



  
**kofola**<sup>®</sup>  
Československo



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## KOFOLA GROUP

a leading producer of branded non-alcoholic beverages in Central and Eastern Europe



**CZK 7.1 BN Y18**  
**REVENUES**



**8**  
**PRODUCTION PLANTS**



**2 198**  
**EMPLOYEES**



**LISTED ON**  
**PRAGUE STOCK EXCHANGE**



❖ no. 2 player in the soft drinks market



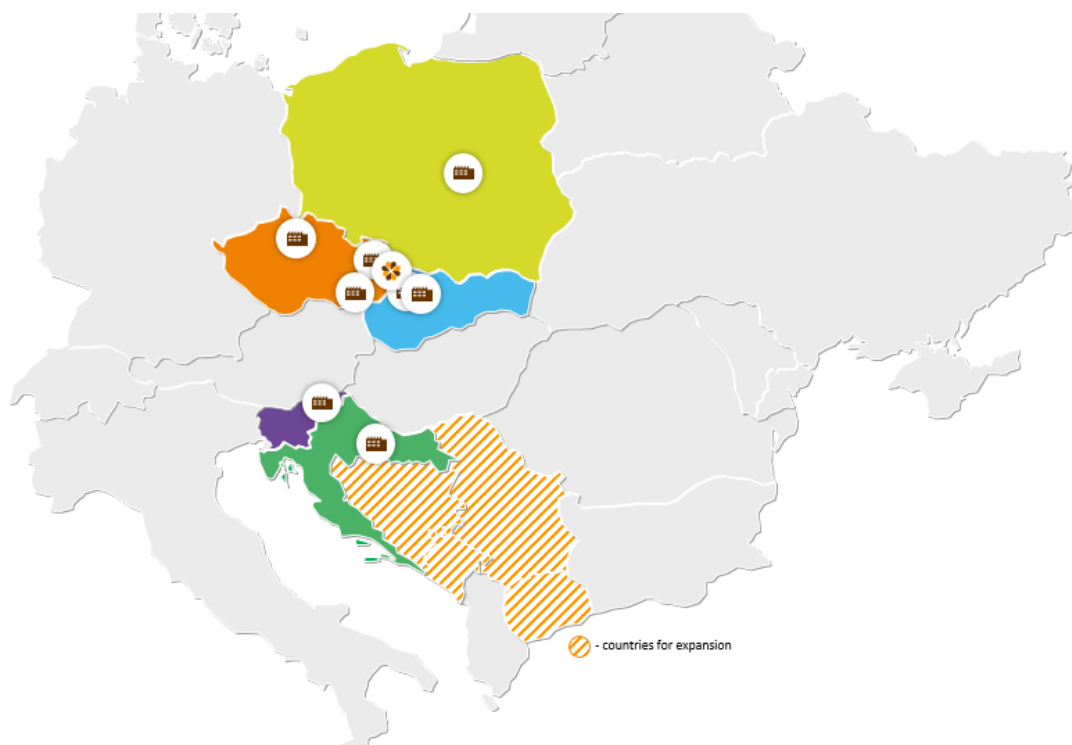
❖ no. 1 player in the soft drinks market  
❖ no. 1 water brand



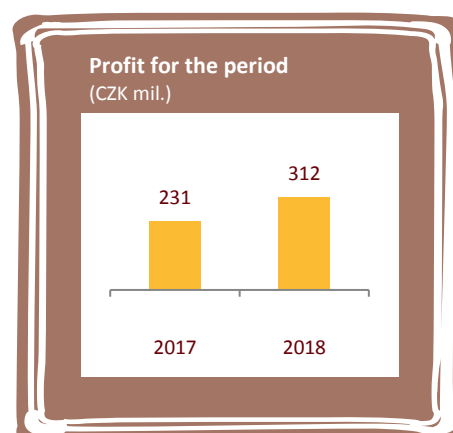
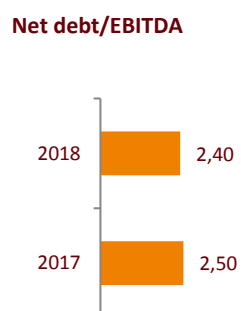
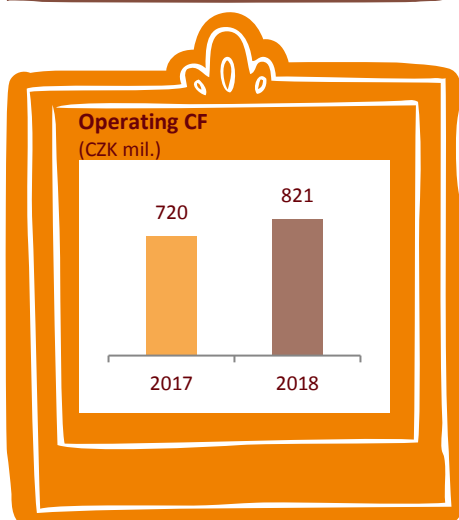
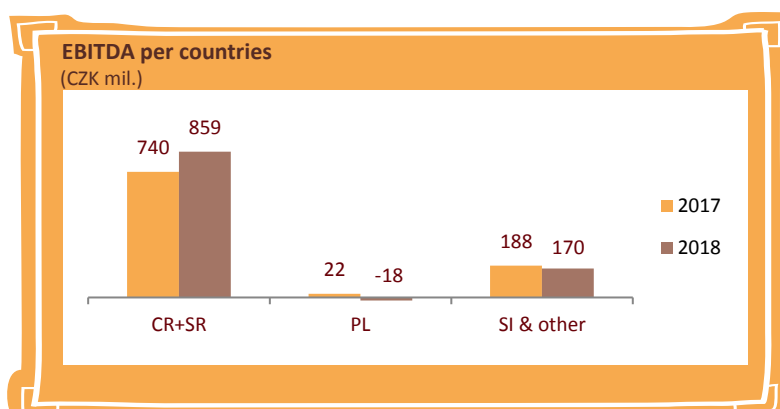
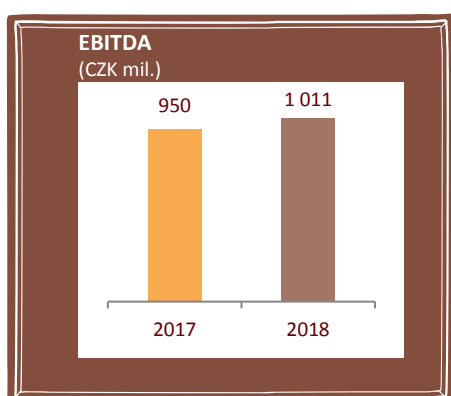
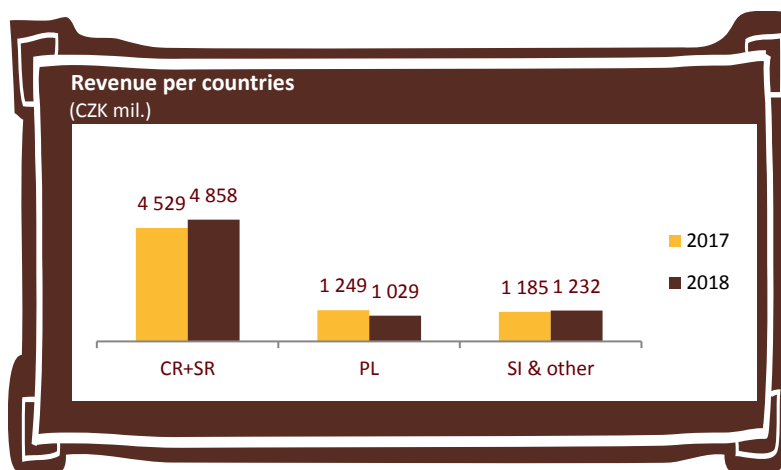
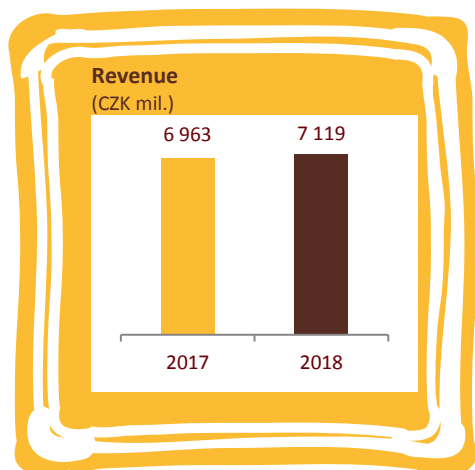
❖ no. 1 player in the soft drinks market



❖ no. 2 water brand

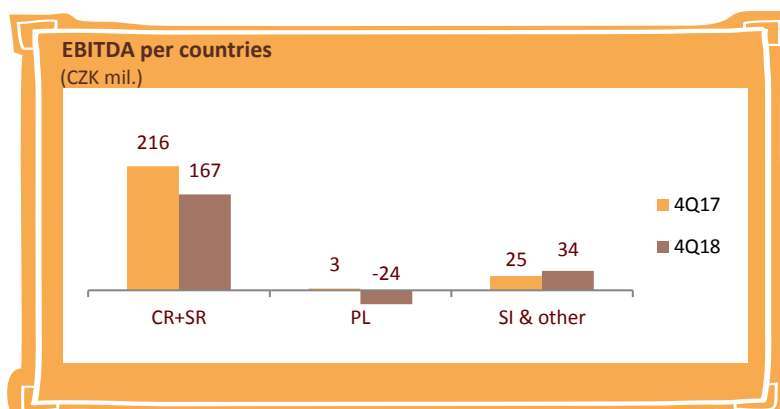
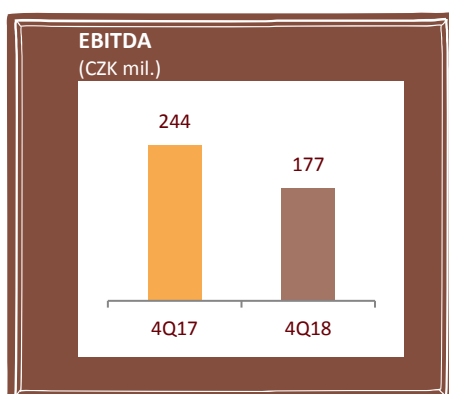
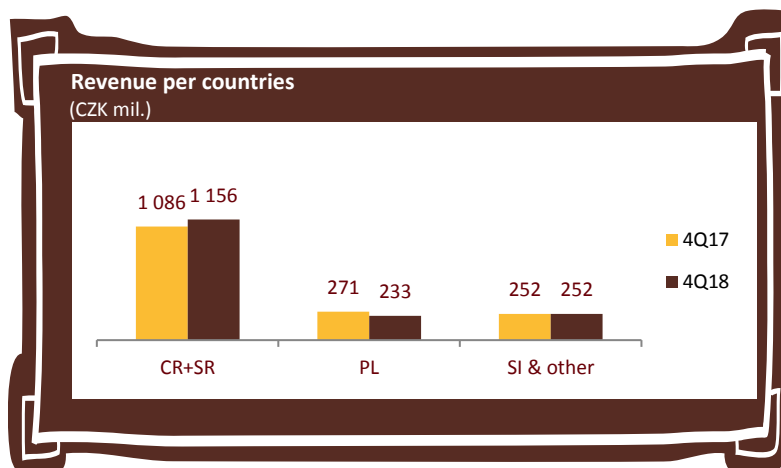
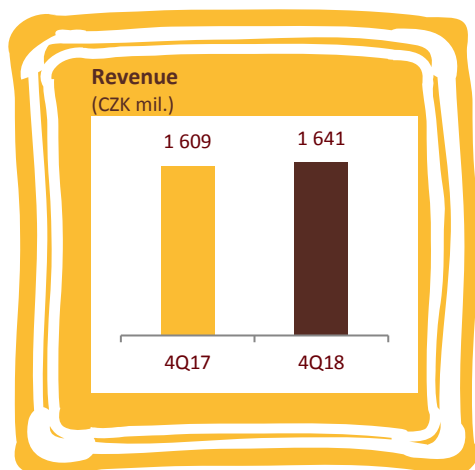


## FOR THE 12M PERIOD



The results and ratios above are based on adjusted results. For details on financial performance and reconciliation of reported and adjusted results refer to section 4.1.

## FOR THE 4Q PERIOD



### MAIN INFORMATION IN 4Q18:

- GROUP'S EBITDA WITHOUT HOOP POLSKA DECREASED BY CZK 64 526 THOUSAND (25.9%).
- POSITIVE EFFECT OF THE LOWER SUGAR PRICE.
- PROVISION FOR BONUSES INCREASED BY CZK 63 332 THOUSAND.
- GROUP'S REVENUE WITHOUT HOOP POLSKA INCREASED BY CZK 69 013 THOUSAND (5.1%), WITHOUT HOOP POLSKA AND LEROS INCREASED BY CZK 23 226 THOUSAND (1.7%).

The results and ratios above are based on adjusted results. For details on financial performance and reconciliation of reported and adjusted results refer to section 4.1.

## 2. CHAIRMAN'S STATEMENT

Dear shareholders,



Building up a successful company is definitely a long distance run and Kofola celebrated in the last year its 25th anniversary. During that time, we have grown from a small district factory to the one of the most important non-alcoholic beverage producers in the Central European region. I am very glad to see among us many employees who have been with us since our very first steps. Our thanks for their contribution to the long-term growth and success of Kofola go out to the whole team of employees.

The year 2018 will go down in our history due to very positive developments in our financial results and also due to the overcoming of some long-term corporate hurdles. Thus, this year laid strong foundations for further growth in the company's

value to shareholders. We have attained the goals we set for 2018, although we should also admit that in some parts of our capital structure we expected faster growth. A further positive is the diversification of our business model, which has helped us to achieve overall success.

The consolidated revenue of the group exceeded CZK 7 billion (CZK 7 118.8 million) which represents a year-on-year increase of 2.2%. If we exclude Hoop Polska, where we faced a long-term decline in our market position, the increase would be 7.2% (4.1% without effect of Titbit, Premium Rosa and LEROS acquisitions). The continuous growth of brand sales (+5.7%) and controlled decline of private labels sales have been a great success. Private labels are no longer included in our strategy and will only complement the optimization of our production capacity.

The fulfillment of our challenging business plan was based on fundamental elements such as the stable economic environment, a slight increase in the consumption of non-alcoholic beverages, the relatively low price of essential raw materials (especially sugar), and the successful innovations of Royal Crown, Vinea Frizzante and Radenska Flavoured. The unusually warm weather helped us in the Central Europe, although in the Adriatic region weather conditions differed. As in prior years, we had to deal with significant increases in wages, and subsequent increases in labour costs.

After a year, I am pleased to report again to the shareholders EBITDA exceeding CZK 1 billion (CZK 1 011.0 million).

Year-on-year EBITDA growth reached 6.4%, or 9.8% if we exclude the Polish company Hoop Polska. The key EBITDA margin ratio has increased from 13.7% in 2017 to 14.2%. We assume that positive trends in household consumption and basic raw material prices will continue in 2019 as well, and that we will build on the successful results of year 2018.

Net profit, after adjusting for one-off items, amounted to CZK 312.3 million and increased by 35%. We have performed a fundamental revaluation of Hoop Polska's assets, due to which we adjusted the capital structure by the middle of the year. The objective was to provide shareholders with a stable level of share of company profits (in the form of a share capital decrease).

