of an extensive negotiations led by the London team of International Investment Bank ING Bank N. V. The negotiations ran in accordance with international good practice aiming to include all potential investors in the process. Transparency of the process as well as maximising benefits for all Mercator's stakeholders were ensured.

Closing of the transaction, resulting in the proceeds being paid, was tied to several conditions, including obtaining the relevant regulatory approvals, the rescheduling of Mercator's debt, and Laško Group companies concluding an Escrow Agreement with the crediting banks with collateral on MELR shares.

On 27 June 2014, the process for the sale of the 53.12% equity stake held by the consortium of sellers in Mercator was concluded.

Agrokor paid a total of EUR 172 million to the consortium of sellers for their 53.12% stake in Mercator.

The proceeds of EUR 27,304,828 which Pivovarna Laško received for its 8.43% share significantly contributed to the deleveraging of the Company and represents the first significant milestone referred to in the Restructuring and Standstill Agreement concluded between Pivovarna Laško, Pivovarna Union and Radenska with the crediting banks in late April 2014.

Pivovarna Laško recognised financial revenue on the disposal of Poslovni sistem Mercator shares as the difference between the sales value at the transaction date and the stock-market value as at 31 December 2013 of EUR 1,057,313.

12. Short-term granted loans

(in EUR)	2014	2013
Short-term deposits	167,978	1,770,902
Short-term loans	288,236	7,564,745
Less impairments	(163,906)	(7,447,006)
At 31 December	**292,308**	**1,888,641**

On the last day of 2014, the majority of short-term loans issued amounting to EUR 292,308 represents deposits at banks. In 2014, the Company provided to its subsidiaries Laško Grupa Sarajevo and Laško Grupa Kosovo loans in the amount of EUR 52,166 and EUR 7,350 respectively in order to cover the costs of purchasing property, plant and equipment in accordance with the Restructuring and Standstill Agreement.

As at 31 December 2013 the Company reported loans issued in the past to Center naložbe and Infond Holding in the amount of EUR 7,228,394, which have been fully impaired. As the Company achieved repayment from the bankruptcy estate of Infond Holding in the amount of EUR 14,747 and from the bankruptcy estate of Center Naložbe in the amount of EUR 48,124 in 2014, and both loans had been impaired in full (100%) in the past, in 2014 the Company reversed the impairment and recognised finance revenue amounting to EUR 62,871. Since the Company is not expecting any further settlements from the bankruptcy estate of the two companies, receivables relating to the loans and allowances were written off as at 31 December 2014.

Short-term loans issued to others increased in 2014 by EUR 6,591, while bank deposits decreased by EUR 1,602,924.

Movements in short-term loans and deposits issued

(in EUR)	Opening balance 1 January 2014	New loans 2014	Repayments 2014	Closing balance 31 Dec 2014
Short-term deposits	1,770,902	2,076	1,605,000	167,978
Short-term loans	7,564,745	59,516	(173,427)	7,450,834
Impairment of short-term loans	(7,447,006)	-	120,502	(7,326,504)
Total	**1,888,641**	**61,592**	**1,552,075**	**292,308**

A 6% interest rate was applied to short-term loans issued to others in 2014, while the interest rate on the loans issued to the subsidiaries LG Sarajevo and LG Kosovo matches the recognised interest rate for interest on loans between related parties.

13. Cash and cash equivalents

(in EUR)	2014	2013
Cash at bank	127,534	255,519
Cash in hand and cheques	24,457	41,967
Cash in transit	78,595	59,732
Total	**230,586**	**357,218**

In addition to cash on account amounting to EUR 127,534, as at 31 December 2014 the Company had an overdraft on its account with Raiffeisen amounting to EUR 53,702.

14. Short-term accruals and prepaid expenditure

(in EUR)	2014	2013
Deferred cost and accrued income	113,842	33,717
Total	**113,842**	**33,717**

In 2013, the Company recorded accruals and prepaid expenditure on account of membership fees, market investments, advertising, insurance premiums paid and dues of EUR 1,227,856 and draw-downs of EUR 1,194,139.

As at 31 December 2014 the Company disclosed EUR 113,842 of accruals and prepaid expenditure; EUR 414,779 were newly recorded and EUR 334,654 were utilised on account of insurance premiums, dues, membership fees and advertising costs.

15. Equity

The capital of Pivovarna Laško consists of called-up capital, share premium, profit reserves, retained earnings or accumulated loss, surpluses from the revaluation of financial investments classified as held for sale and also not-yet distributed profit for the financial year or the outstanding loss for the financial year.

Share capital is shown as shareholders' equity (capital from stakes or capital contribution). Share capital is divided into called-up share capital and uncalled share capital. Uncalled share capital is deductible from share capital.

Called-up capital of Pivovarna Laško is defined in the Articles of Association and equals EUR 36,503,304.96. It is divided into 8,747,652 ordinary transferable nominal no-par-value shares. Each share gives its owner a voting right at the annual General Meeting of Shareholders and participation in profits. The nominal value of called-up capital amounted to EUR 36,503,304.96.

In 2014 share premium was reduced by EUR 9,632,525 to cover losses and as a result of the impairment of real estate to lower fair values. As at 31 December 2014 share premium in the amount of EUR 15,128,045 was derived from capital injections made in the past periods.

Reserves comprise legal reserves amounting to EUR 3,650,331 and reserves for treasury shares equalling EUR 79,763.

As at 31 December 2014 Pivovarna Laško holds no treasury shares; however, its subsidiary Radenska holds 17,760 share lots and Pivovarna Union 2,131 share lots.

Statutory reserves can exclusively be used for covering loss.

The revaluation surplus was recognised on account of property revaluation and actuarial gains. Revaluation surplus increased on account of the deferred tax impact from revaluation of real estate amounting to EUR 36,516 and on account on the impact of deferred taxes relating to employee provisions of EUR 18,039, and decreased on account of actuarial gains in the amount of EUR 213,849 and by EUR 215,385 of depreciation on account of revaluations made in the past. As at 31 December 2014, the revaluation surplus amounts to EUR 2,709,566.

According to provisions of the IFRS, as at 31 December 2014 the carrying amount of one share equals EUR 6.64. The market value of one share at the end of 2014 amounted to EUR 23.50, and is 253.92% higher than its book value.

16. Provisions and long-term accrued costs and deferred revenue

(in EUR)	2014	2013
Other provisions	4,209,804	5,253,988
Provisions for retirement grants and jubilee awards	1,599,762	1,333,160
Provisions for the disabled above the quota	19,465	48,927
Total	**5,829,031**	**6,636,075**

As at 31 December 2014 provisions discounted to their present value of expected termination benefits and jubilee awards for long years of service amount to EUR 1,599,762, provisions for the disabled employees above the quota amount to EUR 19,465, whereas other provisions total EUR 4,209,804.

The provisions Pivovarna Laško disclosed as at 31 December 2014 include additionally-formed provisions of EUR 4,209,804 for the payment of water concession fees between 2005 and 2013, which have been recognised pursuant to the modification of the Waters Act adopted in 2013.

The amount of provisions for retirement and jubilee rewards as at 31 December 2014 was calculated by an authorised actuary. When calculating potential liabilities with regard to the retirement grant, the provisions of the Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base are taken into consideration. If the amount of the retirement benefit exceeds the amount from the Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base, the employer needs to pay the 16.1% contributions on the excess amount.

Overview of additional assumptions:

- Growth of average wages in the Republic of Slovenia is assumed to be 1.3% annually in 2015, 1.8% in 2016 and 3.0% in further years, which represents the estimated long-term growth of wages;
- The calculation takes into consideration the growth of amounts of the retirement benefits and jubilee awards in the Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base as assumed in the previous indent for the growth of the average wage in the Republic of Slovenia (it is an assumption that the bases will be changing in accordance with the growth of the average wage in the Republic of Slovenia since we are not aware of the actual intention of the legislator concerning the amounts in the Decree on the levels of

reimbursed work-related expenses and of certain income not to be included in the tax base);

- The calculation of liabilities from severance payments is tied to the years of pensionable service of each individual employee.

