

SUMMARY EXPLANATORY REPORT PURSUANT TO SECTION 118 (8) OF THE CAPITAL MARKET UNDERTAKINGS ACT, ON CERTAIN ASPECTS OF THE EQUITY OF COMPANY KOFOLA ČESKOSLOVENSKO A.S.

The Board of Directors of the company Kofola ČeskoSlovensko a.s., ID No.: 242 61 980, with its registered seat at Nad Porubkou 2278/31a, Poruba, 708 00 Ostrava, registered in the Commercial Register administered by the Regional Court in Ostrava, Section B, Insert 10735 (hereinafter as the “company”) pursuant to Section 118 subsec. 8 of the Act No. 256/2004 Coll., Capital Market Undertaking Act, as amended (hereinafter as the “CMUA”) executed this Summary Explanatory Report concerning the issues pursuant to Section 118 subsec. 5 par. a) to k) of CMUA.

(a) Figures and information about the structure of the equity

The equity structure is as follows:

Equity structure	31.12.2021 CZK' 000
Equity attributable to owners of Kofola ČeskoSlovensko a.s.	1,336,464
Share capital	1,114,597
Share premium and capital reorganisation reserve	(1,962,871)
Other reserves	2,533,344
Foreign currency translation reserve	(730)
Own shares	(477,333)
Retained earnings/(Accumulated deficit)	129,457
Equity attributable to non-controlling interests	(39,505)
Total equity	1,296,959

As at 31 December 2021, the share capital of Kofola ČeskoSlovensko a.s. totalled CZK 1,114,597,400 and comprised 22,291,948 common registered shares with a nominal value of CZK 50 each, issued as book-entry shares under Czech law in particular under the Czech Companies Act, with the ISIN CZ0009000121.

The Share capital of the Company is fully paid up. The shares have been admitted for trading on the Prague Stock Exchange.

The Company has purchased own shares (treasury shares) in both 2021 and 2020. These transactions are described in section B 4.15.2.

The Company as at 31 December 2021 didn't hold any treasury shares (as at 31 December 2020: 11 shares).

RADENSKA d.o.o. as at 31 December 2021 owned 1,084,851 (as at 31 December 2020: 1,113,977) shares of the Company (which represented 4.87% of the Company's share capital as at 31 December 2021 and 5.00% as at 31 December 2020) in total value as at 31 December 2021 of CZK 477,334 thousand (as at 31 December 2020: CZK 490,150 thousand). The shares were purchased by RADENSKA d.o.o. in a public tender offer on the stock market mainly from CED GROUP S.à r.l. for the total value of CZK 490,208 thousand (CZK 440 per share). At the date of acquisition, the shares had nominal value of CZK 100 each. Nominal value of shares owned by RADENSKA d.o.o. as at 31 December 2021 was CZK 54,243 thousand (as at 31 December 2020: CZK 55,699 thousand).

Part of the shares owned by RADENSKA is intended for the management incentive programme. RADENSKA is considering the sale of its whole share (1,084,851 shares as of 31 December 2021). A decision of exact timing of such sale has not been taken yet, however, might occur shortly, subject to market conditions. Proceeds from the sale will be used to finance Group's growth opportunities.

In compliance with the relevant legal provisions, the voting rights attached to the treasury shares and shares owned by RADENSKA d.o.o. cannot be exercised.

(b) Information about limitations on the transferability of securities

The shares issued by the Company are transferable without any restrictions pursuant to Article 5 par. 5.3 of the Company's Articles of Association.

(c) Figures and information about significant direct and indirect participation in the Company's voting rights

Significant shareholders as at 31 December 2021:

Significant shareholders (all with direct participation)	Proportion of the voting rights	Participation percentage
AETOS a.s., Nad Porubkou 2278/31a, Poruba, 708 00 Ostrava, registration No. 06167446	70.66%	67.22%
RADENSKA, družba za polnitev mineralnih voda in brezalkoholnih pijač, d.o.o., Boračeva 37, 9252 Radenci, Republic of Slovenia, registration No. 5056152000	0.00%	4.87%
Total	70.66%	72.09%

Significant shareholders as at 31 December 2020:

Significant shareholders (all with direct participation)	Proportion of the voting rights	Participation percentage
AETOS a.s., Nad Porubkou 2278/31a, Poruba, 708 00 Ostrava, registration No. 06167446	70.75%	67.22%
RADENSKA, družba za polnitev mineralnih voda in brezalkoholnih pijač, d.o.o., Boračeva 37, 9252 Radenci, Republic of Slovenia, registration No. 5056152000	0.00%	5.00%
Total	70.75%	72.22%

The above-mentioned entities dispose of the rights of the qualified shareholders arising from Section 365 and foll. of the Act No. 90/2012 Coll., Business Corporations Act, especially of the right to request convocation of the General Meeting of the Company for discussion of the items proposed by them, request inclusion of the item determined by them on the agenda of the General Meeting, request the Supervisory Board to review the exercise of powers by the Board of Directors in the matter specified in the request as well as file a shareholder action on behalf of the Company.

The structure of the significant direct participation in the voting rights of the Company as at 31 December 2021 is known to the Company only in the case of the controlling entity AETOS a.s. and the controlled company RADENSKA d.o.o. and is described within the Report on relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity for the year 2021. As for the other entities, their direct and indirect participation and shares in their possession are based on the notification delivered to the Czech National Bank. There were no notifications submitted from 1 January 2021 up to the date of this report.

Until the end of the year 2021 and throughout the year 2022 (until the cut-off date of the annual report), the Company has not been informed about any other change of participation in the voting rights that would have met the legislative limits for the reporting.

Except for the above mentioned natural and legal persons, the Company is not aware of any other significant direct and indirect participation in the Company's voting rights or of any Company's shareholders whose participation in the Company's voting rights reached at least 1%.

The controlled company RADENSKA is entitled to exercise rights of the qualified shareholder but not the voting rights attached to the shares of the Company.

(d) Information about the owners of securities with special rights, including the description of such rights

There are not any special rights attached to the securities issued by the Company.

(e) Information about limitations on voting rights

The voting rights attached to the Company's shares may only be limited or excluded where stipulated by law. According to the legal provisions, the voting rights attached to the 1,084,851 shares owned by the controlled company RADENSKA cannot be exercised. Starting from June 2021, new obligations arising from the Act. No. 37/2021 Coll., on the register of beneficial owners, have been introduced. Shareholders – legal entities having registered office in the Czech Republic who do not have their beneficial owner registered in the register of beneficial owners cannot exercise their voting right. The Company is not aware of any other restrictions on or exclusions of the voting rights attached to the shares issued by the Company.

(f) Information about agreements between the shareholders that may reduce the transferability of shares or the transferability of the voting rights, if known to the issuer

The Company is not aware of any agreements between the shareholders of the Company that may reduce the transferability of shares of the Company or of the voting rights attached to the shares of the Company.

(g) Information about special rules regulating election and recalling of members of the statutory body and changes to the Articles of Association of the issuer

The statutory body of the Company is six-member Board of Directors. The members of the Board of Directors are elected and recalled pursuant to Article 15 par. 15.5 of the Article of Association of the Company by the Supervisory Board. The Supervisory Board of the Company has 5 members. The Supervisory Board has the quorum if majority of its members is present or otherwise takes part in a meeting. The Supervisory Board takes a decision by a majority of votes of present or otherwise participating members. In case of equality of votes the vote of a chairman of the Supervisory Board is decisive. The Supervisory Board may also take decisions per rollam.

Approval by a majority of at least two thirds of the votes of the shareholders present at the General Meeting is required to adopt a decision amending the Articles of Association of the Company. The General Meeting has the quorum if the shareholders present hold shares with the par value exceeding 50% of the share capital of the Company. The latest amendments to the Articles of Association of the Company were approved by the General meeting of the Company on 28 June 2021. The reason for the amendments was to increase the number of members of the Supervisory Board by one (to 5) and to implement the requirements of the Stock Exchange into the Articles of Association of the Company and enable the General Meeting to take decision per rollam. Part of the amendments to the Articles of Association entered into force by their adoption, other part shall be effective as of 1 January 2022.

Any special rules regulating election and recalling of the members of the Board of Directors of the Company and amendments and changes to the Articles of Association of the Company don't apply.

(h) Information about special powers of the statutory body pursuant to the Business Corporations Act

The members of the Board of Directors of the Company do not hold any special powers. The Board of Directors takes decisions on all Company matters unless they are reserved for the General Meeting, Supervisory Board or other Company's body.