The non-alcoholic beverages market in Central and Southeast Europe is undergoing major changes. One trend is a growth in resources available to consumers. We expect this trend to persist even after the slowdown of growth in some economies. Combined with the effects of the weather, these factors create a relatively dynamic market growth potential. In volume terms, growth is substantially lower, with some categories even recording a decline (e.g. syrups). The growth in consumption has been limited by the expanding category of non-alcoholic beer lemonades and also by the use of tap water in gastronomy. The fastest growing market segment is the "on the go" segment, i.e. smaller formats for consumption away from home. The growth of our market share in the "on premise" segment (HoReCa) in the Czech Republic was a great success in 2018. We reduced our main competitor's lead in market share by a total of 6 p.p. While the main drivers of the rapid growth in our largest category of cola drinks in CzechoSlovakia were draught Kofola and Royal Crown, in the Adriatic region it was our successful distribution of Pepsi. The unusually high level of promotional activity on the retail market has slightly decreased and producers have transferred increased costs to the selling price. Kofola has made significant investments in the sophisticated management of sales and pricing strategy, and the results of this project are palpable.

As in 2017, I can report two small but (for the future of the Kofola Group) significant acquisitions. The first is the company LEROS (Medicinal plants), a traditional medicinal herbal tea specialist. Seeing as Kofola and Rajec are themselves full of herbs, the acquisition fits perfectly into the strategy of the Kofola Group. Another acquisition is Klášťorná, a high-quality mineral



## 2. CHAIRMAN'S STATEMENT



water, surprising in its balance of calcium and magnesium. We will introduce this traditional mineral water to the Slovak market in the main season 2019. We will no longer lack a mineral water brand in the CzechoSlovakia market.

In the domestic "core" CzechoSlovakia market, we achieved, after exclusion of the effect of acquisitions, a very healthy growth of 4.3%. Virtually all brands experienced growth, except for Jupí syrups, the leader of the category that, as a whole, is facing a decline. The fastest growing brands are Kofola, Royal Crown, and Vinea. The growth rates are significantly higher in the segments "on the go" and "on premise", while retail sales are growing at a slower rate. Profitability in our main market exceeded expectations.

Revenue in the Adriatic region increased by 2.6%. The increase was built especially on the main brand Radenska and also on the Pepsi brand. We expected better results on the Croatian market in the last year. Despite an increase in Croatian sales (2.3%), planned targets were not achieved. We have taken precautions and believe that the upcoming period will confirm the success of our proven business model. We consider expansion in this region, including acquisitions, to be a strategic priority.

The UGO brand concept continues its increase in revenue (10.5%). The growth was influenced by the last year's acquisition of Titbit and increased sales of UGO bottles. We are continuing in our efforts to increase the profitability of our fresh and salad bars. The UGO brand has become synonymous with healthy diet, and is a clear market leader in this area. Process optimisation has not yet been finalised and as such, combined with a steep increase in labour costs, profitability remained at a start-up level. At the end of 2018, the network operated 81 sites and is the largest of its kind in the CEE region.

In our less successful market in Poland, Premium Rosa with its premium syrups has achieved a better profitability than in 2017. In the mainstream business of the subsidiary Hoop Polska, we managed to stop the decline in brand products revenues. However, even concentration in one production plant did not cover the decline in private labels production. The company's EBITDA even ended with negative values. We had decided to address this situation, and therefore we terminated our presence in this highly competitive market. On the other hand, we will further develop our subsidiary Premium Rosa.

I would like to highlight once again that the operating performance indicator EBITDA reached a very positive value of CZK 1 011.0 million and a net profit CZK 312.3 million. Operational resources are sufficient to fund strategic development, and also to enable payment of a stable dividend level to shareholders. The financial position of the company is very favourable. Despite high capital expenditures, acquisitions and payment of record dividends, the total net debt remained at CZK 2.4 billion. We managed to reduce the level of indebtedness measured as Net Debt/EBITDA to 2.4.

From the shareholders' point of view, there was a significant increase in the liquidity of our shares in 2018. Due to exit of our private equity investor, the company's free float at the Prague Stock Exchange grew to 27%. This event had a short-term negative impact on the stock price, but naturally led to a multiple increase in trading volume. Greater liquidity and the resolution of the complicated situation in Poland increased the attractiveness of Kofola on the financial markets.

Kofola is well prepared for the upcoming period. Despite the positive macroeconomic developments, the market will stagnate in terms of volume. This is due to above-average warm weather in 2018. The market will have to absorb the increase of the producers' total costs. The trend of rapid wage growth will continue throughout the CEE region. A positive factor is the short-term development of raw material prices, but in the medium term the outlook is less optimistic.

The non-alcoholic beverage industry must actively engage with environmental issues. This concerns, in particular, the issue of the increasing effectiveness of plastic packaging recycling and its subsequent reuse. Kofola is aware of its social responsibility, and is one of the most important contributors to the recycling system. We have analyzed the issue in detail and are ready to invest in meaningful measures.

Kofola will continue with the implementation of its approved strategic plan. Our priority is the development of our own brands and successful distribution of our partners' brands. We expect the termination of private labels production. We will concentrate on the CEE region and our potential acquisitions will be focused there. We will continue to build the UGO brand, where we expect a strong revenue growth. We will consolidate and transform our successful acquisitions, Premium Rosa and LEROS. We have terminated our operations in the mainstream market in Poland.

Dear shareholders and colleagues, year 2018 was a very successful year. We are very satisfied, but we must also continue with our hard work. We have many other goals and tasks ahead of us. We have the energy and all the resources we need. I thank the shareholders for their trust and patience, I also thank all my colleagues for the work they have put in and look forward to continued success for the Kofola company.

Jannis Samaras  
Chairman of the Board of Directors  
Kofola ČeskoSlovensko a.s.

## 3. KOFOLA GROUP

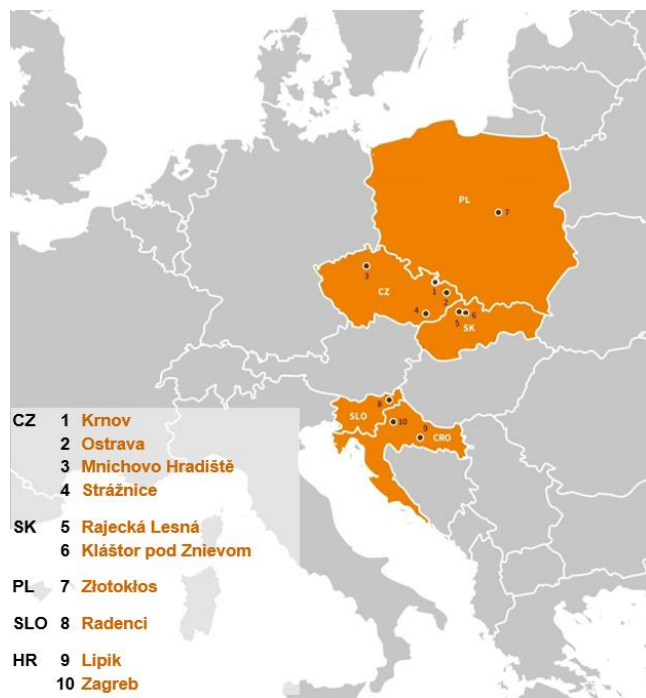


### 3.1. KOFOLA ČESKOSLOVENSKO

Kofola ČeskoSlovensko a.s. ("the Company") is a joint-stock company registered on 12 September 2012. Its registered office is Nad Porubkou 2278/31a, Ostrava, 708 00, Czech Republic and the identification number is 24261980. The Company is recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735. The Company's websites are <http://www.firma.kofola.cz> and the phone number is +420 595 601 030. LEI: 3157005DO9L5OWHBQ359.

### 3.2. KOFOLA GROUP

#### BASIC INFORMATION



Kofola ČeskoSlovensko a.s. is part of the Kofola Group, one of the leading producers and distributors of non-alcoholic beverages in Central and Eastern Europe. The Group has a leading market position on the CzechoSlovak market and is targeting to replicate its success in other CEE markets. The Group has limited activities in Russia.

The Group produces its products with care and love in eight main production plants located in the Czech Republic (three plants), Slovakia (two plants), Poland (one plant), Slovenia (one plant) and Croatia (one plant).

The Group distributes its products using a wide variety of packaging, including kegs that are used in the HoReCa channel to serve our widely popular drink „Kofola Draught" and keep its high-quality standard. The Group distributes its products through Retail, HoReCa and Impulse channels.

#### KEY BRANDS

Key own brands include carbonated beverages Kofola, Vinea and Hoop Cola, waters Radenska, Studenac and Rajec, syrups Jupí and Paola, beverages for children Jupík, energy drinks Semtex and UGO fresh juices and salad bars. In selected markets, the Group distributes among others Rauch, Evian, Badoit or Vincentka products and under the licence produces RC Cola, Orangina, Rauch or Pepsi. The Group also produces and distributes water, carbonated and non-carbonated beverages and syrups under private labels for third parties, mostly big retail chains.

Despite the fact that the Group's portfolio includes more than 30, mostly well-established and recognisable brands with a wide market, the Group's key brand is Kofola.

### 3. KOFOLA GROUP

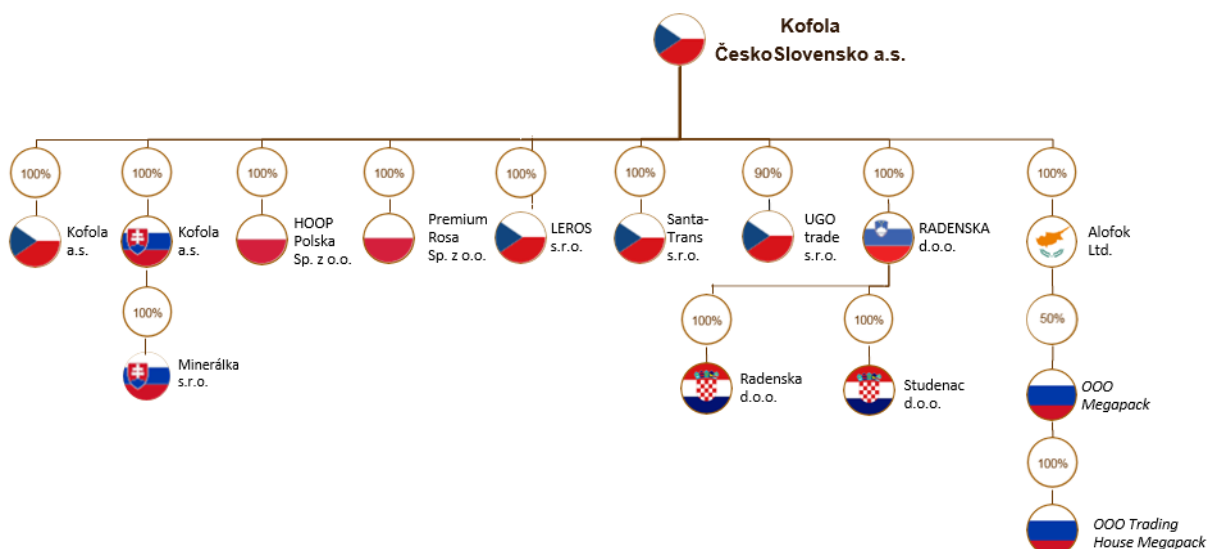


Main brands by main markets are shown in the visualisation below:



### 3.3. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2018



### 3. KOFOLA GROUP



#### DESCRIPTION OF THE GROUP COMPANIES

| Name of entity                | Place of business | Principal activities                                                                   | Ownership interest and voting rights |            |
|-------------------------------|-------------------|----------------------------------------------------------------------------------------|--------------------------------------|------------|
|                               |                   |                                                                                        | 31.12.2018                           | 31.12.2017 |
| <b>Holding companies</b>      |                   |                                                                                        |                                      |            |
| Kofola ČeskoSlovensko a.s.    | Czech Republic    | top holding company                                                                    |                                      |            |
| Alofok Ltd.                   | Cyprus            | holding                                                                                | 100.00%                              | 100.00%    |
| <b>Production and trading</b> |                   |                                                                                        |                                      |            |
| Kofola a.s.                   | Czech Republic    | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Kofola a.s.                   | Slovakia          | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Hoop Polska Sp. z o.o.        | Poland            | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| UGO trade s.r.o.              | Czech Republic    | operation of fresh bars chain, production of salads                                    | 90.00%                               | 90.00%     |
| RADENSKA d.o.o.               | Slovenia          | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Studenac d.o.o.               | Croatia           | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Radenska d.o.o.               | Croatia           | sales support and administration                                                       | 100.00%                              | 100.00%    |
| Radenska Miral d.o.o.         | Slovenia          | trademark licensing                                                                    | n/a                                  | 100.00%    |
| Premium Rosa Sp. z o.o.       | Poland            | production and distribution of syrups and jams                                         | 100.00%                              | 100.00%    |
| LEROS, s.r.o.                 | Czech Republic    | production and distribution of products from medicinal plants and quality natural teas | 100.00%                              | n/a        |
| Minerálka s.r.o.              | Slovakia          | inactive                                                                               | 100.00%                              | n/a        |
| <b>Transportation</b>         |                   |                                                                                        |                                      |            |
| SANTA-TRANS s.r.o.            | Czech Republic    | road cargo transport                                                                   | 100.00%                              | 100.00%    |
| <b>Associated companies</b>   |                   |                                                                                        |                                      |            |
| OOO Megapack                  | Russia            | production of non-alcoholic and low-alcoholic beverages                                | 50.00%                               | 50.00%     |
| OOO Trading House Megapack    | Russia            | sale and distribution of non-alcoholic and low-alcoholic beverages                     | 50.00%                               | 50.00%     |

Radenska Miral d.o.o. and RADENSKA d.o.o. merged on 3 August 2018. RADENSKA d.o.o. acts as a legal successor.

### 3. KOFOLA GROUP



#### 3.4. SUCCESSES AND AWARDS IN 2018



**Czech TOP 100** – Kofola Československo a.s. the fourth most admired company in the Czech Republic in 2018. Repeatedly in top 5 since 2007.

**Randstad Award** - Kofola in top 10 most attractive employers in the Czech Republic.



Royal Crown Cola awarded **Packaging of the year 2018**.

Paola won the award "**Złoty Paragon**", which is granted by owners and managers of grocery and industrial stores from all over Poland and selects products and services that have a particular impact on the development of retail trade in Poland.



Radenska bezeg won **AGRA grand gold medal**.



Oaza breskev won **AGRA gold medal**.

Naturelle won **AGRA silver medal**.



Kofola won the award "**EFFIE**" - 1<sup>st</sup> place for the marketing campaign "**Pěnožrouti**" ("Foam-eaters").



**The best product** - consumer choice 2019" for new Paola 0.43l after redesign.

Brand Kofola awarded **The most trustful soft drinks brand** in the Czech republic. Brand Rajec won in Slovakia.



## 4. BUSINESS OVERVIEW AND OTHER MATTERS



### 4.1. BUSINESS OVERVIEW

#### OVERALL PERFORMANCE IN 2018

Kofola Group experienced significant increase of sales in its core markets in the CzechoSlovakia and Adriatic region – when total consolidated revenue in these countries grew by 6.4% (after exclusion of Premium Rosa, LEROS and Titbit revenue growth (“acquisitions effect”) the increase would be 3.9%).

The Group’s revenue on CzechoSlovak market increased by 7.3%. The increase was coming mainly from On premise (HoReCa) and On the go (Impulse) channels. Increase after exclusion of the acquisitions effect was 4.3%.

Adriatic region (Slovenia+Croatia) showed a growth of 2.6%, which was driven by growth in both Slovenia and Croatia. We further focus on the development in the Adriatic region through continuous investments in our brands. In 2019, we will celebrate the 150 year anniversary of the Radenska brand.