The selected discounted interest rate is 1.9% annually, which equals the return on 10-year corporate bonds with high credit rating in the Euro zone at the end of November 2014 increased by add-on concerning the local risk.

Assumption regarding staff turnover and the relevant obligations of the Company:

- employee turnover depending in particular upon the employees' age;
- employees' death rate was considered using mortality tables of Slovenian population in 2007;
- allocation of workers as permanently redundant workforce results in other liabilities of the Company and therefore it is assumed that the present value of the employer's liabilities relating to classification of an employee as a redundant worker equals the present value of the liabilities for severance payments;
- cases where the reason is regular retirement are accounted for in the calculation by considering the accumulated and future years of service, taking into account the conditions for old-age pension;
- it is assumed that the employees will utilise their right to the old-age pension and therefore, the obligation to pay jubilee awards to an employee subsequently according to the projection, will not arise.

Movements in provisions

(in EUR)	Termination benefits on retirement	Jubilee awards	Disabled above quota	Other	Total
At 1 January 2014	784,686	548,474	48,927	5,253,988	6,636,075
					-
Increase - formation	275,532	122,242	42,227	-	440,001
Decrease - utilisation	-	(51,745)	(71,689)	-	(123,434)
Decrease - reversal	(58,450)	(20,977)		(1,044,184)	(1,123,611)
At 31 December 2014	**1,001,768**	**597,994**	**19,465**	**4,209,804**	**5,829,031**

Based on the actuarial calculation, the Company recognised in the profit or loss unrealised actuarial gains on account of severance payments in the amount of EUR 213,849, current employee benefit costs amounting to EUR 28,411, and interest expenses in the amount of EUR 33,272. Regarding jubilee awards, the Company recognised in the profit or loss current employee benefit costs, interest expense and actuarial gains totalling EUR 122,172. The increase in the provisions is mainly the result of changes to the financial actuary assumptions as a result of the change in the interest rate, which stood at 4.1% p.a. as at 31 December 2013 and 1.9% p.a. as at 31 December 2014. The reason for this is the reduction of the prevailing interest rates in 2014 and the resulting change in the required bond yields on financial markets. Provisions fell on account of redundancy payments and years of service awards actually made in the amount of EUR 51,745 and on account of the reversal of redundancy and years of service awards of EUR 79,428.

Provisions for the disabled above the quota decreased in 2014 by EUR 71,680 due to the utilisation of the exempt contribution for the disabled above the quota, and increased on account of new provisions for disability and retirement insurance of the disabled in the amount of EUR 42,227.

Provisions were further reduced on account of the settlement claim of Radenska, which demanded settlement of the loss incurred during the duration of the contractual group of EUR 1,044,184 in accordance with Article 542 of the ZGD-1. Pivovarna Laško concluded with Radenska an Agreement organising a contractual group on 27 November 2011, which was approved by the Annual General Meetings of both contracting parties. In accordance with paragraph 1 of Article 539 of the Companies Act, on 26 April 2012, Pivovarna Laško terminated the agreement as this was the fundamental condition one of the banks required Pivovarna Laško, Pivovarna Union and Radenska to fulfil in order for their financial liabilities to be rescheduled. On 31 December 2013, Radenska issued a settlement claim to Pivovarna Laško pursuant to paragraph 1 of Article 542 of the Companies Act for the amount of the net losses which Radenska incurred during the contractual group with Pivovarna Laško as the controlling company (over the period from 6 February 2012 to 26 April 2012). Pivovarna Laško rejected the settlement claim as it contained no appendices showing the net loss calculation confirmed by the auditors; accordingly, Pivovarna Laško called on Radenska to have the net loss calculation confirmed by its auditors.

In light of the aforementioned, provisions of EUR 1,044,183.99 were disclosed in the financial statements of Pivovarna Laško for the financial year ended 31 December 2013 as the amount of the settlement claim had not been confirmed by the auditors at that time.

In February 2015, the settlement claim was revised and as a result, the provisions as at 31 December 2014 were reclassified as operating liabilities due to Radenska.

Radenska sent Pivovarna Laško the requested amendment of the settlement claim on 12 February 2015 inclusive of: the Independent auditor's report of 11 February 2015 on the audit of the net profit or loss for the period from 6 February 2012 to 26 April 2012, which confirms the accuracy of the net loss incurred over the stated period at the amount stated above. The Company believes that all the conditions for recognition of the settlement claim have thus been fulfilled.

17. Long-term financial liabilities

(in EUR)	2014	2013
Long-term bank borrowings	63,579,838	3,007,500
Long-term borrowings from the Group	9,300,000	-
Long-term borrowings from other companies	38,560	30,090
Total	**72,918,398**	**3,037,590**
Transfer to short-term financial liabilities	-	(660,000)
Total	**72,918,398**	**2,377,590**

Long-term financial liabilities relate to the long-term borrowings from banks and finance lease liabilities.

As at the last day of 2014, long-term financial liabilities amount to EUR 72,918,398, which is an increase of EUR 70,540,808 compared to the previous year. Long-term borrowings from banks increased by EUR 60,572,338 as Pivovarna Laško reclassified short-term borrowings from banks to long-term borrowings pursuant to the Standstill and Restructuring Agreement, which ensures the financial stability of Pivovarna Laško. At the same time, EUR 3,211,288 of long-term borrowings were repaid. Long-term borrowings from Group companies were also increased by EUR 9,300,000 as a result of the reclassification of the short-term borrowings from Pivovarna Union to long-term borrowings pursuant to the Agreement.

On the one hand, the Agreement ensures the financial stability of Pivovarna Laško through the long-term reprogramming of its borrowings and through deleveraging the Company to a sustainable level of debt and on the other hand, the Agreement ensures the fulfilment of creditors' expectations for rapid deleveraging and simultaneous maximizing of the value for the owners. This will ensure the Company the sustainable development of quality brands and preservation of jobs.

On average, the interest rate for long-term borrowings in 2014 amounted to 4.96%. The disclosed value of long-term financial liabilities reflects their fair value.

Maturity of long-term borrowings from banks

(in EUR)	2014	2013
Maturity from 1 to 2 years	63,579,838	2,347,500
Short-term amounts of long-term financial liabilities	-	660,000
Total	**63,579,838**	**3,007,500**

Movements in the long-term borrowings from the banks and other companies

(in EUR)	Principal amount at 1 Jan 2014	New loans 2014	Current part long-term loans	Repayments 2014	Balance at 31 Dec 2014	Amounts maturing 2015	Long-term part
Total banks	3,007,503	-	183,383,622	3,211,288	183,179,837	119,600,001	63,579,836
Long-term borrowings from other companies	30,090	30,510	9,300,000	22,039	9,338,561	-	9,338,561
Total	**3,037,593**	**30,510**	**192,683,622**	**3,233,327**	**192,518,398**	**119,600,001**	**72,918,397**

Long-term borrowings are fully collateralised by securities, mortgages and pledged property (detailed notes under Short-term financial liabilities).

18. Short-term liabilities

18. A. Short-term operating liabilities

(in EUR)	2014	2013
Short-term liabilities to suppliers within the Group	13,858,120	10,288,710
Short-term liabilities to other suppliers	7,805,165	7,828,595
Short-term operating liabilities to others:		
to employees	611,631	603,544
to the state	4,281,531	3,996,088
Short-term liabilities from advances	143,086	126,114
Other short-term liabilities	1,161,670	1,258,280
Total	**27,861,203**	**24,101,331**

Compared to the previous year, short-term operating liabilities increased by EUR 3,759,872. Supplier payables in the amount of EUR 21,663,285 represent the major share of trade liabilities; compared to the previous year they increased by EUR 3,545,980. Liabilities to the Group companies amounting to EUR 13,858,120 account for 64% of total supplier payables. In 2014, payables to the companies in the Group increased by EUR 3,569,410 (of which EUR 1,044,148 relates to the settlement claim of Radenska, which Pivovarna Laško reclassified under operating liabilities as at 31 December 2014), whereas other supplier payables fell by EUR 23,430. Most of the liabilities to the Group companies amounting to EUR 9,525,844 have matured and account for 34.19% of all short-term operating liabilities.