(i) Information about significant agreements to which the issuer is a party and which will become effective, change or cease to exist in the event of a change of control of the issuer as a result of a take-over bid, and about the effects arising from such agreements, with the exception of agreements whose disclosure would cause harm to the issuer

The Company has not entered into any significant agreement that will become effective, change or cease to exist in the event of a change of control of the Company as a result of a take-over bid.

(j) Information about agreements between the issuer and the members of its statutory body or employees that bind the issuer to take on any commitments in the event of the termination of their offices or employment in connection with a take-over bid

The Company has not entered into any agreement with the members of the Board of Directors that bind the Company to take on any commitments in the event of the termination of their offices in connection with a take-over bid.

The Company has not entered into any agreement with any employee that bind the Company to take on any commitments in the event of the termination of its employment in connection with a take-over bid.

(k) Information about eventual schemes on the basis of which employees and members of the statutory body of the Company may acquire participation securities in the Company, options concerning such securities or any other rights related to these securities, under more favourable terms, and information about how these rights are exercised

Option Plan 2017 - 2019

On 8 June 2017, the Company concluded a program for long-term remuneration of senior managers of the Group. The objective of the Program was to motivate and stabilize the senior executives by the opportunity to participate in the success of the Kofola Group.

The participants were entitled to get shares of the Company free of charge based on the agreement on participation in the program for a long-term remuneration of senior managers of the Group. The program contained two separate, nevertheless complementary plans:

- 1 The Share Acquisition Plan consisting in the participant's option to buy Kofola shares on the market and, under the fulfilment of the specified conditions, to receive for free the same number of Kofola Pair shares.
- 2 The Performance Shares Plan consisting in the participant's right to receive for free, under the fulfilment of key performance targets by the Kofola Group, the pre-determined number of Kofola shares.

Since 31 December 2019, the Program can no longer be joined. Under the Program, no Performance shares were granted.

The maximum number of the eligible Investment shares could not exceed the specified annual limit - the number of shares, which could be purchased on regulated market for 50% of the basic annual gross salary (remuneration) paid to the participant by companies from the Group in the calendar year (i. e. from January 1, 2017 to December 31, 2017, from January 1, 2018 to December 31, 2018 and from January 1, 2019 to December 31, 2019). If the number of Investment shares held by a participant on December 31 of a calendar year exceeded the determined limit, the Company's shares purchased by the participant exceeding the stated limit were not taken into consideration for the Share Acquisition Plan and the participant could not claim the Pair shares for these shares even though he fulfilled other conditions to constitute the claim. However, the shares not eligible as Investment shares in one calendar year could be eligible in one of the following calendar years. A participant could only receive pair share if they held investment shares throughout the entire relevant period (two years following the end of the calendar year that served as reference for the yearly limit) and, at the same time, if they were employed with the Company or a member of a Company body throughout the entire relevant period. The participant is obliged to hold the pair shares for at least one year as of their transfer to the participant. This Plan ended on 31 December 2019 but the Company will keep transferring pair shares to participants until 2022.

Option Plan 2017 - 2019	
Summary of effect during 2021 and as of 31 December 2021	
Total cumulated number of Pair shares granted as of 31 Dec 2021 (pcs)	71,506
Fair value of Pair shares as of grant date (CZK)	406.6
End of 3-year vesting period	31 Dec 2019
Transfer of Pair shares to participants – executed in 2021	29,137 pcs during Mar 2021
Transfer of Pair shares to participants – to be executed	31 Mar 2022
Total costs from equity settled transactions in 2021 (CZK thousand)	-*
Cumulated reserve from equity settled transactions as of 31 Dec 2020 (CZK thousand)	27,254
2021 changes in reserve from equity settled transactions (CZK thousand), note B 1.5	(12,818)
Cumulated reserve from equity settled transactions as of 31 Dec 2021 (CZK thousand)	14,436

* Year 2019 was the last year of the option scheme programme.

Option Plan 2021 - 2026

In the year 2021, the Company introduced a new program for long-term remuneration of senior managers of the Group. By entering into agreement on participation in the Program, the participants are entitled to acquire Kofola shares free of charge, subject the fulfillment of set conditions. The new Option Plan is based on the ended Option Plan for years 2017 - 2019 and enhances the dependence of the eligibility to Kofola shares on the Group results. The new Option Plan has been approved for the period to 31 December 2026.