The share of CzechoSlovak and Adriatic markets is still growing which is supported by the fact that in 12M18 total sales within these segments represented 83.5% of total Group sales (80.3% in 12M17).

Purchase of production technologies and know-how from Titbit in June 2017 represented a contribution to the Group’s revenue for year 2018 of CZK 98 million (post acquisition sales in 2017: CZK 46 million). We consider the acquisition of Premium Rosa Sp. z o.o. in July 2017 as successful. Premium Rosa Sp. z o.o. reported sales of CZK 96 million (post acquisition sales in 12M17: CZK 59 million).

Increase of total sales was also influenced by the acquisition of LEROS, s.r.o., a producer of high-quality products from medicinal plants and quality natural teas, which recorded (since its acquisition on 13 March 2018) a revenue of CZK 95 million.

On 13 June 2018, Kofola purchased a subsidiary Minerálka s.r.o., the owner of brand Klášťorná (Slovak segment). This new entity was till the end of 2018 inactive, however mineral water Klášťorná is expected to gain its position in our portfolio, where we missed a mineral water brand in the CzechoSlovakia market.

Adverse effect of revenue drop in Hoop Polska Sp. z o.o. was more than compensated by increased revenue from acquisitions and increased revenue of all other significant Group companies which resulted in the total Group’s revenue growth of 2.2%.

#### IMPORTANT MATTERS AFTER 31 DECEMBER 2018

Despite our effort, consistent search for synergies, efficiencies and focus on sales of own products, the development of the situation in the Polish market hasn’t met our expectations and Hoop Polska Sp. z o.o. ended up in the red numbers. Besides the termination of the production in plant Grodzisk Wielkopolski at the end of 2017 and sale of the production plant Bielsk Podlaski in the third quarter of 2018, we decided to sell our Polish subsidiary and let the new owner (ZMB Capital Sp. z o.o.) to set the direction and future development of traditional Polish beverage brands. Grodzisk Wielkopolski plant doesn’t form a part of the transaction and before the sale of Hoop Polska Sp. z o.o. on 18 March 2019 it was sold to our subsidiary Premium Rosa Sp. z o.o. and will be further offered for sale.

#### ADJUSTMENTS OF REPORTED PERFORMANCE AND POSITION

Presented below is a description of the financial performance and financial position of Kofola Group in 2018. It should be read along with the financial statements and with other financial information contained in the attached consolidated financial statements and separate financial statements. The Board of Directors is presenting and commenting on the consolidated financial results adjusted for one-off events in the following sections of part A.

## 4. BUSINESS OVERVIEW AND OTHER MATTERS

### 4.1.1 ADJUSTED CONSOLIDATED FINANCIAL RESULTS

| Adjusted consolidated financial results<br>2018        | 2018             | One-off<br>adjustments | 2018<br>adjusted   |
|--------------------------------------------------------|------------------|------------------------|--------------------|
|                                                        | CZK'000          | CZK'000                | CZK'000            |
| Revenue                                                | 7 118 768        | -                      | 7 118 768          |
| Cost of sales                                          | (4 056 922)      | 3 523                  | (4 053 399)        |
| <b>Gross profit</b>                                    | <b>3 061 846</b> | <b>3 523</b>           | <b>3 065 369</b>   |
| Selling, marketing and distribution costs              | (2 197 986)      | 1 088                  | (2 196 898)        |
| Administrative costs                                   | (468 901)        | 26 925                 | (441 976)          |
| Other operating income/(costs), net                    | (357 264)        | 374 438                | 17 174             |
| <b>Operating profit/(loss)</b>                         | <b>37 695</b>    | <b>405 974</b>         | <b>443 669</b>     |
| Depreciation and amortisation                          | 567 332          | -                      | 567 332            |
| <b>EBITDA</b>                                          | <b>605 027*</b>  | <b>405 974</b>         | <b>1 011 001**</b> |
| Finance costs, net                                     | (80 840)         | -                      | (80 840)           |
| Income tax                                             | (49 881)         | (601)                  | (50 482)           |
| <b>Profit/(loss) for the period</b>                    | <b>(93 026)</b>  | <b>405 373</b>         | <b>312 347</b>     |
| - attributable to owners of Kofola ČeskoSlovensko a.s. | (88 554)         | 405 373                | 316 819            |

\* EBITDA refers to operating profit/(loss) plus depreciation and amortisation.

\*\* Adjusted EBITDA refers to EBITDA adjusted for the effects of events and transactions that are non-recurring, extraordinary or unusual in nature, including in particular results from the sale of non-current and financial assets, costs not arising from ordinary operations, such as those associated with the impairment of non-current assets, financial assets, goodwill and intangible assets, relocation costs and the costs of Group layoffs.

The operating profit of the Kofola Group for the 12-month period ended 31 December 2018 was affected by the following one-off items:

#### *In Cost of sales:*

- Severance costs – Croatian operation incurred costs of CZK 3 523 thousand (effect of changed Trade Union agreement).

#### *In Selling, marketing and distribution costs:*

- Severance costs – LEROS, s.r.o. (Czech operation) incurred costs related to the acquisition of CZK 1 088 thousand.

#### *In Administrative costs:*

- Severance costs – LEROS, s.r.o. (Czech operation) incurred costs related to the acquisition of CZK 425 thousand.
- Acquisition advisory costs – Czech operation incurred costs of CZK 23 936 thousand, Slovak operation incurred costs of CZK 2 564 thousand (tax 21% applies).

#### *In Other operating income/(costs), net:*

- Net other operating income from the sale of production lines in Poland of CZK 4 550 thousand.
- Net other operating costs of CZK 17 724 thousand from the sale of Bielsk Podlaski plant (in Polish segment) and loss of CZK 330 thousand from the sale of fixed assets in Czech segment (tax 19% applies).
- Costs connected with the maintenance of closed Bielsk Podlaski plant of CZK 6 049 thousand (in Polish segment).
- Net costs connected with the maintenance of closed Grodzisk Wielkopolski plant, release of the provision and other restructuring costs of CZK 1 746 thousand (in Polish segment).
- Impairment of the Grodzisk Wielkopolski plant of CZK 3 657 thousand (in Polish segment).
- Impairment of the drill of CZK 3 728 thousand (in Polish segment).
- Impairment related to the sale of Hoop Polska Sp. z o.o. of CZK 345 754 thousand (in Polish segment).

## 4. BUSINESS OVERVIEW AND OTHER MATTERS

| Adjusted consolidated financial results<br>2017        | 2017             | One-off<br>adjustments | 2017<br>adjusted |
|--------------------------------------------------------|------------------|------------------------|------------------|
|                                                        | CZK'000          | CZK'000                | CZK'000          |
| Revenue                                                | 6 963 278        | -                      | 6 963 278        |
| Cost of sales                                          | (4 134 081)      | -                      | (4 134 081)      |
| <b>Gross profit</b>                                    | <b>2 829 197</b> | -                      | <b>2 829 197</b> |
| Selling, marketing and distribution costs              | (2 094 727)      | 1 735                  | (2 092 992)      |
| Administrative costs                                   | (395 783)        | 22 081                 | (373 702)        |
| Other operating income/(costs), net                    | (46 965)         | 69 409                 | 22 444           |
| <b>Operating profit/(loss)</b>                         | <b>291 722</b>   | <b>93 225</b>          | <b>384 947</b>   |
| Depreciation and amortisation                          | 565 228          | -                      | 565 228          |
| <b>EBITDA</b>                                          | <b>856 950*</b>  | <b>93 225</b>          | <b>950 175**</b> |
| Finance costs, net                                     | (24 838)         | -                      | (24 838)         |
| Income tax                                             | (114 689)        | (14 115)               | (128 804)        |
| <b>Profit/(loss) for the period</b>                    | <b>152 195</b>   | <b>79 110</b>          | <b>231 305</b>   |
| - attributable to owners of Kofola ČeskoSlovensko a.s. | 158 775          | 79 110                 | 237 885          |

\* EBITDA refers to operating profit/(loss) plus depreciation and amortisation.

\*\* Adjusted EBITDA refers to EBITDA adjusted for the effects of events and transactions that are non-recurring, extraordinary or unusual in nature, including in particular results from the sale of non-current assets and financial assets, costs not arising from ordinary operations, such as those associated with the impairment of non-current assets, financial assets, goodwill and intangible assets, relocation costs and the costs of Group layoffs.

The operating profit of the Kofola Group for the 12-month period ended 31 December 2017 was affected by the following one-off items:

*In Selling, marketing and distribution costs:*

- Costs of CZK 1 735 thousand connected with closing “Na grilu” operation in Ugo.

*In Administrative costs:*

- Costs of CZK 1 235 thousand connected with closing “Na grilu” operation in Ugo.
- Costs connected with SAP implementation of CZK 6 319 thousand, tax 19% applies (in Slovenian segment).
- Acquisition costs – Czech operation incurred costs of CZK 14 527 thousand.

*In Other operating income/(costs), net:*

- Costs of CZK 1 439 thousand connected with closing “Na grilu” operation in Ugo.
- Net other operating income from the sale of warehouse of CZK 2 896 thousand, tax 19% applies (in Slovenian segment).
- Group costs connected with the liquidation of an inactive subsidiary in Sieldorfer of CZK 1 832 thousand, tax 19% applies.
- Net other operating income from the sale of building of CZK 11 618 thousand, tax 19% applies (in Slovenian segment).
- Net other operating income from the sale of production lines in Poland of CZK 37 816 thousand, tax 19% applies.
- Costs connected with maintenance of Bielsk Podlaski plant and release of provision of CZK 3 869 thousand (in Polish segment), tax 19% applies.
- Costs connected with the closure of Grodzisk of CZK 43 801 thousand (in Polish segment), tax 19% applies.
- Revenues from compensation and release of provision of CZK 41 588 thousand connected with prior years qualitative product complaints (in Polish segment), tax 19% applies.
- Impairment costs of CZK 112 386 thousand in Polish segment, tax 19% applies.



## 4. BUSINESS OVERVIEW AND OTHER MATTERS

### 4.1.2 FINANCIAL PERFORMANCE

| Adjusted consolidated financial results                | 2018             | 2017             | Change         | Change       |
|--------------------------------------------------------|------------------|------------------|----------------|--------------|
|                                                        | CZK'000          | CZK'000          | CZK'000        | %            |
| Revenue                                                | 7 118 768        | 6 963 278        | 155 490        | 2.2%         |
| Cost of sales                                          | (4 053 399)      | (4 134 081)      | 80 682         | (2.0%)       |
| <b>Gross profit</b>                                    | <b>3 065 369</b> | <b>2 829 197</b> | <b>236 172</b> | <b>8.3%</b>  |
| Selling, marketing and distribution costs              | (2 196 898)      | (2 092 992)      | (103 906)      | 5.0%         |
| Administrative costs                                   | (441 976)        | (373 702)        | (68 274)       | 18.3%        |
| Other operating income, net                            | 17 174           | 22 444           | (5 270)        | (23.5%)      |
| <b>Operating profit/(loss)</b>                         | <b>443 669</b>   | <b>384 947</b>   | <b>58 722</b>  | <b>15.3%</b> |
| <b>EBITDA</b>                                          | <b>1 011 001</b> | <b>950 175</b>   | <b>60 826</b>  | <b>6.4%</b>  |
| Finance costs, net                                     | (80 840)         | (24 838)         | (56 002)       | 225.5%       |
| Income tax                                             | (50 482)         | (128 804)        | 78 322         | (60.8%)      |
| <b>Profit/(loss) for the period</b>                    | <b>312 347</b>   | <b>231 305</b>   | <b>81 042</b>  | <b>35.0%</b> |
| - attributable to owners of Kofola ČeskoSlovensko a.s. | 316 819          | 237 885          | 78 934         | 33.2%        |

#### REVENUE

In 12M18, the Group's revenue amounted to CZK 7 118 768 thousand and increased by CZK 155 490 thousand or 2.2% from CZK 6 963 278 thousand in 12M17.

The increase was caused by higher sales in CzechoSlovakia, which were driven mainly by Kofola, Rauch, Vinea and Rajec, and was also positively influenced by Adriatic region with the support of latest acquisitions executed in both current and also prior year (Titbit, LEROS, Premium Rosa), which outweighed the decrease in Hoop Polska Sp. z o.o.

In 12M18, the Group's revenue from sales of finished products and services amounted to CZK 6 532 693 thousand and increased by CZK 123 011 thousand or 1.9% from CZK 6 409 682 thousand in 12M17.

In 12M18, the Group's revenue from sales of goods and materials amounted to CZK 586 075 thousand and increased by CZK 32 479 thousand (5.9%) from CZK 553 596 thousand in 12M17. The increase in revenue from sales of goods and materials was attributable mostly to sales of Rauch products.

In August 2018, we achieved record Group sales which exceeded CZK 1 billion.

The following table sets forth revenue from sales split by category of products for 2018 and 2017.

| Product lines            | 2018               |                | 2017               |                |
|--------------------------|--------------------|----------------|--------------------|----------------|
|                          | Revenue<br>CZK'000 | Share<br>%     | Revenue<br>CZK'000 | Share<br>%     |
| Carbonated beverages     | 3 033 314          | 42.6%          | 2 946 263          | 42.3%          |
| Waters                   | 1 939 056          | 27.2%          | 2 067 777          | 29.7%          |
| Non-carbonated beverages | 735 871            | 10.3%          | 619 508            | 8.9%           |
| Syrups                   | 630 501            | 8.9%           | 671 305            | 9.6%           |
| Fresh bars & Salads      | 390 936            | 5.5%           | 351 025            | 5.0%           |
| Other                    | 389 090            | 5.5%           | 307 400            | 4.5%           |
| <b>Total</b>             | <b>7 118 768</b>   | <b>100.00%</b> | <b>6 963 278</b>   | <b>100.00%</b> |

The activities of the Group concentrate on the production of beverages in four market categories: carbonated beverages (including cola beverages), non-carbonated beverages, types of bottled water and syrups. Together these categories accounted for 89.1% of the Group's revenue in 12M18 (in 12M17: 90.6%). In comparison with 12M17, the structure of sales by products changed mainly due to lower revenue from carbonated beverages and waters in Poland and also due to increasing share of Fresh bars & Salads.

## 4. BUSINESS OVERVIEW AND OTHER MATTERS



The following table sets forth revenue split by countries for 2018 and 2017. The allocation of revenue to a particular country segment is based on the geographical location of customers.

| Geographical segments | 2018               |                | 2017               |                |
|-----------------------|--------------------|----------------|--------------------|----------------|
|                       | Revenue<br>CZK'000 | Share<br>%     | Revenue<br>CZK'000 | Share<br>%     |
| Czech Republic        | 3 166 559          | 44.48%         | 2 899 306          | 41.64%         |
| Slovakia              | 1 691 466          | 23.76%         | 1 629 287          | 23.40%         |
| Poland                | 1 028 636          | 14.45%         | 1 248 838          | 17.93%         |
| Slovenia              | 755 489            | 10.61%         | 735 107            | 10.56%         |
| Other*                | 476 618            | 6.70%          | 450 740            | 6.47%          |
| <b>Total</b>          | <b>7 118 768</b>   | <b>100.00%</b> | <b>6 963 278</b>   | <b>100.00%</b> |

\* Including Croatia (2018: 332 316, 2017: 324 978). Other doesn't represent a separate segment, but reconciling item to the consolidated profit or loss statement.