Compared to the last day of the previous year payables to the state increased by EUR 285,443, primarily on account of excise duty payable.

18. B. Short-term corporate tax liabilities

As at the last day of 2014 and 2013, the Company reported no corporate income tax liabilities. In 2014, the Company reported surplus of tax expense over tax revenue in the amount of EUR 29,470,438. In 2014, a tax loss amounting to EUR 29,247,552 was reported in the tax return. The value of the unsettled tax losses on the last day of 2014 amounted to EUR 53.182.483.

18. C. Short-term financial liabilities

(in EUR)	2014	2013
Short-term amounts of long-term financial liabilities	-	660,000
Interest payable on borrowings	1,295,663	1,958,231
Short-term borrowings from the Group	33,113,255	42,413,255
Short-term bank borrowings	119,600,000	210,908,939
Other short-term financial liabilities	(106,857)	(802,409)
Total	**153,902,061**	**255,138,016**

The Company discloses the short-term portions of long-term financial liabilities under short-term financial liabilities. As at 31 December 2014, short-term financial liabilities amount to EUR 153,902,061. Short-term borrowings from banks amount to EUR 119,600,000, whereas EUR 33,113,255 of borrowings was raised from companies in the Group.

Movements in short-term borrowings from the banks and other lenders

(in EUR)	Principal amount 1 Jan 2014	New loans 2014	Current part of long-term loans	Transfer to long-term loans	Repayments 2014	Liabilities 31 Dec 2014
Total banks	211,568,939	2,057	119,600,001	184,043,622	27,527,375	119,600,000
Total other lenders	42,413,255	-	-	9,300,000	-	33,113,255
Total short-term borrowings	**253,982,194**	**2,057**	**119,600,001**	**193,343,622**	**27,527,375**	**152,713,255**

As at the last day of 2014, short-term financial liabilities amount to EUR 153,902,061, which is a reduction of EUR 101,235,955 compared to the previous year. Short-term borrowings from banks have fallen by EUR 91,308,939, partially (EUR 27,304,827) from repayments related to the proceeds from the sale of Mercator and partially (EUR 222,548) from other sources; the remaining reduction relates to the reclassification of short-term borrowings as long-term borrowings pursuant to the Restructuring and Standstill Agreement, which ensures the financial stability of Pivovarna Laško. Short-term borrowings from Group companies have also reduced by EUR 9,300,000 as a result of the reclassification of the short-term borrowings from Pivovarna Union to long-term borrowings.

In 2014 the average interest rate on short-term borrowings from banks was 4.96%, whereas the average interest rate on borrowings raised from Group companies was 5.24%. The disclosed value of short-term financial liabilities reflects their fair value.

The Company has pledged 539,516 shares (80.83%) of the Delo publishers, 4,399,803 shares (86.92%) of Radenska, 440,295 shares (97.60%) of Pivovarna Union, 645,003 shares (20.63%) of Thermana, and 270,648 shares (1.6 %) of Elektro Gorenjska as collateral for the repayment of long-term and short-term borrowings. The carrying amount of the pledged shares as at 31 December 2014 amounts to EUR 222,616,273. A portion of the long-term and short-term borrowings are additionally insured with a mortgage and a lien on moveable assets and investment property. The carrying amount of pledged immovable and movable property and investment property as at 31 December 2014 amounts to EUR 30,358,165. Short-term borrowings are additionally collateralised with receivables whose value at 31 December 2014 amounted to EUR 10,000,000 and by pledges of brands amounting to EUR 50,000,000. As at 31 December 2014, the total value of outstanding short-term borrowings from banks collateralised with shares, mortgage, pledges of movable property, investment property and receivables, equals EUR 183,179,837. Short-term borrowings in the amount of EUR 33,113,255 that the Company obtained from its subsidiaries are secured by bills of exchange.

19. Short-term accrued costs and deferred income

(in EUR)	2014	2013
Short-term accrued costs and deferred income	1,275,922	729,700
Total	**1,275,922**	**729,700**

Accrued costs and deferred revenue include accrued costs of holidays entitlement not taken amounting to EUR 401,704 (2013: EUR 376,167), accrued costs of redundancies amounting to EUR 140,062; accrued costs of total EUR 822,371 (2013: EUR 288,667) and other deferred revenue amounting to EUR 88,216 (2013: EUR 64,866).

20. Operating revenues and expense

20. A. Analysis of sales revenues by market

(in EUR)	2014	2013
Revenue from the sale of products and services in Slovenia	54,367,200	56,733,294
Revenue from the sale of products and services on foreign markets	18,335,138	15,319,217
Revenues from the sale of material and merchandise in Slovenia	18,432,883	17,942,307
Revenues from the sale of material and merchandise on foreign market	64,993	166,285
Total	**91,200,214**	**90,161,103**

20.B. Analysis of sales revenues by types of products

(in EUR)	2014	2013
Revenue from sale of beer	68,770,804	68,112,628
Revenue from sale of other beverages	2,637,524	2,536,125
Revenue from sale of other products	19,791,886	19,512,350
Total	**91,200,214**	**90,161,103**

Compared to the previous year, net sales revenues increased by 1.15%. On the domestic market, revenue from the sale of products and services declined by EUR 1,875,518, whereas on foreign markets the sales revenue increased by EUR 2,914,629.

The Company generates the greatest share of revenues on foreign markets on the markets of former Yugoslavia in particular in Croatia and Bosnia and Herzegovina, whereas the share of sales on the EU markets is comparable to 2013.

The net revenue on sales of beer increased by 0.97%, whereas the revenues on the sales of other beverages dropped by 4%. The net revenue on the sale of merchandise increased by 1.4%.

20. C. Other operating revenues (including operating revenues from revaluation)

(in EUR)	2014	2013
Revenue from reversal of provisions	79,428	81,941
Other operating revenue	703,888	436,166
Revaluation operating revenue from current assets	101,976	286,008
Revaluation operating revenue from non-current assets	34,063	20,994
Total	**919,355**	**825,109**

20. D. Operating costs and expenses

(in EUR)	2014	2013
Costs of merchandise sold (Horeca)	18,394,422	18,034,975
Costs of materials, raw materials and merchandise	27,208,264	26,244,579
Costs of services	19,871,035	19,229,235
Amortisation and depreciation expense	4,560,308	4,760,999
Revaluation operating expense from current assets	11,625	1,311,959
Revaluation operating expense from non-current assets	252,488	312,825
Employee benefit costs	7,536,634	7,683,346
Social security contributions on salaries	1,647,761	1,645,252
Other costs of labour	1,767,559	1,125,052
Costs of provisions	-	1,044,184
Other operating expenses	2,971,662	7,007,901
Total	**84,221,758**	**88,400,307**

Compared to the previous year, operating expenses increased by EUR 4,178,549 or 4.7%. The cost of the merchandise sold increased by 2%, the costs of raw materials and materials increased by 3.6%, while the costs of services also increased, namely by 3.3%. The costs of services incurred in 2014 are not inclusive of costs of consultants regarding financial debt restructuring (legal and financial consultations) amounting to EUR 488,798. The reason for this is the fact that these costs are tied to the total amount of borrowings to be repaid in accordance with debt rescheduling. In 2013, the costs incurred were recognised as a reduction in financial liabilities measured at amortised cost. In 2014, they were recognised in the profit or loss in line with the repayments of the total amount of relevant borrowings (EUR 897,358), while the remaining amount will be recognised in the profit or loss in 2015. Due to restrictive investment policy in recent years, the depreciation expense decreased in 2014 compared to the previous year. Labour costs are down compared to the previous year.