The Plan consists of two separate, though complementary plans:

- 1 Share Acquisition Plan granting the participants the opportunity to buy Kofola shares on the market (Investment Shares) and to acquire the corresponding number of Kofola Pair Shares free of charge under defined conditions. The maximal number of eligible Investment Shares cannot exceed the specified limit corresponding to the number of shares which can be purchased on the regulated market for 40% of the basic annual gross salary/remuneration the participant is entitled to under contract(s) concluded with Kofola Group companies in the corresponding calendar year (i. e. from January 1, 2021 to December 31, 2021, from January 1, 2022 to December 31, 2022, from January 1, 2023 to December 31, 2023, from January 1, 2024 to December 31, 2024, from January 1, 2025 to December 31, 2025 and from January 1, 2026 to December 31, 2026). The calculation of the Limit of Investment Shares is based on the average price of Kofola shares on the regulated market. Under the Share Acquisition Plan, there are two overlapping 3-year vesting periods (2021 – 2023 and 2021 – 2026). To be eligible for the acquisition of Pair Shares, the participant must hold the Investment Shares for a set minimum period (two years following the end of the calendar year that served as reference for the yearly limit), they must be employed with any of Kofola Group companies or be a member of any of Kofola Group companies' bodies throughout the entire vesting period, and at the same time, Kofola Group Equity Value must not be lower than in the previous calendar year. Provided that the set conditions are met, pair shares will be transferred to the participants gradually up until 2029. Participants are obliged to hold the Pair Shares at least until 31 January of the calendar year following the calendar year in which they were transferred to the participant.

- 2 Performance Shares Plan providing the participant the opportunity to acquire a predetermined amount of Kofola shares (Performance Shares) free of charge provided that Kofola Group has met performance targets. The period relevant for the Performance Shares Plan starts on 1 January 2021 and terminates on 31 December 2026. The total amount of Performance Shares to be distributed among the participants is composed of two parts. The first part depends on the price of Kofola shares as of 31 December 2026 and the related market capitalization on the regulated market; the second part depends on the Equity Value of Kofola Group as of the last day of the relevant period. To be eligible for the acquisition of Performance Shares, the participant must be employed with any of Kofola Group companies or to be a member of any of Kofola Group companies' bodies from the start of the participant's participation in the Plan to the end of the relevant period provided that they participated in the Program for at least three years (with an exception set in the conditions of the Plan) and must hold Kofola shares of the set minimal value equal to the yearly basic gross wage/remuneration (or the double of yearly basic gross wage/remuneration) of the participant in the last complete calendar year the participant complied with the condition of employment or membership in any of Kofola Group companies and their bodies. Performance Shares will be transferred to participants eligible under the conditions of the Plan by 31 May 2027. Participants are obliged to hold 50% of the Performance Shares at least until 31 January 2028.

No Kofola shares have been transferred in 2021 to the participants under the Option Plan 2021 - 2026. The fair value of shares granted is based on the stock market share price as of the grant date that was adjusted for the expected fulfillment of non-vesting conditions and market conditions, expected dividend payments and shares restrictions.

Option Plan 2021 - 2026	
Summary of effect during 2021 and as of 31 December 2021	
Number of Pair shares granted in 2021 (pcs)	-*
Total cumulated number of Pair shares granted as of 31 Dec 2021 (pcs)	-*
Fair value of Pair shares as of grant date (CZK)	140 - 200
Number of Performance shares granted in 2021 (pcs)	-*
Total cumulated number of Performance shares granted as of 31 Dec 2021 (pcs)	-*
Fair value of Performance shares as of grant date (CZK)	185
Ends of vesting periods	31 Dec 2023, 31 Dec 2026
Total costs from equity settled transactions in 2021 (CZK thousand)	17,857
Cumulated reserve from equity settled transactions as of 31 Dec 2020 (CZK thousand)	-
2021 changes in reserve from equity settled transactions (CZK thousand), note B 1.5	17,857
Cumulated reserve from equity settled transactions as of 31 Dec 2021 (CZK thousand)	17,857

* Shares are granted on the grant date - but they are vested after fulfilment of the vesting conditions.