Kofola increased its sales in CzechoSlovakia and Adriatic region. In total, the sales in these regions increased by 6.4% in comparison with 12M17 (by 3.9% after exclusion of the acquisitions effect). The growth was significantly driven by sales in the Czech Republic which increased by 9.2% (by 5.4% after exclusion of the acquisitions effect), mainly as a result of increased revenue from Kofola and Vinea.

In CzechoSlovakia, the UGO's revenue grew by CZK 43 061 thousand to CZK 452 491 thousand (10.5%) which is a result of Titbit acquisition and increased sales of UGO bottles. UGO operated 81 fresh bars and salad bars as at 31 December 2018 (as at 31 December 2017: 84).

In Adriatic region, Kofola continues with the stable development as supported by the sales growth of 2.6% in 12M18. Besides increase in sales of own brand Radenska, the region revenue is supported also by the increase of sales from production and distribution of Pepsi.

In comparison with 12M17, there was a decrease in revenue from sales in Hoop Polska Sp. z o.o. by 21.2%, driven mainly by lower sales of private labels.

Total Group's consolidated revenue without Hoop Polska Sp. z o.o. grew by 7.2% (CZK 413 970 thousand) in comparison with 12M17 (by 4.1% if we exclude the acquisitions effect).

### COST OF SALES

In 12M18, the Group's adjusted cost of sales amounted to CZK 4 053 399 thousand and decreased by CZK 80 682 thousand or 2.0% from CZK 4 134 081 thousand in 12M17.

In 12M18, the Group's adjusted cost of products and services sold amounted to CZK 3 547 670 thousand and decreased by CZK 100 732 thousand or 2.8% from CZK 3 648 402 thousand in 12M17. Decreased adjusted cost of products and services sold were mainly influenced by lower material costs (sugar).

In 12M18, the Group's adjusted cost of goods and materials sold amounted to CZK 505 729 thousand and increased by CZK 20 050 thousand or 4.1% from CZK 485 679 thousand in 12M17. The increase in the adjusted cost of goods and materials sold was attributable mostly to the sale of Rauch products.

### GROSS PROFIT

In 12M18, the Group's adjusted gross profit amounted to CZK 3 065 369 thousand and increased by CZK 236 172 thousand or 8.3% from CZK 2 829 197 thousand in 12M17. This was influenced mainly by increased gross profit in CzechoSlovakia due to lower material costs and higher revenue. Adjusted gross profit margin increased by 2.43 p.p. from 40.63% in 12M17 to 43.06% achieved in 12M18.

### SELLING, MARKETING AND DISTRIBUTION COSTS

In 12M18, the Group's adjusted selling, marketing and distribution costs amounted to CZK 2 196 898 thousand and increased by CZK 103 906 thousand or 5.0% from CZK 2 092 992 thousand in 12M17. The increase was caused mainly by increased logistic costs in the CzechoSlovakia segment (increased price), higher marketing expenses in Croatia and post-acquisition costs of newly acquired subsidiary LEROS, s.r.o. Total increase was partially compensated by lower costs in Hoop Polska Sp. z o.o. Adjusted selling, marketing and distribution costs/Revenue ratio increased only by 0.8 p.p. (from 30.1% in 12M17 to 30.9% in 12M18).

## 4. BUSINESS OVERVIEW AND OTHER MATTERS

### ADMINISTRATIVE COSTS

In 12M18, the Group's adjusted administrative costs amounted to CZK 441 976 thousand and increased by CZK 68 274 thousand or 18.3% from CZK 373 702 thousand in 12M17. The increase is attributable mostly to the annual bonuses which weren't recognized in 12M17.

### EBITDA

The following table sets forth information regarding adjusted EBITDA for 2018 and 2017.

| Adjusted EBITDA | 2018       | 2017       |
|-----------------|------------|------------|
|                 | CZK' 000/% | CZK' 000/% |
| EBITDA*         | 1 011 001  | 950 175    |
| EBITDA margin** | 14.2%      | 13.7%      |

\* EBITDA refers to operating profit/(loss) plus depreciation and amortisation.

\*\* Calculated as (EBITDA/Revenue) \*100%.

The following table sets forth information regarding adjusted EBITDA split by countries for 2018 and 2017.

| Adjusted EBITDA by countries | 2018             |               | 2017           |               |
|------------------------------|------------------|---------------|----------------|---------------|
|                              | EBITDA           | EBITDA margin | EBITDA         | EBITDA margin |
|                              | CZK' 000         | %             | CZK' 000       | %             |
| Czech Republic               | 529 355          | 16.72%        | 389 986        | 13.45%        |
| Slovakia                     | 329 430          | 19.48%        | 350 291        | 21.50%        |
| Poland                       | (18 479)         | (1.80%)       | 22 349         | 1.79%         |
| Slovenia                     | 182 920          | 24.21%        | 192 544        | 26.19%        |
| Other                        | (12 225)         | (2.56%)       | (4 995)        | (1.11%)       |
| <b>Total</b>                 | <b>1 011 001</b> | <b>14.20%</b> | <b>950 175</b> | <b>13.65%</b> |

The net increase of adjusted EBITDA was driven by better performance in the Czech Republic which more than compensated EBITDA decrease in all other countries.

The adjusted EBITDA achieved by the Group in Poland decreased by CZK 40 828 thousand, mainly as a result of decreased sales of private labels in Hoop Polska Sp. z o.o. Adjusted EBITDA decrease in Slovakia was influenced by expenses for annual bonuses as described in the administrative costs section above.

The Group's adjusted EBITDA margin in the CzechoSlovak and Adriatic markets increased in 12M18. The increase was influenced mainly by better results in the Czech Republic segment. Presented margins result from our strong presence in the On premise (HoReCa) distribution channel, where non-alcoholic beverages can be sold with higher margin, compared to ones achieved in the Retail channel.

The Group's adjusted EBITDA without Hoop Polska Sp. z o.o. increased by CZK 91 523 thousand (9.8%) in comparison with 12M17.

### OPERATING PROFIT

Due to the reasons described above, in 12M18, the Group's adjusted operating profit amounted to CZK 443 669 thousand as compared to an adjusted operating profit of CZK 384 947 thousand in 12M17.

### FINANCE COSTS, NET

In 12M18, the Group's net finance costs amounted to CZK 80 840 thousand and increased by CZK 56 002 thousand as compared to net finance costs of CZK 24 838 thousand in 12M17. Decrease of financial result was influenced by significant exchange gains in 12M17 (decrease of CZK 51 562 thousand due to significant FX gains in 12M17 arising from cash deposits made by RADENSKA d.o.o. in Czech crowns), gain on revaluation of derivatives (interest rate swaps on Group's loans) recognized in 12M17, where in 12M18 the revaluation of derivatives is presented within other comprehensive income (cash-flow hedge) and negative effect of increased interest expense connected with additional loan financing. Total net finance costs were decreased by income from dividends in the amount of CZK 22 963 thousand from the 50% share of Group in its equity accounted investee Megapack.

### INCOME TAX

In 12M18, the Group's adjusted income tax amounted to CZK 50 482 thousand and decreased in comparison to 12M17 by CZK 78 322 thousand, which is mainly a result of the new tax incentive recognized in Kofola a.s. (CZ).

## 4. BUSINESS OVERVIEW AND OTHER MATTERS



### NET PROFIT FOR THE PERIOD

As a result of above described effects, the Group's adjusted profit for the period amounted to CZK 312 347 thousand as compared to CZK 231 305 thousand in 12M17.

#### 4.1.3 FINANCIAL PERFORMANCE IN 4Q

| Adjusted consolidated financial results                | 4Q18           | 4Q17           | Change          | Change         |
|--------------------------------------------------------|----------------|----------------|-----------------|----------------|
|                                                        | CZK'000        | CZK'000        | CZK'000         | %              |
| Revenue                                                | 1 640 905      | 1 609 202      | 31 703          | 2.0%           |
| Cost of sales                                          | (1 022 089)    | (988 533)      | (33 556)        | 3.4%           |
| <b>Gross profit</b>                                    | <b>618 816</b> | <b>620 669</b> | <b>(1 853)</b>  | <b>(0.3%)</b>  |
| Selling, marketing and distribution costs              | (498 944)      | (468 901)      | (30 043)        | 6.4%           |
| Administrative costs                                   | (124 157)      | (88 102)       | (36 055)        | 40.9%          |
| Other operating income/(costs), net                    | 24 345         | 16 612         | 7 733           | 46.6%          |
| <b>Operating profit/(loss)</b>                         | <b>20 060</b>  | <b>80 278</b>  | <b>(60 218)</b> | <b>(75.0%)</b> |
| <b>EBITDA</b>                                          | <b>176 821</b> | <b>244 437</b> | <b>(67 616)</b> | <b>(27.7%)</b> |
| Finance costs, net                                     | (24 882)       | (15 453)       | (9 429)         | 61.0%          |
| Income (tax)/benefit                                   | 56 776         | (49 376)       | 106 152         | (215.0%)       |
| <b>Profit/(loss) for the period</b>                    | <b>51 954</b>  | <b>15 449</b>  | <b>36 505</b>   | <b>236.3%</b>  |
| - attributable to owners of Kofola ČeskoSlovensko a.s. | 52 494         | 17 976         | 34 518          | 192.0%         |

In 4Q18, the Group's revenue increased by 2.0% compared to 4Q17. This was mainly an effect of decreased revenue in Hoop Polska Sp. z o.o. of CZK 37 310 thousand (15.2%) and increased revenue in CzechoSlovakia (arising also in connection with the acquisition of LEROS). The Group's revenue without Hoop Polska and LEROS increased by CZK 23 226 thousand (1.7%).

Adjusted cost of sales increased in comparison to 4Q17 by CZK 33 556 thousand (3.4%) which was influenced mainly by subsidiary LEROS acquired in 2018 and increased costs in UGO trade.

Adjusted selling, marketing and distribution costs increased by 6.4%, when compared with 4Q17, this was influenced by the new subsidiary LEROS, s.r.o. and increased logistic costs as described in annual results section above.

Adjusted administrative costs increased significantly by CZK 36 055 thousand (40.9%), mainly due to annual bonuses which were not recognized in the comparative period.

Net finance costs increased by CZK 9 429 thousand (61.0%), which was caused mainly by foreign exchange and derivative gains realized in 4Q17 which were partially compensated by decreased interest expense in relation to bonds which were repaid in October 2018.

In 4Q18, the Group's adjusted EBITDA without Hoop Polska Sp. z o.o. decreased by CZK 64 526 thousand (25.9%) to CZK 184 565 thousand which was caused mainly by release of the provision for bonuses at the end of 2017.

## 4. BUSINESS OVERVIEW AND OTHER MATTERS

### 4.1.4 FINANCIAL POSITION

| Consolidated statement of financial position   | 31.12.2018       | 31.12.2017       | Change           | Change        |
|------------------------------------------------|------------------|------------------|------------------|---------------|
|                                                | CZK'000          | CZK'000          | CZK'000          | %             |
| <b>Total assets</b>                            | <b>6 563 030</b> | <b>6 578 868</b> | <b>(15 838)</b>  | <b>(0.2%)</b> |
| Non-current assets, out of which:              | <b>4 348 833</b> | <b>4 786 195</b> | <b>(437 362)</b> | <b>(9.1%)</b> |
| <i>Property, plant and equipment</i>           | 2 959 954        | 3 384 892        | (424 938)        | (12.6%)       |
| <i>Intangible assets</i>                       | 1 054 524        | 1 090 190        | (35 666)         | (3.3%)        |
| <i>Goodwill</i>                                | 93 467           | 86 302           | 7 165            | 8.3%          |
| <i>Investment in equity accounted investee</i> | 66 894           | 70 260           | (3 366)          | (4.8%)        |
| <i>Deferred tax assets</i>                     | 52 774           | 81 531           | (28 757)         | (35.3%)       |
| <i>Other</i>                                   | 121 220          | 73 020           | 48 200           | 66.0%         |
| Current assets, out of which:                  | <b>2 214 197</b> | <b>1 792 673</b> | <b>421 524</b>   | <b>23.5%</b>  |
| <i>Inventories</i>                             | 496 103          | 494 508          | 1 595            | 0.3%          |
| <i>Trade and other receivables</i>             | 1 095 035        | 994 155          | 100 880          | 10.1%         |
| <i>Cash and cash equivalents</i>               | 619 300          | 289 594          | 329 706          | 113.9%        |
| <i>Other</i>                                   | 3 759            | 14 416           | (10 657)         | (73.9%)       |
| <b>Total equity and liabilities</b>            | <b>6 563 030</b> | <b>6 578 868</b> | <b>(15 838)</b>  | <b>(0.2%)</b> |
| Equity                                         | 1 523 513        | 1 973 986        | (450 473)        | (22.8%)       |
| Non-current liabilities                        | 2 565 592        | 1 855 652        | 709 940          | 38.3%         |
| Current liabilities                            | 2 473 925        | 2 749 230        | (275 305)        | (10.0%)       |

#### ASSETS

At 31 December 2018, the Group's Property, plant and equipment amounted to CZK 2 959 954 thousand and decreased by CZK 424 938 thousand from CZK 3 384 892 thousand as at 31 December 2017. This change was mainly caused by additions (including the net book value of assets in acquired subsidiaries) and finance lease additions totalling CZK 438 484 thousand, and on the other hand by the annual depreciation charge of CZK 509 744 thousand, sale of Bielsk Podlaski production plant (net book value of CZK 228 708 thousand – excluding impairment allowance of CZK 138 431 thousand) and last but not least the impairment in relation to Hoop Polska Sp. z o.o.'s assets of CZK 223 181 thousand. The investment projects realised by the Group in 2018 comprise primarily additions to a production machinery, mainly in Czechia and Slovenia, assets from acquisition of LEROS, s.r.o., Minerálka s.r.o. and sales support equipment in Czechoslovakia.

As at 31 December 2018, Intangible assets were of CZK 1 054 524 thousand and decreased by CZK 35 666 thousand or 3.3% in comparison with 31 December 2017 mainly because of additions (including the net book value of assets in acquired subsidiaries) of CZK 155 937 thousand, amortization charge of CZK 57 588 thousand and the impairment in relation to Hoop Polska Sp. z o.o.'s intangible assets of CZK 122 573 thousand. The most significant additions were connected with the acquisition of LEROS, s.r.o., Minerálka s.r.o., investment to SAP in Kofola ČeskoSlovensko a.s. and cash register system in UGO trade s.r.o.

Deferred tax asset decreased by CZK 28 757 thousand to CZK 52 774 thousand, as at 31 December 2018, the balance relates mainly to pre-acquisition tax losses in RADENSKA d.o.o. that are expected to be utilised in future. Decrease was caused by partial utilization of tax losses in this year and also by a release of the deferred tax asset in Hoop Polska Sp. z o.o.

As at 31 December 2018, Other non-current assets were of CZK 121 220 thousand and increased by CZK 48 200 thousand or 66.0% in comparison with 31 December 2017, mainly because of the reclassification of advances paid that are expected to be settled in more than 1 year since the balance sheet date to non-current assets. Next to these advances, the balance as at 31 December 2018 contains financial instruments (bonds) and other receivables with expected settlement after more than 1 year since the balance sheet date.

The Group's current assets as at 31 December 2018 amounted to CZK 2 214 197 thousand, of which 49.5% is represented by Trade and other receivables, 28.0% is represented by Cash and cash equivalents and 22.4% is formed by Inventories. The net increase of CZK 421 524 thousand or 23.5% is mainly attributable to increased cash.