20. E. Other operating expenses

(in EUR)	2014	2013
Taxes and other levies	4,445	6,177
Water fee and environmental charges	941,839	230,972
Student grants and awards to students on work-experience placement	21,995	17,335
Land charge	121,828	139,310
Membership fees	43,017	49,982
Other costs (donations, enforcement)	239,798	303,447
Default interest paid	458,883	380,943
Impairment loss on investment property	709,215	1,340,143
Other operating expenses	430,642	4,539,592
Total	**2,971,662**	**7,007,901**

21. Financial revenues and expenses

(in EUR)	2014	2013
FINANCIAL INCOME less foreign exchange differences	**3,484,574**	**1,083,272**
Financial income from shares in the profits	2,244,861	359,688
Financial income from loans	18,691	29,923
Financial income from operating receivables	45,394	225,781
Financial income from reversal of loan impairments	118,315	467,880
Financial income from investment disposal/impairment reversal	1,057,313	-
FINANCIAL EXPENSE less foreign exchange differences	**(23,649,385)**	**(38,101,993)**
Financial expenses due to impairment and write-off of investments	(9,731,204)	(25,008,709)
Financial expenses for financial liabilities	(13,862,404)	(13,035,938)
Financial expenses for operating liabilities	(55,777)	(57,346)
FOREIGN EXCHANGE RATE DIFFERENCES on financing	**746**	**(1,698)**
Foreign exchange losses	(1,047)	(1,740)
Foreign exchange gains	1,793	42
Net financial expenses	**(20,164,065)**	**(37,020,419)**

Financial expenses exceed financial revenues by EUR 20,164,065. Financial expenses for interest from financial liabilities amounted to EUR 13,862,404, while financial expenses from impairment of investments amounted to EUR 9,731,204. Financial expenses for borrowings raised from banks amount to EUR 11,610,516, whereas EUR 2,251,888 of financial expenses were incurred on borrowings raised from companies in the Group.

Financial expenses include the impairment of the investment in the subsidiary Delo (EUR 9,731,304).

22. Corporate income tax

(in EUR)	2014	2013
Deferred tax	2,256,931	5,208,846
Total	**2,256,931**	**5,208,846**

The Company reports no taxable profit in 2014 as it reports unsettled tax losses brought forward from previous periods; therefore the Company has no current tax liabilities. A detailed explanation of the deferred tax amounts is provided in Note 7 Long-term net deferred tax assets.

22. A. Corporate income tax return

(in EUR)	2014	2013
Profit or loss before tax	**(12,104,840)**	**(34,026,973)**
Tax at applicable tax rate:		
Revenue adjustment to tax-recognised level	(2,977,336)	(566,987)
Expense adjustment to tax-recognised level	(14,388,262)	19,351,993
Tax basis I	**(29,470,438)**	**(15,241,967)**
Change in the tax basis	222,885	(536,072)
Tax basis II	**(29,247,553)**	**(15,778,039)**
Tax relief	-	-
Tax basis III	**(29,247,553)**	**(15,778,039)**
Tax loss	**(29,247,553)**	**(15,778,039)**
Tax payable	**-**	**-**

In its 2014 tax return, Pivovarna Laško reported a tax loss in the amount of EUR 29,247,553. Due to this loss, tax relief that could be brought forward to the next year was not established. On the last day of 2014, the Company reports an unsettled tax loss amounting to EUR 53,182,483, of which deferred tax assets in the amount of EUR 9,041,022 were recognised using the tax rate of 17%. The loss will be utilised in future periods against taxable profits.

The tax authorities may, at any time within a period of five years after the end of the year for which a tax assessment was due, carry out an inspection of the company's operations, which may lead to assessment of additional tax liabilities, default interest and penalties regarding corporate income tax or other taxes and levies. The management of the Company is not aware of any circumstances that could result in a significant tax liability.

23. Exchange rate differences

Exchange rate differences from operations and financing considered in the profit or loss are as follows:

(in EUR)	2014	2013
Foreign exchange differences from financing	746	(1,698)
Total	**746**	**(1,698)**

24. Loss per share

(in EUR)	2014	2013
Total loss	(9,847,909)	(27,912,685)
Number of ordinary shares issued	8,747,652	8,747,652
Number of treasury shares	-	-
Weighted number of ordinary shares issued	8,747,652	8,747,652
Net loss per share	**(1.13)**	**(3.19)**
Diluted net loss per share	**(1.13)**	**(3.19)**

Net loss per share is calculated by dividing net revenue which belongs to the shareholders by the weighted average number of shares on the market during the year, with the exception of the average number of treasury shares.

25. Changes in other comprehensive income

(in EUR)	2014	2013
Gains/losses from revaluation of property	-	(741,111)
Deferred tax on account of revaluation	36,516	71,638
Total other comprehensive income that will be reclassified to the profit or loss in the future	**36,516**	**(669,473)**
Unrealised actuary profits or losses from reassingment profits	(213,848)	1,622
Deferred tax on unrealised actuarial gains or losses	18,039	243
Total other comprehensive income that will be reclassified to the profit or loss in the future	**(195,809)**	**1,865**
Other comprehensive income	**(159,293)**	**(667,608)**

26. Dividends per share

The Company paid no dividends in 2014.

5.4.6 FINANCIAL INSTRUMENTS AND RISKS

27. Financial risks

27. A. Credit risk

The carrying amount of financial assets represents exposure to credit risk.

Credit risk exposure

(in EUR)	31 Dec 2014	31 Dec 2013
Issued loans	292,684	1,889,017
Financial lease receivables	518,013	533,230
Receivables less amounts due from the state and advances given	18,120,436	19,817,125
thereof trade receivables	18,049,569	19,708,423
Cash and cash equivalents	230,586	357,218
Total	**19,161,719**	**22,596,590**

Investments disclosed in the table comprise only financial lease receivables.

Credit risks include all those risks resulting in the decline of the Company's economic benefits due to insolvency of the Company's business partners (customers) and failure to meet their contractual obligations. To this end, the receivables from our business partners, wholesalers and retailers, are regularly monitored. In addition, we actively manage receivables, rapidly implement collection procedures by reminding customers in writing, collecting receivables via telephone or in the field, as well as debt recovery through an external agent and through the courts. The receivables from export buyers are secured with bank guarantees and via the SID insurance company, and we only operate under the system of advance payments with some customers. The risk can be observed in the segment of financial expenditure where financial expenses from the impairment and write-offs of financial investments are presented. Business with less credit-worthy customers is made on the basis of advance payments or immediate payments so that the risk of non-payment for the purchased goods is avoided to some extent.

Receivables due from our major wholesalers on the local market are only partly collateralised and subsequently, there is a large credit risk exposure to this particular segment. Over the entire 2014 financial year the payment discipline of our major buyers worsened, which caused constant and daily liquidity problems. Our greatest customers are especially prone to payment delays, thus generating additional liquidity difficulties. We estimate that there is a considerable risk of the increase in payment indiscipline in 2015, which is the consequence of the financial crisis in all segments of the economy. The management believes that the credit risk is increasing due to fierce economic conditions.

Maturity of accounts receivable (net)

(in EUR)	2014	2013
Not past due	14,542,180	13,070,493
Up to 30 days	2,542,111	4,497,695
From 31 to 60 days past due	652,325	607,133
From 61 to 90 days past due	257,180	315,258
Maturity more than 90 days	5,288,268	6,048,313
At 31 December	**23,282,064**	**24,538,892**

Compared to 2013, accounts receivable fell by 5.12% in 2014. As at 31 December 2014, the majority of receivables had not matured or are due and outstanding up to 30 days. Allowances in the amount of EUR 5,288,268 were recognised for receivables due and outstanding more than 90 days amounting to EUR 4,935,115.

The Company received guarantees amounting to EUR 0.799 million and mortgages and sureties amounting to EUR 2 million (amounting to a total of EUR 2.799 million) from its domestic customers, as well as EUR 2.24 million of guarantees from foreign customers.

27. B. Liquidity risk

With regard to financial risks, monitoring liquidity risk which means the risk of loss due to short-term and long-term insolvency is of particular significance. Pivovarna Laško disclosed a significant excess of short-term liabilities over short-term assets, signifying the existence of a material liquidity risk. To avoid problems with the current liquidity, the Company manages the liquidity risk, drafts and implements a policy of regular liquidity management including the plans of cash flow movements of inflows and outflows at the annual level, and also for each individual month.

Monitoring of the fundamental financing and liquidity ratios pursuant to Article 14 of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act, which prescribes criteria under which an entity is deemed insolvent, is particularly important and necessary in ensuring effective liquidity risk management. Regular monitoring of an entity's liquidity position is of particular importance as it ensures timely response and helps to avoid unfavourable consequences of an emerging liquidity crisis.

Due to the signing of the Restructuring and Standstill Agreement and the successful disinvestment, the liquidity situation has improved; however, in view of the difficult situation on financial markets and the entire economic environment, the Group's exposure to liquidity risk is still very high and requires special attention.

The results of the Company’s operations are good and positive; however, due to negative financing cash flow being the result of high interest expenses and the impairment of financial investments the Company has been disclosing loss for several successive years.

Maturity structure of trade payables

(in EUR)	2014	2013
Not past due	11,391,590	9,403,048
From 1 to 30 days past due	2,184,880	2,549,241
From 31 to 60 days past due	1,559,470	1,362,429
From 61 to 90 days past due	1,728,319	2,248,164
From 91 to 180 days past due	4,799,287	2,518,489
From 181 to 360 days past due	(261)	662
Maturity more than 360 days	-	35,272
Total	**21,663,285**	**18,117,305**

As at 31 December 2014, the Company reports EUR 10,271,695 of supplier payables that have matured and mostly relate to liabilities to Pivovarna Union. Other supplier payables are settled on average with a delay of up to 20 days.

Maturity of short-term financial liabilities to banks and contractually agreed interest

(in EUR)	2015 Principal	2015 Interest	Total
January - March	3,500,000	2,309,922	5,809,922
April - June	107,300,000	1,927,807	109,227,807
July - September	4,400,000	986,883	5,386,883
October - December	4,400,000	912,167	5,312,167
Total	**119,600,000**	**6,136,779**	**125,736,779**

Maturity of long-term financial liabilities to banks

(in EUR)	2014	2013
Maturity from 1 to 2 years	63,579,838	2,347,500
Total	**63,579,838**	**2,347,500**

27. C. Interest rate risk

Interest rate risk is the risk of a possible change in the reference interest rate on the financial market, mainly due to borrowings linked to a variable interest rate (EURIBOR). Interest rate hedging of long-term debt at variable interest rate is doubtlessly sensible; however, since our loans were restructured until 31 December 2016 on 30 April 2014, we will monitor events on the financial markets and act when appropriate. Even though the EURIBOR reference interest rate showed a downward trend, which continues also in 2015, we estimate the Company's exposure to interest rate risks as high, but manageable.

(in EUR)	Interest	Average interest rate in %	Difference interest
Actual financial expense for interest paid	**11,191,330**	**4.96**	**-**
Expenses resulting from 1% increase in interest rates	13,447,647	5.96	2,256,317
Expenses resulting from 1% decrease in interest rates	8,935,013	3.96	(2,256,317)
Expenses resulting from 1.5% increase in interest rates	14,575,805	6.46	3,384,475
Expenses resulting from 1.5% decrease in interest rates	7,806,855	3.46	(3,384,475)

If the average interest rate increased by 1%, and the indebtedness remained at the same level, expenses would increase by EUR 2,256,317 and in the case of 1.5% increase in the average interest rate, expenses would increase by EUR 3,384,475

If the interest rate dropped by 1 or 1.5%, financial expense would decrease by EUR 2,256,317 or EUR 3,384,475 respectively.

Loans and deposits are issued at fixed rates of interest, and their amount is insignificant.

27. D. Price risk

The Company is exposed to price risks on the downstream side and on the upstream side.

On the downstream side, a risk is the increase of retail prices compared to the declining purchasing power of the population. The retail prices are also affected by the trade margin, the level of excise duty and value added tax. With regard to the situation in the country, there is a potential risk of increasing excise duty on alcoholic beverages – beer, and increased rate of value-added tax. All these risks can result in increased retail prices. This increase can cause a shift of focus of consumers to cheaper products, the substitutes of our products or a shift to shopping abroad where these duties are lower. Each drop in sales of the beer on the domestic market by 1% represents a decrease in revenues by EUR 540,000 compared to the revenues in 2014. The Company has no influence on this risk, which is assessed as significant.

Risks on the upstream side due to the exposure to the prices of input materials that depend on the individual harvest of barley, maize and hops are assessed as moderate since the impact is slightly reduced by globalisation. However, global inflation pressures of oil, poor harvests, climate changes, currency fluctuations and similar could gain in importance. The risks are minimised by including all the adequate suppliers into the supply chains within the Laško Group and thus ensure optimal prices and smooth supply.

27. E. Foreign exchange risk

Although the Company operates in an international environment, the currency risk is insignificant since most supplier contracts are agreed in the euro and foreign currency fluctuations have no direct impact on prices. The same applies to our sales, most of which are invoiced in EUR.

27. F. Equity management

The main purpose of the management of the Company's equity is to ensure, as far as possible, credit rating and capital adequacy to finance the operations and to maximise the value for the owners.

Calculation of the ratio between net financial liabilities and equity (gearing ratio) at 31 December

(in EUR)	2014	2013
Financial liabilities	226,820,459	257,515,606
Cash	230,586	357,218
Net financial liabilities	**226,589,873**	**257,158,388**
Equity	58,071,010	68,078,212
Gearing ratio (in %)	**390.19**	**377.74**

The ratio between net financial liabilities and equity indicates that Pivovarna Laško is over-indebted.

Fair value measurement of assets and liabilities (fair value hierarchy) at 31 December

(in EUR)	Book value 31 Dec 2014	Level 1	Level 2	Level 3	**2014 TOTAL**	Book value 31 Decr 2013	Level 1	Level 2	Level 3	**2013 TOTAL**
Assets at fair value	**34,235,824**	**-**	**33,994,169**	**241,655**	**34,235,824**	**61,168,969**	**26,034,836**	**34,863,485**	**270,648**	**61,168,969**
Financial assets available for sale	241,655	-	-	241,655	241,655	26,305,484	26,034,836	-	270,648	26,305,484
PPE at fair value (property)	30,254,476	-	30,254,476	-	30,254,476	30,547,775	-	30,547,775	-	30,547,775
Investment property	3,739,693	-	3,739,693	-	3,739,693	4,315,710	-	4,315,710	-	4,315,710
Assets measured at cost including fair value disclosure	**18,927,228**	**230,586**	**-**	**18,696,642**	**18,927,228**	**21,597,440**	**-**	**-**	**21,597,440**	**21,597,440**
Loans and deposits issued	292,684	-	-	292,684	292,684	1,889,017	-	-	1,889,017	1,889,017
Trade receivables	18,403,958	-	-	18,403,958	18,403,958	19,708,423	-	-	19,708,423	19,708,423
Cash	230,586	230,586	-	-	230,586	-	-	-	-	-
Liabilities measured at cost including fair value disclosure	**247,294,938**	**-**	**-**	**247,294,938**	**247,294,938**	**274,477,089**	**-**	**-**	**274,477,089**	**274,477,089**
Borrowings	225,631,653	-	-	225,631,653	225,631,653	256,359,784	-	-	256,359,784	256,359,784
Trade payables	21,663,285	-	-	21,663,285	21,663,285	18,117,305	-	-	18,117,305	18,117,305

The Company measures the fair value of assets and liabilities in the statement of financial position according to the following fair value hierarchy:

- level 1: assets and liabilities whose fair value is determined based on market inputs (without adjustments) observed on active stock markets,
- level 2: assets and liabilities whose fair value is determined based on inputs other than quoted market prices that are observable directly or indirectly,
- level 3: assets and liabilities whose fair value is determined based on valuation techniques using unobservable inputs.

5.4.7 RELATED PARTY TRANSACTIONS

All related party transactions were conducted at arm's length conditions, the Company received the relevant payments for such transactions and suffered no loss as a result; furthermore, no material transactions were conducted under conditions other than regular market conditions. In 2014, Pivovarna Laško transacted with other Group companies in accordance with the Financial Transactions of Enterprises Act.