#### LIABILITIES

As at 31 December 2018, the Group's current and non-current liabilities amounted to CZK 5 039 517 thousand, which constitutes an 9.4% (CZK 434 635 thousand) increase compared to CZK 4 604 882 thousand as at 31 December 2017. The bank loan balance with the carrying amount of CZK 2 640 987 thousand as at 31 December 2018 is a main component of Group's liabilities. In comparison to a balance as at 31 December 2017, there was an increase of CZK 996 416 thousand which is a result of regular repayments and additional drawings made during 12M18 in relation to bonds repayment, new acquisitions and capital expenditures of the Group. Deferred tax liabilities decreased by CZK 70 472 thousand mainly due to tax incentives in Kofola a.s. (CZ). Bonds with a total nominal value of CZK 330 000 thousand were repaid in October 2018.

## 4. BUSINESS OVERVIEW AND OTHER MATTERS



The Group's provisions decreased by CZK 7 760 thousand from CZK 126 303 thousand to CZK 118 543 thousand, which is the net result of increase of provision for bonuses (due to its release as of 31 December 2017) and decrease of provision for legal expenses in RADENSKA d.o.o. due to its utilization/release and the reclassification of part of the provision for water concession fees to liabilities (refer to section B 4.17).

The Group's consolidated net debt (calculated as total non-current and current liabilities relating to credits, loans, bonds, leases and other debt instruments less cash and cash equivalents) amounted to CZK 2 430 202 thousand as at 31 December 2018, which represents an increase of CZK 54 330 thousand or 2.3% compared to CZK 2 375 872 thousand as at 31 December 2017.

The Group's consolidated net debt/Adjusted EBITDA as at 31 December 2018 was of 2.40 compared to 2.50 as at 31 December 2017.

### 4.1.5 CASHFLOWS

#### NET CASH FLOW FROM OPERATING ACTIVITIES

In 12M18, the Group's net cash flow from operating activities amounted to CZK 821 155 thousand and increased by CZK 101 160 thousand or 14.1% from CZK 719 995 thousand in 12M17. Increased operating cash flow in 12M18 is mainly a result of higher profit/(loss) before tax (after adjusting for non-cash movements such as changes in impairments/provisions and gain/loss on sale of PPE and intangible assets). Changes in working capital lead into decrease of cash flow by CZK 27 931 thousand. This was caused mainly by increase in trade receivables, which lead into cash outflow, and on the other hand by the increase in payables which was influenced by higher liabilities for purchased property, plant and equipment, uninvoiced deliveries, trade payables and advances received as at 31 December 2018.

#### NET CASH FLOW FROM INVESTING ACTIVITIES

In 12M18, the Group's net cash outflow from investing activities amounted to CZK (389 430) thousand and decreased by CZK 79 533 thousand from CZK (468 963) thousand in 12M17. The decrease is a net effect of higher cash outflow from purchase of subsidiaries and lower capital expenditures.

#### NET CASH FLOW FROM FINANCING ACTIVITIES

In 12M18, the Group's net cash outflow from financing activities amounted to CZK (101 692) thousand and decreased by CZK 1 251 154 thousand from CZK (1 352 846) thousand in 12M17. The lower outflow is a result of purchases of own shares which appeared in 12M17, repayment of bonds in October 2018 and net bank loans drawings in 12M18 in comparison to net bank loans repayment in 12M17.

### 4.1.6 EXPECTED DEVELOPMENT IN SUBSEQUENT 6 MONTHS

Kofola Group will continue to deliver its products across Central and Eastern Europe, improve the efficiency of direct distribution in the Czech Republic and extend sales support in the Adriatic region.

In the Adriatic region, we will furthermore work on higher rotation of our products on shelves as well as better management of seasonal pattern. Our key goal remains to significantly increase market share of our water brands in Croatia. In Slovenia, we will celebrate the 150-year anniversary of the Radenska brand.

Hoop Polska Sp. z o.o. since the second half of March 2019 no longer carries on its business activities as a part of the Group.

We will enhance synergies between LEROS, s.r.o. and Premium Rosa Sp. z o.o. We will create new marketing story of LEROS to further support sales (Story of Herbs). We will focus on branded sales in Poland and do our best to find new customers.

In UGO trade s.r.o., we will continue to stabilize the revenue growth. We're focused on qualitative growth and portfolio optimization: preparing great seasonal proposals, high quality coffee drinks to support breakfast and affordable finger food to acquire more young people and groups. In case of packaged products, we will move the production into a new modern plant, which will dramatically improve productivity and production capacity.

In Slovakia, we will integrate our latest acquisition of Klášťorná mineral water to our business with an aim to start the production in 2019.

We will further continue in our significant contributions to the environmental protection. We plan to further support the development of our own brands and also the distribution of our partners' brands with focus on CEE region. We plan to consolidate Premium Rosa and LEROS and be active in search for new acquisitions.

## 4. BUSINESS OVERVIEW AND OTHER MATTERS

### 4.1.7 ALTERNATIVE PERFORMANCE INDICATORS

Even though ESMA (European Securities and Markets Authority) does not require a reconciliation of Alternative Performance Indicators (APM) to financial statements if the APM can be defined from the financial statements, we add such a reconciliation for better understanding of our calculation of EBITDA and Net Debt.

| Definition and reconciliation of APM to the financial statements (FS) |                  | FS                              | Line in FS                                        |
|-----------------------------------------------------------------------|------------------|---------------------------------|---------------------------------------------------|
| Revenue                                                               | A                | Statement of Profit or Loss     | Revenue                                           |
| Cost of sales                                                         | (B)              | Statement of Profit or Loss     | Cost of sales                                     |
| <b>Gross profit</b>                                                   | <b>A+B=C</b>     | Statement of Profit or Loss     | <b>Gross profit</b>                               |
| Selling, marketing and distribution costs                             | (D)              | Statement of Profit or Loss     | Selling, marketing and distribution costs         |
| Administrative costs                                                  | (E)              | Statement of Profit or Loss     | Administrative costs                              |
| Other operating income/(costs), net                                   | F                | Statement of Profit or Loss     | Other operating income + Other operating expenses |
| <b>Operating profit/(loss)</b>                                        | <b>C+D+E+F=G</b> | Statement of Profit or Loss     | <b>Operating profit/(loss)</b>                    |
| Depreciation and amortisation                                         | H                | Statement of Cash Flows         | Depreciation and amortization                     |
| <b>EBITDA</b>                                                         | <b>G+H=I</b>     | -                               | -                                                 |
| Bank credits and loans                                                | J                | Statement of Financial Position | Bank credits and loans*                           |
| Bonds issued                                                          | K                | Statement of Financial Position | Bonds issued                                      |
| Finance lease liabilities                                             | L                | Statement of Financial Position | Finance lease liabilities*                        |
| Cash and cash equivalents                                             | M                | Statement of Financial Position | Cash and cash equivalents                         |
| <b>Net debt</b>                                                       | <b>J+K+L-M=N</b> | -                               | -                                                 |
| Net debt/ EBITDA                                                      | N/I              | -                               | -                                                 |

\* In both current and non-current liabilities.

#### PURPOSE OF APM:

##### A. EBITDA

The Company uses EBITDA because it is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the Company's depreciation and amortization policy, capital structure and tax treatment. EBITDA indicator is also treated as a good approximation for operating cash flow. Additionally, it is one of the fundamental indicators used by companies worldwide to set their key financial and strategic objectives.

The Company uses EBITDA indicator also in budgeting process, benchmarking with its peers and as a basis for remuneration for key management staff. Such indicator is also used by stock exchange and bank analysts.

##### B. NET DEBT

The Company uses Net debt indicator because it shows the real level of a Company's financial debt, i.e. the nominal amount of debt net of cash, cash equivalents, and highly liquid financial assets held by the Company. The indicator allows assessing the overall indebtedness of the Company.

##### C. NET DEBT/EBITDA

The Company uses Net debt/EBITDA indicator because it indicates a Company's capability to pay back its debt as well as its ability to take on additional debt to grow its business. Additionally, the Company uses this indicator to assess the adequacy of its capital structure and stability of its expected cash flows. Such indicator is also used by stock exchange and bank analysts.

### 4.1.8 DIVIDEND POLICY

On General Meeting held on 21 June 2017, the Company announced the change in the dividend policy with the aim of distributing of a dividend to the shareholders of Kofola of at least 60% of its consolidated net profit achieved in each financial year from 2017 until 2020, subject to sufficient distributable profits.

## 4. BUSINESS OVERVIEW AND OTHER MATTERS

### 4.2. AUDITORS REMUNERATION

The Group is for the year ended 31 December 2018 audited by KPMG (for the year ended 31 December 2017 by PricewaterhouseCoopers). No other than audit services have been provided by KPMG. The following amounts were charged by professional advisors and auditors in 2018:

| Auditors remuneration          | Charged to the Company<br>CZK'000 | Charged to other<br>Group entities<br>CZK'000 | Total<br>CZK'000 |
|--------------------------------|-----------------------------------|-----------------------------------------------|------------------|
| Audit (KPMG)                   | 300                               | 1 779                                         | 2 079            |
| Audit (Other companies)        | 446                               | 1 949                                         | 2 395            |
| Tax services (Other companies) | 2 219                             | 783                                           | 3 002            |
| <b>Total</b>                   | <b>2 965</b>                      | <b>4 511</b>                                  | <b>7 476</b>     |

Tax services include mainly advisory relating to preparation of corporate income tax returns, personal income tax for expats and various consultations in complex tax areas.

### 4.3. INTELLECTUAL PROPERTY AND LICENCES

#### INTELLECTUAL PROPERTY AND LICENSES

The Group relies on the strength of its brands which are registered trademarks protected by local legislation in its countries of operation. The Group has also registered a number of industrial designs (drink bottles and other beverage packaging).

Kofola ČeskoSlovensko a.s. owns the most licenses, trademarks for branded beverages and similar copyrights, for the use of which the other Group Companies pay royalties. An exception is the Vinea trademark which is owned by Kofola a.s. (SK). Hoop Polska Sp. z o.o. owns trademarks for its products, manufactures them by itself and sells on the Polish market. Hoop Polska Sp. z o.o. does not provide these trademarks to other Group companies. Slovenian brands Radenska and Ora are owned by RADENSKA d.o.o. and are mainly sold in the Adriatic region.

Some of the key trademarks and industrial designs are also protected at international level as (i) Community Trade Marks (CTMs) (e.g. the Kofola, Rajec, Vinea trademarks, Hoop Cola, Paola and Arctic) or Registered Community Designs (RCDs), which are registered through OHIM and protected in the EU as a whole, or (ii) international trademarks (IRTs) (e.g. the Jupik, Vinea trademarks, Hoop Cola, Paola and Arctic), which are registered through WIPO and protected in a number of other specific export countries (e.g. Norway, Ukraine, Russia, Switzerland).

The Group uses a number of registered Internet domains, including "kofola.cz", "kofola.pl", "jupik.com", "rajec.com", "ugo.cz", "radenska.si", "paola.pl", "hoopcola.pl" and "hoop.pl".

The Group entered into the following main licensor and distribution agreements:

- distribution agreements under which the Group has the exclusive right to distribute Rauch's products in the territory of the Czech Republic and Slovakia,
- distribution agreement under which the Group has the exclusive right to distribute Evian and Badoit products (water) in the territory of the Czech Republic and Slovakia,
- distribution agreement under which the Group has the exclusive right to distribute Vincentka (natural mineral water) in the territory of the Czech Republic,
- licensor agreement under which the Group has the exclusive right to purchase beverage concentrates to manufacture, bottle and sell carbonated beverage RC Cola,
- licensor agreement under which the Group has the exclusive right to purchase beverage concentrates to manufacture, bottle and sell carbonated beverage Orangina,
- licensor and distribution agreement under which the Group has the exclusive right to produce and distribute the PepsiCo portfolio products in the Slovenian market and since January 2016 also in the Croatian market.
- Hoop Polska has concluded an agreement with Nestea ice tea owner, Nestle S.A. From 2018, Hoop Polska distributes these beverages for the Polish market.

The Group also entered into production agreement with a strategic partner in Poland based on which the Group produces and sells to this strategic partner various private label products.

In the Company's opinion, there are no other patents or licences, industrial, commercial or financial contracts or new manufacturing processes which would be material to the Company's or the Group's business or profitability and which are not included in the annual report.



## 4. BUSINESS OVERVIEW AND OTHER MATTERS



### 4.4. RESEARCH AND DEVELOPMENT AND OTHER INFORMATION

In 2018, the Group carried out research and development activities and incurred costs of CZK 7 889 thousand (2017: CZK 5 367 thousand).

The Company does not operate an organisational unit abroad.

### 4.5. TECHNOLOGY AND PRODUCTION

The Group manufactures its products in seven main production plants located in the Czech Republic (three plants - Mnichovo Hradiště, Krnov, Strážnice), Slovakia (one plant - Rajecká Lesná), Poland (one plant - Zlotoklos), Slovenia (one plant - Radenci) and Croatia (one plant - Lipik).

The Group uses state-of-the-art, modern production equipment. Total CAPEX excluding acquisitions in the last 3 years amounted to CZK 1 401 million. The Group has also invested substantial amounts in equipment used in the HoReCa distribution channel, supporting further growth in this channel (kegs, fridges etc.). As a consequence, the Group's manufacturing facilities do not need major investments in the next few years. In addition, the Group has spare production capacities that allow, if necessary, quickly increase its production. Production lines are constructed by renowned producers such as Sidel, KHS and Kronnes. The Group has implemented modern management methodologies: WCM (World Class Management), SPC (Statistics Process Control) and TPM (Total Productive Maintenance).

In addition, the Group's production plants are used as main logistic centres for distribution. Distribution is realised partly by external logistic providers, but also by our own logistic company SANTA-TRANS s.r.o., which operates more than 100 trucks and vans.

The Group's material assets are primarily production, distribution and storage facilities. Accordingly, the Group's material assets consist primarily of buildings, warehouses and other constructions, as well as real estate properties (plots of land) on which these constructions are located and machinery and equipment in these constructions (e.g. production lines).

### 4.6. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

The Group finances its operations by cash flows from its operating activity, long- and short-term loans and finance leases.

| Additions of property, plant, equipment and intangible assets | 2018<br>CZK'000 | 2017<br>CZK'000 |
|---------------------------------------------------------------|-----------------|-----------------|
| Land                                                          | 170             | 1 099           |
| Buildings and constructions                                   | 28 129          | 24 962          |
| Plant and equipment                                           | 216 961         | 261 314         |
| Vehicles                                                      | 38 523          | 20 252          |
| Leasehold improvement                                         | 2 389           | 25 098          |
| Returnable packages                                           | 39 931          | 18 658          |
| Other non-current assets                                      | 397             | 106             |
| Non-current assets under construction                         | 55 626          | 69 765          |
| Patents, licences                                             | 102             | 103             |
| Software                                                      | 15 679          | 7 645           |
| Trademarks and other rights                                   | 96              | 34 162          |
| Intangible assets under development                           | 6 368           | 5 626           |
| <b>Total</b>                                                  | <b>404 371</b>  | <b>468 790</b>  |

| Allocation of property, plant, equipment and intangible assets additions | 2018<br>CZK'000 | 2017<br>CZK'000 |
|--------------------------------------------------------------------------|-----------------|-----------------|
| Czech Republic                                                           | 219 219         | 246 818         |
| Slovakia                                                                 | 85 364          | 31 017          |
| Poland                                                                   | 28 770          | 53 921          |
| Slovenia                                                                 | 47 940          | 103 846         |
| Other                                                                    | 23 078          | 33 188          |
| <b>Total</b>                                                             | <b>404 371</b>  | <b>468 790</b>  |

Future investments are expected to be on the similar level as in prior periods and will comprise mainly investments into the production and sales support equipment.