28. Transactions with related parties

28. A. Sales to companies in the Laško Group

(in EUR)	2014	2013
Radenska, d. d., Radenci	2,021,480	2,244,942
Vital Mestinje	42,208	28,252
Union Group	11,239,809	12,109,414
Delo Group	4,181	9,680
Laško Grupa, d. o. o., Sarajevo	(1,081)	57,166
Laško Grupa, d. o. o., Zagreb	3,349,170	1,282,909
Total subsidiaries	**16,655,767**	**15,732,363**
Slopak, d. o. o., Ljubljana	22,319	30,724
Thermana, d. d., Laško	118,420	104,277
Total other associated companies	**140,739**	**135,001**
Total	**16,796,506**	**15,867,364**

28. B. Purchases from companies in the Laško Group

(in EUR)	2014	2013
Radenska, d. d., Radenci	3,262,621	3,373,087
Vital Mestinje	434,844	468,381
Union Group	18,693,142	18,118,601
Delo Group	19,061	31,137
Jadranska pivovara - Split, d. d.	44,516	89,909
Laško Grupa, d. o. o., Sarajevo	277,581	227,814
Laško Grupa, d. o. o., Zagreb	1,173,328	992,986
Laško Grupa, Sh. p. k., Kosovo	22,924	-
Total subsidiaries	**23,928,017**	**23,301,915**
Slopak, d. o. o., Ljubljana	248,017	199,156
Thermana, d. d., Laško	88,824	9,891
Total other associated companies	**336,841**	**209,047**
Total	**24,264,858**	**23,510,962**

Data is expressed in gross amounts inclusive of value added tax. The purchase by related companies mainly relate to the purchase of commercial goods in Horeca.

28. C. Receivables from and payables to the companies in the Laško Group

(in EUR)	2014	2013
Operating RECEIVABLES due from the companies in the Laško Group		
Radenska, d. d., Radenci	298,436	413,301
Vital Mestinje	8,848	8,469
Union Group	1,378,620	1,607,220
Delo Group	183	5,319
Jadranska pivovara - Split, d. d.	2,590,857	2,590,857
Laško Grupa, d. o. o., Sarajevo	34,396	52,933
Laško Grupa, d. o. o., Zagreb	1,563,969	1,177,633
Laško Grupa, Sh. p. k., Kosovo	8	-
Total subsidiaries	**5,875,317**	**5,855,732**
Slopak, d. o. o., Ljubljana	1,901	2,159
Thermana, d. d., Laško	16,984	18,742
Total other associated companies	**18,885**	**20,901**
Total	**5,894,202**	**5,876,633**
Operating LIABILITIES to the companies in the Laško Group		
Radenska, d. d., Radenci	494,075	318,812
Vital Mestinje	7,822	1,029
Union Group	12,135,745	9,900,000
Delo Group	1,382	3,654
Jadranska pivovara - Split, d. d.	10,104	4,550
Laško Grupa, d. o. o., Sarajevo	22,575	20,665
Laško Grupa, d. o. o., Zagreb	136,504	40,000
Laško Grupa, Sh. p. k., Kosovo	5,731	-
Total subsidiaries	**12,813,938**	**10,288,710**
Slopak, d. o. o., Ljubljana	50,539	7,198
Thermana, d. d., Laško	14,001	-
Total other associated companies	**64,540**	**7,198**
Total	**12,878,478**	**10,295,908**

28. D. Loans acquired from the companies of the Laško Group

(in EUR)	2014	2013
Radenska, d. d., Radenci	33,100,000	33,100,000
Union Group	9,300,000	9,300,000
Firma Del, d. o. o., Laško	13,255	13,255
Total	**42,413,255**	**42,413,255**

In 2014, the balance of liabilities relating to loans acquired did not reduce.

As at 31 December 2014, interest payable on borrowings to Radenska amount to EUR 140,112, while EUR 45,022 of interest is payable to Pivovarna Union.

28. E. Loans issued to the companies of the Laško Group

(in EUR)	2014	2013
Subsidiaries		
Jadranska pivovara - Split, d. d. (long-term loans)	147,813	205,445
Impairment of loans issued to Jadranska pivovara - Split, d.d.	(147,813)	(205,445)
Laško Grupa, d. o. o., Sarajevo	52,166	-
Laško Grupa, Sh. p. k., Kosovo	7,350	-
Total	**59,516**	**-**

In 2014, the Company provided to its subsidiaries Laško Grupa, d. o. o., Sarajevo and Laško Grupa Kosovo, Sh. p. k. short term loans in the total amount of EUR 59,516 in order to cover the costs of purchasing property, plant and equipment needed for the companies to begin operations.

28. F. Financia revenue from the companies of the Laško Group

(in EUR)	2014	2013
Subsidiaries		
Radenska, d. d., Radenci	29,919	340,056
Union Group	2,225,949	34,430
Laško Grupa, d. o. o., Sarajevo	270	-
Laško Grupa, d. o. o., Zagreb	1,758	-
Total	**2,257,896**	**374,486**
Other associated companies		
Firma Del, d. o. o., Laško	-	37,722
Total other associated companies	**-**	**37,722**
Total	**2,257,896**	**412,208**

Financial income from Group companies increased in 2014 compared to the previous year by EUR 1,845,653 since dividends were paid by the subsidiary Pivovarna Union.

28. G. Financial expenses for the companies in the Laško Group

(in EUR)	2014	2013
Subsidiaries		
Radenska, d. d., Radenci	1,700,442	1,709,000
Union Group	570,046	525,616
Total	**2,270,488**	**2,234,616**

28. H. Interest due from the companies in the Laško Group

(in EUR)	2014	2013
Subsidiaries		
Jadranska pivovara - Split, d. d., impairment of loans and interest	523,048	523,048
Total	**523,048**	**523,048**

28. I. Interest payable to the companies in the Laško Group

(in EUR)	2014	2013
Subsidiaries		
Radenska, d. d., Radenci	140,112	173,581
Union Group	45,022	45,022
Total	**185,134**	**218,603**

28. J. Guarantees given to the associated companies in the Laško Group

(in EUR)	2014	2013
Subsidiaries		
Jadranska pivovara - Split, d. d. (paid instalments for guarantees)	557,321	2,605,523
Jadranska pivovara - Split, d. d. (interest not recorded)	1,053,776	1,051,317
Radenska, d. d., Radenci (for bank loans)	-	2,300,000
Pivovarna Union, d. d., Ljubljana (for bank loans)	868,096	1,230,258
Total	**2,479,193**	**7,187,098**
Other associated companies		
Birra Peja, Sh. a., Peć	-	871,921
Total other associated companies	**-**	**871,921**
Total	**2,479,193**	**8,059,019**

As at 31 December 2014, the Company reports EUR 2,479,193 of guarantees issued to the companies in the Laško Group. Compared to the previous year, they decreased by EUR 5,580,285.

Off-balance-sheet records include interest claims of EUR 1,053,776, charged in 2011 and 2012 to the subsidiary Jadranska pivovara – Split but not included in financial revenue since the relevant recognition conditions were not fulfilled due to the company's perilous financial condition.

In addition, the Company also discloses claims relating to the guarnatees - installments of loans issued to Jadranska pivovara - Split paid by the Company, as the company was unable to settle the instalments itself.

28. K. Provisions for companies in the Laško Group

(in EUR)	2014	2013
Subsidiaries		
Radenska, d. d., Radenci (regulatory requirement)	-	1,044,184
Total subsidiaries	**-**	**1,044,184**

In 2013, provisions were set aside for the settlement claim of Radenska, which demanded settlement of the loss incurred during the duration of the contractrual group of EUR 1,044,184 in accordance wit Article 542 of the ZGD-1. In February 2015, the Company received the relevant auditor's report; as a result, the provisions as at 31 December 2014 were reclassified as opeeration liabilities due to Radenska. In accordance with the SPA, in March 2015 Pivovarna Laško settled Radenska's settlement claim from the proceeds received from the sale.

5.4.8 REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS AND THE EMPLOYEES WITH INDIVIDUAL CONTRACT OF EMPLOYMENT

The Company is managed by the Management Board and the Supervisory Board and their remuneration (gross earnings) is presented in the table below:

(in EUR)	2014	2013
MANAGEMENT BOARD		
Fixed remuneration	369,000	419,500
Other receipts (benefits)	11,511	14,345
Variable remuneration (incentives)	28,750	-
Jubilee awards	-	1,536
Reimbursement of costs	5,585	3,488
Total	**414,846**	**438,869**

(in EUR)	Fixed part	Other receipts (benefits)	Variable part (bonuses)	Reimburs. of costs	Total
MANAGEMENT BOARD - IN 2014					
Dušan Zorko	93,000	-	-	-	93,000
Marjeta Zevnik	69,000	-	5,750	-	74,750
Matej Oset	69,000	4,130	5,750	2,145	81,025
Mirjam Hočevar	69,000	-	11,500	-	80,500
Gorazd Lukman	69,000	7,381	5,750	3,440	85,571
Total	**369,000**	**11,511**	**28,750**	**5,585**	**414,846**

Earnings received by the employees on the basis of individual contracts in 2014 are shown in the table below:

(in EUR)	2014	2013
INDIVIDUAL CONTRACTS OF EMPLOYMENT		
Fixed remuneration	929,123	1,044,780
Other receipts (benefits)	33,929	27,198
Variable remuneration (incentives)	47,949	-
Jubilee awards	-	5,007
Termination benefits	95,000	-
Reimbursement of costs	10,356	10,247
Total	**1,116,357**	**1,087,232**

Pursuant to Article 30 of the Articles of Association and the resolution of the most recent Annual General Meeting of shareholders, members of the Supervisory Board of Pivovarna Laško received meeting fees totalling EUR 113,585 in 2014.

(in EUR)	2014	2013
SUPERVISORY BOARD - attendance fees		
Peter Groznik	18,757	19,556
Bojan Cizej	17,545	17,930
Dragica Čepin	16,345	16,730
Goran Branković	20,170	6,062
Jože Bajuk	16,465	5,670
Janez Škrubej	91	-
Borut Bratina	-	11,573
Borut Jamnik	-	11,083
Enzo Smrekar	-	4,658
Vladimir Malenković	-	15,331
Total	**89,373**	**108,593**

(in EUR)	2014	2013
SUPERVISORY BOARD'S AUDIT COMMITTEE - attendance fees		
Jože Bajuk	5,600	-
Bojan Cizej	4,100	4,760
Igor Teslić	4,162	4,921
Peter Groznik	-	5,040
Total	**13,862**	**14,721**

(in EUR)	2014	2013
SUPERVISORY BOARD'S HR COMMITTEE - attendance fees		
Janez Škrubej	-	-
Dragica Čepin	1,220	2,440
Goran Branković	1,220	-
Jože Bajuk	1,220	-
Borut Jamnik	-	3,440
Borut Bratina	-	2,440
Total	**3,660**	**8,320**

(in EUR)	2014	2013
SUPERVISORY BOARD'S COMMITTEE FOR MATERIAL REVIEW - attendance fees		
Peter Groznik	-	426
Bojan Cizej	-	426
Dragica Čepin	-	426
Jože Bajuk	-	451
Total	**-**	**1,729**

(in EUR)	2014	2013
SUPERVISORY BOARD'S BENCHMARKING COMMITTEE - attendance fees		
Dragica Čepin	2,220	-
Goran Branković	3,220	-
Keith Miles	1,250	-
Total	**6,690**	**-**

5.4.9 CONTINGENT LIABILITIES AND ASSETS

The Management Board expects no significant losses from contingencies described below.

The action of MIP against Pivovarna Laško for the sum of EUR 1,135,481.43.

On 21 March 2013 the Company received a lawsuit brought by MIP, d. o. o., Gornji Vakuf, Uskoplje, which was lodged by the plaintiff's attorney Matej Erjavec from Ljubljana for the payment of EUR 1,135,481.43.

In the action, the plaintiff demands the payment of damages relating to the loss of profits incurred by the plaintiff due to unjustified withdrawal from the Sales contract worth EUR 1,085,481.43, and damages for the loss of reputation in the amount of EUR 50,000.00.

On 22 April 2013 the Company issued a defence plea stating that the plaintiff's claim was unfounded. The court of first instance has not ruled on this matter yet.

Lawsuit brought by Perutnina Ptuj, d. d. for the payment of EUR 10,116,488.71 plus costs and interest

The plaintiff filed a claim against Pivovarna Laško on 31 December 2010 at the District Court of Celje demanding payment of EUR 10,116,488.71 including costs and interest. The plaintiff justified its claim by stating that the legal representative of Pivovarna Laško signed a comfort letter on 10 January 2009 and thus allegedly committing to fulfil the obligation of Perutnina Ptuj to Poslovni sistem Mercator on account of loan contracts. This refers to two loan contracts which Perutnina Ptuj concluded with Poslovni sistem Mercator: one on 24 January 2008 amounting to EUR 5,000,000.00 and the second one on 27 February 2008 for EUR 15,000,000.00. According to the representations made by the plaintiff, the disputed amount relates to a part of the loan which, as alleged by the plaintiff, should be paid by Pivovarna Laško. The plaintiff further states that Pivovarna Laško has only partly fulfilled its obligations referred to in the comfort letter; namely, through its business partners it secured cash amounting to EUR 11,864,476.50 to Perutnina Ptuj as a settlement of the loan to PS Mercator. The latter is allegedly demonstrated by the account of payments made by Infond Holding and Center naložbe. Perutnina Ptuj is thus suing for the remaining amount. The defence statement was submitted within the set deadlines. The court issued a ruling on 22 January 2011 allowing the incidental intervention by Boško Šrot, former director of Pivovarna Laško, for the defendant Pivovarna Laško. The court has so far not fixed the date for the hearing.

The action of NKBM against Pivovarna Laško for the sum of EUR 6,570,542.25 plus costs and interest

Pursuant to the agreement on the pledge of book-entry securities concluded on 5 June 2009 between Nova kreditna banka Maribor (NKBM) as the creditor, Center naložbe as the debtor and Pivovarna Laško as the lienor, Pivovarna Laško pledged to NKBM 345,304 shares of Radenska (ticker symbol: RARG) as collateral for a loan raised by Center naložbe with NKBM. The aforementioned agreement on the pledge of book-entry securities was signed by the former director Boško Šrot on behalf of Pivovarna Laško.

On 22 November 2011, Pivovarna Laško received the judgement of the Maribor District Court allowing the enforcement on the pledged shares to repay the claim in the amount of EUR 7,349,552.52 plus costs and interest from 29 July 2011 in the commercial dispute between NKBM as the plaintiff and Pivovarna Laško as the defendant. The court thus allowed the enforcement against the 345,304 RARG pledged shares, ruling that the defendant Pivovarna Laško is obligated to suffer the sale of these shares and repay the claim from the proceeds of the sale. The judgement became final and enforceable on 8 December 2011.

Pursuant to the aforementioned judgement and the enforcement motion of NKBM, on 22 December 2011 the court issued an enforcement order whereby the court approved the proposed enforcement against the pledged RARG shares by selling the shares and repaying the creditor from the proceeds. So far the RARG shares have not been sold in the enforcement proceedings. The creditor NKBM proposed deferred enforcement and accordingly on 28 October 2013 the court ruled for the enforcement to be postponed until 1 October 2014.

On 17 June 2014, Pivovarna Laško received the decision of the Celje District Court allowing the intervention of the new creditor in the enforcement proceedings. The Bank Assets Management Company (Družba za upravljanje terjatev bank, Ljubljana - DUTB) took the place of the original creditor Nova KBM, Maribor, as the disposal of the underlying claim has resulted in the automatic transfer of the lien from the former to the current creditor. The proceedings are still pending.

CEN ADRIA, d. o. o. – v stečaju, Matulji (Croatia)

In 2006 Pivovarna Laško filed an application for enforcement against Cen Adria, Matulji, demanding payment of outstanding invoices totalling Kn 857,292.53 (Euro equivalent of 114,764.73) including costs and interest. Cen Adria appealed and currently the case is proceeding in the same way as in the case of an appeal against a payment order in contentious proceedings.