## 4. BUSINESS OVERVIEW AND OTHER MATTERS



### 4.7. SUBSEQUENT EVENTS

On 18 March 2019, a share purchase agreement ("SPA") concluded between the Company and ZMB Capital Sp. z o.o. came into the force as all the legal steps and requirements set within the SPA were met as of this date. As a result, the entity Hoop Polska Sp. z o.o. was sold and no longer represents a part of the Group. Revenue, costs, assets and liabilities of Hoop Polska Sp. z o.o. were presented under the segment Poland in section B 4.1. All guarantees and pledges issued by Hoop Polska Sp. z o.o. in relation to the loan financing provided by Československá obchodní banka, a.s. and Česká spořitelna, a.s. to the Company were terminated. SPA was approved by a General Meeting on 11 March 2019.

The plant in Grodzisk Wielkopolski wasn't a part of the above-mentioned SPA. Before the SPA, it was sold to our subsidiary Premium Rosa Sp. z o.o. and will be further offered for sale.

No other events have occurred after the end of the reporting period that would require disclosures in the Board of directors' report.

### 5.1. PRINCIPAL RISKS FACED BY THE GROUP

Activities of the Group companies, their financial position and financial performance are subject to and may in the future be subject to negative changes as a result of the occurrence of any of the risk factors described below. Occurrence of even some of these risk factors may have a materially adverse effect on the business, financial position and financial performance of the Company or the Group as a whole, and in consequence the trading price and liquidity of the shares may decline. The factors presented below represent the key risks. Most of those risk factors are of contingent nature and may or may not occur and the Company is not able to express its view on their probability of occurrence. The order in which they are presented is not an indication as to their significance, or probability of occurrence or of the potential impact on the Group. Other risks, factors and uncertainties than those described below, including also those which the Group is not currently aware of or which are considered to be minor, may also have an important negative impact on the Group's operations, financial position and financial performance in future.

Key risks are monitored. The Board is ultimately responsible for the effective risk management and internal control system. For these risks, preventive actions are taken to reduce their vulnerability and reduce their potential impact on the Group.

#### CHANGES IN END CONSUMER PREFERENCES MAY HAVE A NEGATIVE IMPACT ON THE GROUP'S SALES

End consumer preferences, tastes and behaviours are evolving over time. If the Group does not successfully anticipate these changing end consumer preferences or fails to address them by swiftly developing new products or product extensions through innovation, the Group's sales could be negatively affected.

##### **Key mitigations:**

The Group offers a broad range of products with different flavours which offers a choice to the end consumer. The Group closely monitors consumer trends in order to anticipate changes in preferences and offers diversified portfolio of its products. The Group regularly develops its products to be able to meet consumer needs.

#### THE GROUP OPERATES ON MATURE MARKETS IN A HIGHLY COMPETITIVE INDUSTRY

The Group operates in the non-alcoholic beverages industry, mainly in the Czech Republic, Slovakia, Poland, Slovenia and Croatia, which, apart from certain exceptions, are markets where the non-alcoholic beverages industry has been stagnant and where both multinational and local producers compete against each other by offering a wide range of products. This creates a risk of decreasing selling prices and/or a possibility of losing market share in the individual product categories or in the overall soft drinks market and may lead to a decrease in the Group's sales and could have an adverse effect on the Group's financial condition and the result of operations.

##### **Key mitigations:**

The Group protects itself against this type of risk primarily by building a strong brand loyalty of its end consumers and by introducing new products in the market. Additionally, the Group mitigates this risk by increasing the percentage share of sales in the On premise (HoReCa) sector (that is less prone to promotions), as well as by promoting impulse products (with higher margins) or introduces new products, for which no aggressive pricing promotions have to be used (thanks to absence of competitor's products).

#### CHANGES IN THE SHOPPING HABITS OF END CUSTOMERS MAY HAVE A NEGATIVE IMPACT ON THE GROUP'S SALES

In recent years, there have been changes in the shopping habits of end consumers making retail discounters a more attractive place to shop. This has redirected trading volumes to the fast-developing discount chains, which diminishes the significance of independent convenience stores. In addition, large retail chains tend to put pressure on prices and resist price increases. There is a risk of an inability to transfer increases in raw materials' costs to end consumers.

##### **Key mitigations:**

The companies from the Kofola Group try to minimise this risk by negotiations with major customers about price increases, adjusting its cost structure, implementing innovations leading to higher margins and by proper packing and sale channel tactics.

### UNFAVOURABLE CHANGES IN THE PRICES OF RAW MATERIALS MAY HAVE AN ADVERSE EFFECT ON THE GROUP'S FINANCIAL RESULT

Changes in the prices of raw materials may have an effect on the costs of raw materials purchased by the Group and, as a consequence, on the margins earned on the sale of beverages. In addition, the costs of production and the delivery of the Group's products depend to a certain extent on the prices of commodities such as fuel and electricity. This may have a material adverse effect on the Group's business, financial condition and the results of operations.

#### **Key mitigations:**

When it is effective, the Group's central purchasing department aims to sign mid-term contracts with the key suppliers, which helps to guarantee purchase prices. However, in the case of some commodities, agreeing a purchase price is only possible for relatively short terms. Therefore, the Group maintains multiple sources of supply with robust suppliers' strategy, selection, monitoring and management processes. The Group closely monitors and analyses the trends and prices of the key raw materials to understand the cost drivers.

### THE GROUP MAY BE EXPOSED TO PRODUCT LIABILITY CLAIMS OR PRODUCT RECALLS

Intentional or unintentional product contamination or defectiveness may result in a loss of reputation of a brand or manufacturer which, in consequence, may adversely impact the sales of such a brand or, in extreme case, all products manufactured by that manufacturer in the particular market leading to a necessity to recall the products from the market. Moreover, product contamination or defectiveness may lead to personal injuries of end consumers and, as a consequence, liability claims against the Group. In addition, product liability claims could result in negative publicity that could materially affect the Group's sales.

#### **Key mitigations:**

The Group protects itself against this risk by performing detailed controls of raw materials, suppliers' assurance and by regular controls of the production processes by Group's laboratories. Product recall procedures are tested regularly.

### THE GROUP'S OPERATIONS ARE SUBJECT TO VARIOUS COUNTRY REGULATIONS AND UNFAVOURABLE CHANGES MAY HAVE A NEGATIVE IMPACT ON THE GROUP'S BUSINESS

Unfavourable changes to the applicable laws and regulations may affect various aspects of the Group's operations and results and/or cause an increase in the personnel costs of the Group. Future changes may cause the Group to incur compliance costs or otherwise negatively affect its operations.

#### **Key mitigations:**

The Group monitors the changes in legal regulations and adapts to them in advance. Group works closely with external advisors and trade associations regarding current and future legislation changes with impact upon the business.

### FAILURE OF IT SYSTEMS COULD MATERIALLY AFFECT THE GROUP'S BUSINESS

The Group relies on IT systems for a variety of functions. Despite the implementation of security and back-up measures, the IT systems used by the Group may be vulnerable to physical or electronic intrusions, computer viruses, hacker attacks and/or other disruptions.

#### **Key mitigations:**

The Group protects against this type of risk by establishing back data centre, daily backups, disks in mirroring and continued articulation and implementation of information security policies. Disaster recovery plans are tested on regular basis. Central IT governance and decision-making process exists for system changes. IT security standards are closely monitored to protect systems and information.

### CONTINUED GROWTH OF THE GROUP DEPENDS, IN PART, ON ITS ABILITY TO IDENTIFY, ACQUIRE AND INTEGRATE BUSINESSES, BRANDS AND/OR PRODUCTS

If the Group is unable to identify and acquire businesses, brands or products to support its growth in accordance with its strategy, or if the Group is unable to successfully integrate acquisitions, or if a failure by the acquired company to comply with the law or to administer good business practice and policies prior to an acquisition has a material adverse effect on the value of such an acquired company, the Group may not be able to obtain the advantages that the acquisitions were intended to create.

## 5. RISK MANAGEMENT



### Key mitigations:

The Group limits this risk by continued monitoring of progress against the integration plan, including frequent and regular tracking of key performance indicators and senior leadership involved in monitoring progress and in making key decisions. Additionally, proven integration processes, procedures and practices are applied to ensure delivery of expected returns.

### THE GROUP MAY BE UNABLE TO ATTRACT, RETAIN AND MOTIVATE QUALIFIED PERSONNEL

The Group's future success will also depend on its continued ability to attract, retain and motivate highly qualified sales, production, technical, customer support, financial, accounting, marketing, promotional and managerial personnel. The Group may be unable to retain or attract the necessary personnel.

### Key mitigations:

The Group limits this risk by sustaining a strong culture of accountability, empowerment and personal development as well as by building the Group's leadership talent pipeline through strategic people resourcing. The Group structures its compensation packages in a manner consistent with the market standard.

### THE GROUP IS EXPOSED TO THE RISK OF CURRENCY EXCHANGE FLUCTUATIONS AND INTEREST RATE RISK

More than half of the raw materials (mostly sugar) used by the Group for production are purchased in EUR or in local currencies but with the pricing derived from EUR. As significant share of the countries where the Group operates are not in the Euro zone, most of the Group's income is denominated in local currencies other than EUR. Therefore, the results of the Group are subject to fluctuations in the foreign exchange rates of EUR against the local currencies. The Group might not be able to mitigate all the currency risks, in particular over longer periods. Additionally, the Group uses external financing facilities to finance its long-term assets and working capital needs. Most of those facilities are at variable interest rates. As a consequence, the Group is exposed to the risk of negative interest rate fluctuations.

### Key mitigations:

To limit the exposure to adverse movements in interest rates the Group concluded interest rate swaps for selected bank debts with longest maturity.

### ONGOING LEGAL PROCEEDINGS REGARDING THE DENATIONALISATION OF RADENSKA

There are pending denationalisation proceedings with respect to denationalisation claims of the legal successors of the former owners of RADENSKA. The legal outcome of these proceedings remains highly unclear and uncertain. If the denationalisation beneficiaries were to eventually succeed with their claims on an in-kind return, RADENSKA's enterprise would need to be returned to the beneficiaries together with significant compensation payments.

### Key mitigations:

The denationalization claim was finally rejected by the Administrative court and a process audit was rejected also by the Supreme Court. RADENSKA expects the applicants will contest such decision before the Constitutional Court, however, for now RADENSKA has no information whether a constitutional court was lodged and accepted.

### THE GROUP IS EXPOSED TO SUGAR TAX

In Slovakia, a national discussion about sugar tax started. There is a risk that the tax will be paid by producers and that the Group is not able to pass these costs to end customers.

### Key mitigations:

At the moment, we do not know when the sugar tax is implied and who will bear the tax.

### THE GROUP IS NOT ABLE TO PASS COSTS OF PET BOTTLES DEPOSIT SYSTEM TO END CUSTOMERS

In Slovakia, Pet and aluminium bottles deposit system is planned from 2022. There is a risk that part of the cost will be carried by producers and the Group is not able to pass these costs to end customers.

### Key mitigations:

The Group monitors the progress and actively participates in the process of legislation.

## 5. RISK MANAGEMENT



### THE GROUP CARRIES HIGHER COSTS DUE TO LACK OF WATER

There is risk of draughts leading to higher costs from water consumption.

#### **Key mitigations:**

The Group mitigates the risk by building own water wells.

## 5.2. APPROACH TO MARKET TRENDS AND DEVELOPMENT

The following part summarizes the main market trends identified by the Group and the steps the Group takes as a response to these trends.

### HEALTHY FOOD AND BEVERAGES

- gradual conversion of products to preservative-free, healthy innovations,
- promotion of healthy life style ([www.vsehosmirou.cz](http://www.vsehosmirou.cz); [www.vsetkosmierou.sk](http://www.vsetkosmierou.sk)),
- more healthy beverages (water, children's beverages) with lower sugar content compared to other competitors and beverages with herbs and tree extracts (UGO juices, Rajec flavoured, fresh drinks),
- first drinks with stevia (natural sweetener - without calories) - Kofola bez cukru (Sugar free), Jupík with stevia,
- hot filling and aseptic line allowing the new products without preservatives (syrups, aloe vera drinks, ice tea, beverages for children),
- use of high-pressure technology (pascalisation) - all nutritional values of fruit and vegetables in our 100% juices are retained.

### INCREASING AMOUNT OF OUTDOOR ACTIVITIES

- focus on impulse products (portfolio enhancement),
- development of the impulse channels,
- development of cooperation with hotels, restaurants and cafés (HoReCa),
- entrance to the impulse market (kiosks, vending machines, gyms, schools, work places etc.),
- increasing share of small formats in the product portfolio (most of the new formats are up to 0.5 litre),
- increasing number of supplied restaurants (direct distribution in Slovakia since 2009, in the Czech Republic since 2014),
- dedicated sales team for HoReCa clients in the Czech Republic.

### CONSOLIDATION OF RETAIL AND DRIFT OF VOLUME TO RETAIL TRADE CHANNEL

- strengthening brands to be more important for retailers,
- focus on terms and conditions with retailers,
- proper pack/channel tactics,
- operational excellence.

### GLOBALISATION AND GROWING INDIVIDUALISM

- rollout of successful brands to other markets where the Group companies operate,
- purchasing and/or creation of brands with functional/emotional features,
- using production/distribution licenses, introduction of global brands (Rauch, Orangina, RC Cola, Evian, Badoit, Nestea),
- engaging the customers in the promotion of positive emotions related to the Group's brands.

### NON-FINANCIAL INFORMATION

The Company and also all the Group companies are very well aware of the increasing importance of the non-financial information as a part of the reporting process. We can proudly say that the related topics were embedded in our culture since our beginning and are not only a question of compliance but rather separate comprehensive areas covered by individual departments. The following table summarizes areas of non-financial information covered within this report and references to the sections of the annual report where the respective information about questions raised and precautions taken can be found.

| Area                             | Description                          | Section                          |
|----------------------------------|--------------------------------------|----------------------------------|
| Environmental topics             | CO2 emissions                        | EKOfolo (A 32)                   |
|                                  | Plastic waste                        | EKOfolo (A 32)                   |
|                                  | Packages back collection             | EKOfolo (A 32)                   |
|                                  | Species diversity investments        | EKOfolo (A 32)                   |
| Social and employment questions  | "Kofola 2030" workshop               | Key values (A 31)                |
|                                  | Social responsibilities questions    | Key values (A 31)                |
|                                  | Discrimination                       | Building on our employees (A 34) |
| Human rights                     | Suppliers selection and human rights | Acting locally (A 34)            |
|                                  | One world festival                   | Acting locally (A 35)            |
|                                  | Diversity compliance                 | Looking for new ways (A 35)      |
| Anti-corruption and anti-bribery | Anti-corruption                      | Acting locally (A 35)            |
|                                  | Bribes not accepted                  | Acting locally (A 35)            |

Results of our activities are sometimes more sometimes less palpable. We however monitor the expenses connected with the above-mentioned topics and set budgets for the respective activities that allow us not only to be compliant but also to move things forward.