In 2006, during the above proceedings, Cen Adria filed a counter action against Pivovarna Laško and Jadranska pivovara Split, Vranjic, demanding payment of damages totalling kn 25.000.000,00 (euro equivalent of approx. 3,346,720.21), which Cen Adria allegedly incurred due to untimely termination of the Contract on Business Cooperation (Ugovor o poslovnoj suradnji). During the proceedings and upon the appeal of Pivovarna Laško, the Rijeka Commercial Court declared itself incompetent and referred the case to the Commercial Court in Split (the registered seat of the second defendant). Cen Adria appealed against the decision of the Commercial Court in Rijeka. The High court in Zagreb subsequently ruled the court in Rijeka as having territorial jurisdiction.

In 2012, bankruptcy proceedings were instigated against Cen Adria. The main hearing of both these cases was held on 17 January 2013 at the Commercial court in Rijeka.

Jadranska pivovara - Split and Pivovarna Laško both believe that Cen Adria's claim for a counter action is unfounded since Jadranska pivovara - Split terminated the disputed Contract on business cooperation in compliance with the contractual terms and conditions.

In the case of Cen Adria against Pivovarna Laško and Jadranska pivovara - Split, the main hearing was held on 24 April 2013, 26 September 2013, and 27 November 2013. In 2014, hearings took place on 15 July, 12 September and 19 November; one hearing has took place so far in 2015 (on 10 February). The next hearing is scheduled for 27 May 2015.

Potential liability relating to the purification of wastewater

As at 31 December 2014, Pivovarna Laško discloses a contingent liability of EUR 1,066,000 relating to the Agreement regulating mutual relationships ensuring the purification of wastewater generated by Pivovarna Laško through the Laško communal purification plant. The agreement was concluded in 2001 with the Laško municipality, while the contingent liability has been recorded on the basis of calculations received and drafted by the other contracting party. The Company has obtained a legal opinion in this case based on which it believes that the amount of the liability and the likelihood of payment are relatively low; as a result, provisions have not been formed as at 31 December 2014.

5.4.10 COSTS OF THE AUDITOR

The cost of the audit performed by Ernst & Young, d. o. o. for the year ended 31 December 2014 amounted to EUR 27,000.

5.4.11 SUBSEQUENT EVENTS

Joint process for the capital injection into Pivovarna Laško and the sale of Pivovarna Laško shares

On 3 February 2015, Pivovarna Laško concluded a Non-disclosure agreement and Cooperation agreement with the members of the Sales consortium governing the manner of mutual cooperation in the joint process of ensuring the capital increase of Pivovarna Laško and the sale of the shares (stakes) held by Sales consortium members in Pivovarna Laško. On 16 March 2015, Sklad obrtnikov in podjetnikov and Banka Koper, d. d. jointed the Sales consortium. Now, the Consortium holds a 51.11% stake in Pivovarna Laško.

In the final phase of the joint process of ensuring the capital increase of Pivovarna Laško and the sale of the shares held by Sales consortium members in Pivovarna Laško, Pivovarna Laško received five bids on 19 March 2015.

Pivovarna Laško and the Sales consortium will carefully review the bids received and decide on how the negotiations are to continue in the joint process of ensuring the capital increase of Pivovarna Laško and the sale of the shares held by Sales consortium members in Pivovarna Laško. While the Management Board of Pivovarna Laško is happy with the current status of the joint process, the final transaction documents are subject to negotiation and the consent of all stakeholders; thus the successful closing will depend on the fulfilment of further conditions.

The company regularly informs the public of the progress of the joint process of ensuring the capital increase and the sale of the shares in Pivovarna Laško on the SEOnet portal of the Ljubljana Stock Exchange and on the Company's website www.pivo-lasko.si.

The sale of the shares in Radenska

The sale of the 75.31% equity stake in Radenska was successfully closed on 17 March 2015. From the transaction (disposal of the investment in Radenska), Pivovarna Laško received proceeds amounting to EUR 51,805,392.57. The proceeds significantly contributed to the deleveraging of Pivovarna Laško in accordance with the Standstill and Restructuring Agreement.

From the proceeds, Pivovarna Laško also settled its liabilities due to Radenska, namely EUR 33,100,000 relating to the short term borrowings and EUR 1,044,184 relating to the settlement claim according to Article 542 of the Companies Act.

On 17 March 2015, Pivovarna Laško received EUR 8,154,000.00 as proceeds from the sale of 600,000 (an equity stake of 11.85%) shares in Radenska, which Pivovarna Laško had temporarily sold to DBS on 30 November 2011. On the same date, it purchased 127,928 shares in Delo, Dunajska cesta 5, Ljubljana, thus becoming its 100% owner.

The General Meeting of shareholders of Radenska was held on 17 March 2015 as part of the conclusion of the sale of Radenska. At the General Meeting, the shareholders approved changing the company's articles of association, were briefed on the resignation of the existing members of the company's supervisory board and elected new members of the supervisory board.

The sale of the stake in Radenska represents the fulfilment of one of the covenants agreed in the Restructuring and Standstill Agreement.

Halting the enforcement at the proposal of the Banking Assets Management Company (BAMC)

On 7 April 2015, in the enforcement matter ref. no. Ig 147/2011 brought by the creditor Banking Assets Management Company (BAMC) against Pivovarna Laško for the settlement of EUR 7,349,552.25, the Company received the final decision of the Celje County Court halting the proceedings at the proposal of the creditor (the BAMC).

The creditor BAMC proposed the halting of the enforcement proceedings pursuant to the implementation of the Agreement for the sale and purchase of shares of Radenska, d. d., Radenci agreed by Pivovarna Laško as the seller and Kofola, družba za upravljanje, d. o. o., as the buyer on 8 January 2015 for the sale of 345,304 RARG shares (a 6.82% stake in Radenska), which were subject to the BAMC's enforcement. The proceeds of EUR 4,692,681.36 (EUR 13.59 per share) was paid to the BAMC on 9 April 2015, while the seized shares were transferred to Kofola on 8 April 2015.

This matter actually concerns the enforcement matter in which the court issued on 22 December 2011 its decision allowing the enforcement against 345,304 pledged RARG shares for the payment of EUR 7,349,552.25 (see: Enforcement of NKBM (new creditor DUTB) against Pivovarna Laško). The enforcement related to the agreement on the pledge of book-entry securities concluded on 5 June 2009 between Nova kreditna banka Maribor (NKBM) as the creditor, Center naložbe as the debtor and Pivovarna Laško as the lienor, according to which Pivovarna Laško pledged the shares as collateral for a loan raised by Center naložbe with NKBM. The aforementioned agreement on the pledge of book-entry securities was signed by the former director Boško Šrot on behalf of Pivovarna Laško. On 16 June 2014 the court allowed the BAMC to take the place of the original creditor Nova KBM, Maribor, as the disposal of the underlying claim had resulted in the automatic transfer of the lien from the former to the current creditor.

Signing the sales agreement between the Sales consortium and Heineken International B.V., the Netherlands, for the sale of a 51.11% stake in Pivovarna Laško.

On 13 April 2015, the Pivovarna Laško Sales consortium (Družba za upravljanje terjatev bank, d. d., Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., Alpen invest, družba za upravljanje investicijskih skladov, d. o. o., Abanka Vipa, d. d., KD Skladi, družba za upravljanje, d. o. o., Nova kreditna banka Maribor, d. d., Zavarovalnica Triglav, d. d., Sklad obrtnikov in podjetnikov, Banka Koper, d. d.), established by the owners of Pivovarna Laško in late 2014 and which hold a 51.11% stake in Pivovarna Laško, informed the Management Board of Pivovarna Laško that they had come to an agreement to sell the 51.11% stake in Pivovarna Laško to Heineken International B.V., and that the members of the Sales consortium and Heineken International B.V. had concluded a share purchase agreement (SPA) covering the mentioned stake.

The proceeds will be paid and the shares transferred upon the fulfilment of the suspensive conditions defined in the share purchase agreement. Upon signing the share purchase agreement, the buyer also concluded a Cooperation agreement with Pivovarna Laško, with which the buyer undertakes to ensure the continued financial stability of Pivovarna Laško after the transaction closes.

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