#### BUSINESS MODEL

Kofola is a leading producer of branded non-alcoholic beverages in Central and Eastern Europe. Key own brands include carbonated beverages Kofola, Vinea and Hoop Cola, waters Radenska, Studenac and Rajec, syrups Jupí and Paola, beverages for children Jupik, energy drinks Semtex and UGO fresh juices and salad bars. As such, the portfolio is broad and satisfies the demand of various groups of consumers. In the production process are used modern technologies such as "hot filling", aseptic lines or pascalization which ensure that the Company remains up to date with the modern production trends. Company operates on foreign markets (Slovakia, Slovenia, Croatia, Poland) through its subsidiaries and also cooperates with other suppliers such as Pepsi and Rauch. Key goal of the Company and Group remains to increase market share and EBITDA to bring the value for shareholders. Description of risks and mitigating actions taken by the Company/Group are described within section A 5.

### CORPORATE SOCIAL RESPONSIBILITY

#### INTRODUCTION

From the start of its operations, the Kofola Group strives to be a socially responsible company as it is an integral part of our DNA. We believe that being responsible is an answer to the needs of all of the Group's stakeholders, and in particular when it comes to generating returns for shareholders while maintaining our values.

Our CSR and sustainable activities are not a matter of last few years. They are dated back to times long before these became a fashionable thing. We are proud to support local communities, through which we could become successful.

The world we see today has been changing tremendously. With the millennial generation, ethical and environmental issues became very important and raised the importance of producers themselves and brand values. According to the trends, the company brand will have the same importance as the brands in our portfolio, from the point of transparency, honesty, attitude to environment and key values. There will be a significant growth in preference of healthy, good quality products and products with transparent background. As a responsible company we deeply follow these trends and seek the opportunities to be at least one step ahead to be well prepared for these new conditions.

#### KEY VALUES

Our goal is to be the most preferred drinks manufacturer. Our key values, that we always bear in mind, are:

- We produce what we drink ourselves.
- Nature is the best teacher for us.
- We are opened and friendly.
- We do not waste resources and protect the environment.
- We feel responsible for the people around us.
- We are a bearer of good mood.
- We constantly learn new things and inspire others.
- We seek talent in everyone and try to develop it.
- When the company is successful, employees and our surroundings have to be doing well as well.
- Love is what changes the world for the better.

Social responsibility is one of our key values together with the idea of sustainable development in all possible areas. In 2018, we organized "Kofola 2030" workshop, where we cooperated with many top professionals to gain the best expertise possible on our world's future development. We know we cannot predict the future but it is about getting as close as possible and be ready for challenges, which we believe we are.

Our sustainable development policy consists of five most relevant topics for our business:

- Respected manufacturer
- EKOfola
- Healthy lifestyle
- Building on our employees
- Acting locally

#### RESPECTED MANUFACTURER

In 2018, we undertook a Czechoslovakian customer corporate survey, where Kofola was stated as the most known producer of non-alcoholic beverages with 99% knowledge (compared to 91% in 2010). Our key perceived values according to this survey are transparency, traditional recipes, innovations and positive energy. We were declared as a company that inspires others. These are the bases that we want to build on in our future corporate communication.

As one of the key beverage producers we follow the recipients of our products not only in the context of trends, reflecting their needs and preferences, but also the structure of outlets in which we can meet them. We know how important it is to maintain the balance between sales in the traditional and modern channels. To achieve this, we build a wide distribution, we design dedicated support and competitive price offers. Transparency and fairness of our business is one of our key values.

We are very proud, that the Kofola Group has very positive image in the markets it operates.

Kofola ČeskoSlovensko is among the most admired companies in the Czech Republic according to the Czech Top 100 Awards, but also in terms of media image. Out of all soft drinks' producers, we are by far the winner in the number of placements.



## 7. CORPORATE SOCIAL RESPONSIBILITY



In 2018, there were less than 1% of negative media placements, out of which the most were generally about the amount of plastics we produce and sugar in drinks, taking some of our brands as an example.

In Poland, the percentage of negative publications was around 10% and mostly connected to our business results on the Polish market and announced possible exit scenario.

Radenska is among the most well-known and reputable brands and companies in Slovenia. Among monitored competitors, it is ranked as a leader in the number of media placements. In 2018, the anchor of its positive media image were CSR projects and sponsorships. Also, in the Adriatic area there is a very low percentage of negative tonality (around 2% connected with Radenska and 1.3% with the Kofola Group) mainly connected with a nostalgia for the “good old days” and emotional attachment of Slovenians on the Radenska brand as a national treasure.

### EKOFOLA

With regard to environmental protection, we focus on investments in modern technologies and production lines that increase efficiency and thus minimise the use of energy and water. We invest in our water intakes to ensure that it is of the highest quality and protected against any contamination. Our goal is to maintain what is the best, what comes straight from nature, and provide all of our consumers with a unique natural experience.

In our plants we use innovative technologies and innovative solutions, implementing a modern recycling program that combines ecological and economic efficiency. We recycle waste generated in our plant, according to the division into fractions eligible for recyclability.

Kofola takes care of its surroundings and the environment is very important to us. We are aware of the impact that our business can have in the case of irresponsible waste management and we are ready to take part in the discussion and search for options for better back collection of beverage packaging.

We are one of the biggest donors to the EPR (Extended Producer Responsibility) systems. We participate on programs that ensure consumers to have good conditions for separating waste and teach how to sort waste properly. We know we belong to the biggest producers of PET bottles, which represent a serious amount of waste. However, we believe that waste could be a source in terms of circular economy, especially if it is PET material.

The fact that the EU takes the issue of waste responsibly and sets goals for collecting beverage packaging we perceive as a positive step. Changes that we are able to do ourselves in terms of ecomodulation we are processing. Not only we focus on the waste, but we already start in the packaging process. It is our goal to decrease weight of the majority of PET bottles, thanks to which we can lower usage of granules and thus decrease negative environmental impact. In 2019, we will switch to a new PET sleeve so that the vast majority of our product packaging is 100% recyclable. However, in order to achieve the required collection targets, broad co-operation and co-ordination between manufacturers, government administrations and other stakeholders will be needed. We will support collecting systems that make sense and are sustainable at a global level. We are an active member in these waste management discussions in all countries we are present. The overall aim of every stakeholder should be that the chosen system for the sorting and recycling of plastic waste is as efficient as possible, and of course not only for the producers but also in terms of the overall impact on society and the environment.

In 2017, the ratio of CO<sub>2</sub> emissions was 14.2% Scope 1 (emissions from sources that are owned or controlled by the organization), 26.8% Scope 2 (emissions from the consumption of purchased electricity, steam, or other sources of energy (e.g. chilled water) generated upstream from the organization) and 59.0% Scope 3 (emissions that are a consequence of the operations of an organization, but are not directly owned or controlled by the organization). Total CO<sub>2</sub>e of the Kofola Group is 4.1 Kg CO<sub>2</sub>e per sales of CZK 1 thousand.

We also limit contamination caused by fumes generated by our vehicles. We currently have one of the most advanced vehicle fleets, which meets Europe’s strictest norms. Our transportation company SANTA-TRANS s.r.o. has the largest fleet of CNG run lorries in central Europe and we even invested in own CNG station in Krnov, Czech Republic which we also opened to public.

Our employees feel responsibility for environmental issues. According to a survey that we undertook in CzechoSlovakia at the beginning of 2018 in our operations, 97% of our employees take current environmental problems seriously and 90% feel that every individual can influence the change for the better. Our employees want Kofola to be an environmentally friendly company and that is an obligation for the Group Board for our next steps. For 2019, we focus on our office buildings with the goal to transform them accordingly with the principles of “ZERO WASTE” lifestyle.

In our UGO Salateries and Freshbars, we prefer multi-use glasses, porcelain plates and metal cutlery. By this we expect to save the minimum of 15 tones of plastic waste by 2020. Alongside we are motivating our customers to bring their own cups or lunchboxes to reduce usage of single use plastics. We made a promise to our customers to invest 1 CZK per every cup we don’t have to use to restoration of species diversity in the Czech forests.

## 7. CORPORATE SOCIAL RESPONSIBILITY



As our business is very dependent on water resources, we take this issue very seriously. In our production plants we monitor the use of water per one litre of produced drink and we are proud to say, that this number is constantly decreasing. Our goal is to protect the water resources on maximum and prevent the dessication of nature. In the following years we would like to contribute to keeping water in the nature by finding a relevant project, that we could actively support.

With the LEROS herbal tea product range we are working on using non-metal ways of closing the teabags and we are committed to switch to fully compostable teabags as soon as possible.

### HEALTHY LIFESTYLE

In the markets, where we operate, we invest significant part of our turnover in new product development and new technologies. We show responsible behaviour in schools by no advertising, always have clear information about energy value on our products and offer full-portfolio including healthy choice. We strongly focus on improving the healthy properties of our products. Whenever we prepare an innovation, we always try to bring a better or healthier product to the consumer.

Our aim is to have all products without preservatives by 2020, except for products, where it is due to technological reasons impossible. In the Czech Republic, we operate a PET line with "Hot Filling" technology. For our flavoured waters we use aseptic lines. We use high pressure technology (pascalisation) thanks to which all nutritional values of fruit and vegetables in our 100% UGO juices are retained. We are the biggest operator of fresh bars in central Europe and since 2017, thanks to Titbit acquisition, we massively extended the offer of fresh salads and snacks also for the retail segment.

In our QSR restaurants and freshbars, we have product portfolio designed by cooks as well as nutritional specialists to deliver tasty healthy products to our customers. Healthy lifestyle is in DNA of UGO brand and in marketing communication we are promoting not just our products but healthy lifestyle itself as well.

With the LEROS brand in 2019, we start a new campaign called "The story of herbs", where we would like to educate our consumers about the power of natural treatments and helpfulness of herbs in terms of prevention.

According to a recent survey, the sweetener used in drinks is important for more than a fifth of respondents. For the sake of interest, the traditional recipes and the naturalness of the beverage were named in the first place of importance in the purchase decisionmaking.

We do our best to make our beverages in the healthiest form and to follow the latest trends in used raw materials. Our key products, however, are traditional beverages, which have kept the same recipe for decades and for obvious reasons we cannot change that. As we are constantly looking for new ways, we are preparing limited editions of our traditional products that allow us to use less sugar to alter the original recipe.

In other products where it makes sense, and it is not a defect in the taste profile of the beverage, we adjust the amount of sugar. For example, reducing sugars in children's drinks. We first came up with water-based children drinks that have 50% less sugar than traditional fruit drinks for children. We have even reduced the caloric value of fruit kids drinks by 40% due to the use of stevia sweetener. In 2018, we cut the amount of sugar in all our flavoured waters Rajec by 20%.

Nevertheless, we believe, that sugar can also be part of a healthy lifestyle, if it is consumed moderately and its consumption is accompanied by adequate physical activity.

According to the the European soft drinks industry (UNESDA), soft drinks represent less than 3% of calories in the average European diet. Nevertheless, UNESDA and its members have announced they will reduce added sugars in their products by 10% by 2020. This initiative responds to changing consumer preferences regarding sugar. The sector will innovate, reformulate, increase the availability of smaller pack sizes to allow portion control and moderation and encourage consumer choice towards low and no calorie drinks to achieve its ambitious target. Eventhough we are not directly an official member of the UNESDA organisation, we feel solidarity for this commitment and we feel very confident to meet the UNESDA target in 2020.

As for the increased availability of smaller pack size that naturally comes from our focus on our Impuls portfolio, year by year the ratio of sold small pack sized drinks (less than 1l) rises by at least 1% at the expense of larger packaging.

For the UGO brand, sugar is not an issue. Our aim is nutritional balance policy and natural sugar is a coherent part of fresh products made of fruits and vegetables and it goes along with fibre and vitamins. All UGO communication aims on healthy lifestyle and is promoting recommended responsible behaviour.

Responsible consumption means taking an active part in various organisations, such as Food Chambers and Soft Drink Producers' associations, where our employees hold leading positions. Our key principal is to develop various initiatives relating to healthy living, as well as educate consumers with regard to proper consumption of beverages and leading healthy lifestyle.

## 7. CORPORATE SOCIAL RESPONSIBILITY



In the Group, we realize that in addition to reducing the energy intake of the organism, regular physical activity is also important for healthy life. Therefore, we support numerous sporting events and local sports associations and of course encourage active and healthy lifestyle with our employees and the wider local environment. If we want to inspire, we have to set an example ourselves. Within the Group, we are organizing running/cycling activities where all employees can attend and we had hundreds of participants. In 2018, we have also successfully organized 38th Marathon of three hearts, which is one of the biggest sports events in Slovenia, attended by nine thousand participants.

### BUILDING ON OUR EMPLOYEES

We strongly believe that the Kofola Group is where it is because of our employees. We are very proud that according to an internal survey over 90% of our employees like their job and 85% see their future in our company. They appreciate the founders of the Company that are still majority owners of the Group and are active in the management. Our employees value name and reputation of the Company, attractive product portfolio, family corporate culture and opportunities for personal and professional development. These are the basis we want to build on.

The long-term goal of the Kofola Group is a healthy and motivating environment for the professional and personal development and training of our employees. Health & safety at work is one of our key values. We consider important behaving as a responsible company that treats its employees fairly and equitably, we support their creativity and innovativeness. We support the diversity and healthy self-confidence of our employees. We are building an open multicultural environment that does not limit or discriminate individuals by gender, age, race, or any handicap. Access to diversity support does not differ with the level of management, non-discriminatory access is a natural part of our corporate culture.

We do not act against discrimination because we do not discriminate. It is naturally built in our DNA. In 2019, we will implement an ethical code that declares our behaviour and values.

We offer a wide range of benefits for all employees, such as free product benefits, Christmas presents, rewards for seniority, gifts for children of our employees, New Year's parties or open-door days, Multisport cards and language courses. In 2019, we would like to implement a system of individualised benefit system.

We take care of the individual's life and personal situation and the needs of our employees. We seek for talents in our employees and push them forward. We support internal promotions and career changes of our employees. We are developing our people individually through programs and activities. We support blended learning, and in 2018 we have implemented LMS (Learning Management System). We have opened Kofola Leadership, Kofola Management, Team Development Program for Manufacturing and Warehouse Managers Programmes as well as individual coaching sessions.

We create an open and flexible working environment and motivating working conditions. We have a proper system of internal communication through internal magazines, notice boards, intranet, regular meetings for everyone with the board members and many more.

We have started a new project KofoSami in Czechoslovakia, that is targeted on our employees on parental leave and which is integrating them more deeply into the daily life of the Company. According to the latest survey, 75% of mothers are willing to have contact with the Company even on parental leave out of which 97% are satisfied with the KofoSami project.

We do our best to make our employees our Company's and brands' ambassadors.

### ACTING LOCALLY

We have local brands and understand local culture. By buying local brands and building positive emotions and experiences around them, we make it possible to maintain the cultural heritage on the markets in which we operate. We act with respect to local traditions and environment. Our portfolio includes more than 30 brands ranging from traditional, through licensed to newly created products. During the 25 years of our existence we have managed to resurrect forgotten traditional brands.

Our aim is to replace all no name raw materials to the ones with local, good and known origin. For example, UGO is 100% transparent about raw material country of origin. On every bottle there is an information about country of origin of every fruit and vegetable we are using in recipe for particular production run.

Eventhough we prefer local suppliers, it is inevitable to cooperate with suppliers from other countries as well. In 2019, we will compile a deep analysis of our supply chain to prevent all possible human rights violations and diversity irregularities and further act accordingly to our highest standards. This commitment will be stated in our procurement policy as a significant part of our suppliers screening.

With the LEROS company, we have acquired a whole new portfolio of herbal products as well as new ways of getting natural raw materials. We would like to increase the percentage of herbs bought from local farmers tremendously. We have our own network of herbs redemption points, where anyone can bring and sell herbs to us. We opened one new point in 2018 in

Rajecká Lesná and one more is planned to open in Slovakia in 2019. We would also like to expand our BIO organic line of herbal products. We support regional farmers of herbs and treat them fairly and responsibly, so that together we can improve our businesses and benefit on both sides of this partnership. In cooperation with farmers in Rajecká dolina (Slovakia) we would like to certify the surrounding areas as a “BIO region”, which not only helps production of BIO herbs, but also protects the Rajec water source. Our goal is to have BIO bee hives on place which give us BIO honey for usage in our products, but also helps growing the herbs.

One of the most important aspects for our Company is to be a “good neighbour”. This is why we have developed a whole series of projects that support regions in which we operate, from the construction of play grounds, through the development of communications infrastructure or support of local non-government organisations. We supply our local municipalities with our drinks and also many regional projects that support healthy lifestyle and active way of life and free time. In 2018, we supported over 1 000 regional sport, gastronomy or cultural activities that applied for support. In Slovenia and Croatia, we have on national level a project where RADENSKA is donating strollers for parents who gave life to three hearts – triplets.

Not only is important where our Company is placed, but we also value the surrounding environment of our employees. That was the driving motor for our internal project “Give happiness”, that we started in 2016 and since then we tend to repeat it annually and roll it to all companies we operate. The basic principles are very simple – every employee can suggest a project, that he would like to support and then a jury of employees selects, which projects we should as a Company support. It gives them a lesson about the difficulty of picking the most needed activities and letting go the others. Every year we get dozens of very relevant suggestions and support half a dozen of them. This generates real solidarity among our people and many ambassadors of our “Kofola supports” programme.

We are a significant donor of the National Anticorruption Fund in the Czech Republic and we support the One world festival, which is promoting documentary film making for human rights causes.

We do not accept bribes or other special benefits. When selecting business partners, we do not favor anyone and decide honestly and transparently.

### LOOKING FOR NEW WAYS

For 2019, we set ourselves these key targets in terms of sustainable development and social responsibility:

- Focus on our CO<sub>2</sub> footprint and setting goals for the nearest future
- Water and its protection
- Packaging revision, setting a plastic usage strategy and searching for new and advanced technologies
- Waste management
- Total sugar decrease focus
- Rajecká dolina as a BIO region
- Supply Chain revision in terms of human rights and diversity compliance
- Support and development of our employees and regions

## 8. CORPORATE GOVERNANCE



### 8.1. SHARES AND SHAREHOLDERS

#### 8.1.1 SHARE CAPITAL

As at 31 December 2018, the registered share capital of Kofola ČeskoSlovensko a.s. totalled CZK 1 114 597 400 (as at 31 December 2017: 2 229 500 000) and comprised 22 291 948 (as at 31 December 2017: 22 295 000) common registered shares with a nominal value of CZK 50 (as at 31 December 2017: 100) 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.

On 13 August 2018, the general meeting approved a decrease of the registered capital (see B 1.5.). The decrease has been effective since 20 December 2018, after the registration in the Commercial Register.

#### 8.1.2 SHAREHOLDERS STRUCTURE

| Group shareholders structure | 31.12.2018              |                |
|------------------------------|-------------------------|----------------|
|                              | Number of shares<br>pcs | Share<br>%     |
| AETOS a.s.                   | 15 159 204              | 68.00%         |
| RADENSKA d.o.o.              | 1 114 109               | 5.00%          |
| Others                       | 6 018 635               | 27.00%         |
| <b>Total shares volume</b>   | <b>22 291 948</b>       | <b>100.00%</b> |

| Group shareholders structure | 31.12.2017              |                |
|------------------------------|-------------------------|----------------|
|                              | Number of shares<br>pcs | Share<br>%     |
| AETOS a.s.                   | 15 159 204              | 68.00%         |
| CED GROUP S. à r.l.          | 4 673 445               | 20.96%         |
| RADENSKA d.o.o.              | 1 114 109               | 5.00%          |
| Others                       | 1 348 242               | 6.04%          |
| <b>Total shares volume</b>   | <b>22 295 000</b>       | <b>100.00%</b> |

In 2017, KSM Investment S.A. ("KSM"), René Musila and Tomáš Jendřejek restructured their shareholdings in Kofola ČeskoSlovensko a.s. ("Kofola") and transferred their shares in Kofola to AETOS a.s., a wholly owned subsidiary of KSM. René Musila and Tomáš Jendřejek became shareholders of AETOS a.s. KSM merged into AETOS a.s. on 31 August 2018. As of 31 December 2018, AETOS a.s. is the ultimate parent of the Company.

As of 10 August 2017, AETOS a.s. purchased 2 675 400 shares of Kofola representing 12.00% of Kofola's share capital from CED GROUP S.à r.l. ("CED Group").

RADENSKA d.o.o. purchased in 2017 from CED Group in a public tender offer 1 114 109 shares of the Company (which represented 5.00% of the Company's share capital) in the total value of CZK 490 208 thousand (CZK 440 per share). In compliance with the relevant legal provisions, the voting rights attached to the shares owned by the Company (own shares liquidated in 2018) and by RADENSKA d.o.o. cannot be exercised.

On 20 June 2018, CED Group sold 1 905 000 shares of the Company, corresponding to 8.54% of the Company's share capital as of the transaction date, at a price per share of CZK 270. On 20 September 2018, CED Group sold its remaining stake in the Company (2 768 445 shares representing 12.42% of the Company's share capital as of that date), at a price per share of CZK 255. The free float increased to 27.00%.

## 8. CORPORATE GOVERNANCE



### 8.1.3 RIGHTS ATTACHED TO THE SHARES

Each share in the Company ranks *pari passu* in all respects with all other shares. The same rights are incorporated into all the Company's shares including the right to attend the General Meeting, to require and receive explanations of matters concerning the Company that are part of the agenda of the General Meeting, to submit proposals and counterproposals, and to receive a dividend and share in the liquidation surplus. In compliance with the relevant legal provisions, the voting rights attached to the shares owned by RADENSKA d.o.o. cannot be exercised.

The rights attached to the shares arise from the provisions of Czech Companies Act and Company's articles of association.

Since the Company's shares have been admitted to trading on the Prague Stock Exchange, the shareholders have certain disclosure requirements arising from the provisions of the Czech Capital Markets Act.

### 8.1.4 SHARES IN POSSESSION OF PERSONS WITH EXECUTIVE AUTHORITY

| Shares in possession of persons with executive authority | 31.12.2018        |
|----------------------------------------------------------|-------------------|
|                                                          | pcs               |
| Members of the Board of Directors                        | 15 190 710        |
| Members of the Supervisory Board                         | 3 895             |
| Other persons with executive authority                   | 13 961            |
| Persons related to those with executive authority        | -                 |
| <b>Total</b>                                             | <b>15 208 566</b> |

### 8.1.5 DIVIDEND POLICY

On General Meeting held on 21 June 2017, the Company announced the change in the dividend policy with the aim of distributing of a dividend to the shareholders of Kofola of at least 60% of its consolidated net profit achieved in each financial year from 2017 until 2020, subject to sufficient distributable profits.

## 8.2. INFORMATION PURSUANT TO CAPITAL MARKETS ACT SECTION 118.5A–K

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

The equity structure is as follows:

| Equity structure                                                   | 31.12.2018       |
|--------------------------------------------------------------------|------------------|
|                                                                    | CZK'000          |
| <b>Equity attributable to owners of Kofola ČeskoSlovensko a.s.</b> | <b>1 531 669</b> |
| Share capital                                                      | 1 114 597        |
| Share premium and capital reorganisation reserve                   | (1 962 871)      |
| Other reserves                                                     | 2 438 776        |
| Foreign currency translation reserve                               | 28 954           |
| Distribution fund                                                  | 618 331          |
| Own shares                                                         | (490 208)        |
| Retained earnings/(Accumulated deficit)                            | (215 910)        |
| <b>Equity attributable to non-controlling interests</b>            | <b>(8 156)</b>   |
| <b>Total equity</b>                                                | <b>1 523 513</b> |

As at 31 December 2018, the share capital of Kofola ČeskoSlovensko a.s. totalled CZK 1 114 597 thousand 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.

On 13 August 2018, the general meeting approved a decrease of the Share capital (see B 1.5.) by the amount of CZK 1 114 903 thousand to CZK 1 114 597 thousand.

The decrease of the Share capital was registered in the Commercial Register and was effective on 20 December 2018. The decrease of the registered capital was performed by (i) cancelling of 3 052 pcs of own shares in the total nominal value of CZK 305 200 and further by (ii) decreasing of a par value of other Company's shares by CZK 50, from the par value of CZK 100 to CZK 50. Cancelling of the own shares held by the Company and decrease of the par value of the remaining shares was

## 8. CORPORATE GOVERNANCE



carried out on the basis of an instruction addressed to the person administering the recording of securities in book-entry form.

The Share capital of the Company is fully paid up. The shares have been admitted for trading on the Prague Stock Exchange ("PSE") and until 6 June 2017 on the Warsaw Stock Exchange („WSE "). On February 3, 2017 the General meeting of Kofola ČeskoSlovensko a.s. decided on delisting of shares of Kofola ČeskoSlovensko a.s. from trading on Warsaw Stock Exchange. On 31 May 2017, the Company was notified by the Management Board of Warsaw Stock Exchange about the adoption of the Resolution No. 526/2017 on the exclusion of the Company's shares from the exchange trading on the WSE with an effective date as of 6 June 2017. This resolution was adopted at the request of the Company in connection with the decision of the Polish Financial Supervision Authority to grant the Company the authorization to re-materialize Company's shares in Poland. Exclusion from the exchange trading on WSE applies to all Company shares with a code "CZ0009000121".

The Company as at 31 December 2018 owns 0 (as at 31 December 2017: 3 052) own shares (which represents 0% of the Company's share capital, as at 31 December 2017: 0.0002%) in total value of CZK 0 thousand (2017: CZK 1 357 thousand). 3 052 own shares were liquidated on 20 December 2018 along with the decrease of the Company's share capital.

RADENSKA d.o.o. as at 31 December 2018 owns 1 114 109 (as at 31 December 2017: 1 114 109) shares of the Company (which represents 5.00% of the Company's share capital) in total value of CZK 490 208 thousand.

There were no purchases of own shares in financial year 2018.

Shares of the value CZK 442 thousand acquired by the Company in 2017 represented purchase of 1 096 shares (which represented 0.0001% of the Company's share capital) traded on the Warsaw Stock Exchange before the Company's delisting from WSE. The shares had nominal value of CZK 100.

RADENSKA d.o.o. purchased in 2017 in a public tender offer 1 114 109 shares of the Company (which represented 5.0% of the Company's share capital) in the total value of CZK 490 208 thousand (CZK 440 per share). The shares had nominal value of CZK 100.

Own shares acquired by the Company in 2017 of CZK 442 thousand were purchased on the stock market, the own shares purchased by RADENSKA d.o.o. of CZK 490 208 thousand were purchased from CED GROUP S.à r.l.

Part of these shares is intended for the management incentive programme.

In compliance with the relevant legal provisions, the voting rights attached to the shares owned by the Company and 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 2018:

| Significant shareholders (all with direct participation)                                                                                                       | Proportion of the voting rights | Participation percentage |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------|
| AETOS a.s.,<br>Nad Porubkou 2278/31a, Poruba, 708 00 Ostrava,<br>identification No. B10942                                                                     | 71.58%                          | 68.00%                   |
| RADENSKA, družba za polnitev mineralnih voda in brezalkoholnih pijač, d.o.o.<br>Boračeva 37, 9252 Radenci, Republic of Slovenia<br>registration No. 5056152000 | 0.00%                           | 5.00%                    |
| <b>Total</b>                                                                                                                                                   | <b>71.58%</b>                   | <b>73.00%</b>            |

## 8. CORPORATE GOVERNANCE

Significant shareholders as at 31 December 2017:

| Significant shareholders (all with direct participation)                                                                                                       | Proportion of the voting rights | Participation percentage |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------|
| AETOS a.s.,<br>Nad Porubkou 2278/31a, Poruba, 708 00 Ostrava,<br>identification No. B10942                                                                     | 71.58%                          | 68.00%                   |
| CED GROUP S.à r.l.,<br>2 Avenue Charles de Gaulle, L-1653 Luxembourg,<br>registration No. B141278                                                              | 22.07%                          | 20.96%                   |
| RADENSKA, družba za polnitev mineralnih voda in brezalkoholnih pijač, d.o.o.<br>Boračeva 37, 9252 Radenci, Republic of Slovenia<br>registration No. 5056152000 | 0.00%                           | 5.00%                    |
| <b>Total</b>                                                                                                                                                   | <b>93.65%</b>                   | <b>93.96%</b>            |

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 2018 is known to the Company only in the case of the controlling entities 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 2018. 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 as follows:

- on 20 June 2018, the company Conseq Investment Management, a.s. together with the company Conseq Fund Investiční společnosti, a.s. and Mr. Jan Vedral notified about the shareholding of Conseq globální akciový účastnický fond (0.66%) and Conseq Invest Akcie Nové Evropy (1.40%),
- on 25 September 2018, the company NN Investment Partners Luxembourg S.A. notified its proportion of the voting rights have reached 1.07%.

Until the end of the year 2018 and throughout the year 2019 (until the cut-off data of the annual report), the Company has not been informed about any change of participation in the voting rights.

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 amounts to 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 1 114 109 shares owned by the controlled company RADENSKA cannot be exercised. 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 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 present shareholders 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 present shareholders hold shares with the par value exceeding 50% of the share capital of the Company. The latest amendment to the Articles of Association of the Company was approved by the General meeting of the Company on 30 November 2018.

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**

On 8 June 2017, the Company concluded a program for long-term remuneration of senior managers of the Group.

The program contains two separate, but 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.**

The maximal number of the eligible Investment shares cannot exceed the specified annual limit - the number of shares, which could be purchased on regulated market for 50% of the basic annual gross salary (consideration) 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 Supervisory Board of the Company does not increase the maximum number of Investment shares. If the number of Investment shares held by a participant on December 31 of a calendar year exceeds the determined limit, the Company's shares purchased by the participant exceeding the stated limit are not taken into consideration for the Share Acquisition Plan and the participant cannot 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 may be eligible in one of the following calendar year.

The participant shall provide the Company with information on the number of Investment Shares held by the participant as at December 31 of the previous year. The Investment shares held by the participant shall be eligible in the average price on

## 8. CORPORATE GOVERNANCE



the stock exchange, for the last twelve calendar months, always by October 31 of the relevant calendar year. This provision is without prejudice to notification of managerial transaction as provided under mandatory provisions of a legal regulation.

The conditions for vesting and non-vesting in of Pair Shares are:

- a) the participant holds the Investment shares for the minimum period which lasts:
  - i. from December 31, 2017 to December 31, 2019 for the Investment shares corresponding to the limit derived from the salary (compensation) of the participant provided by the companies of the Kofola Group in 2017,
  - ii. from December 31, 2018 to December 31, 2020 for the Investment shares corresponding to the limit derived from the salary (compensation) of the participant provided by the companies of the Kofola Group in 2018,
  - iii. from December 31, 2019 to December 31, 2021 for the Investment shares corresponding to the limit derived from the salary (compensation) of the participant provided by the companies of the Kofola Group in 2019,
- b) existing labour relation of the participant or his membership in one of the bodies of any company from the Group from his/her joining to the program to the end of the decisive period,
- c) the Investment shares were acquired against payment by participant after the introduction of the Company's shares on the Prague Stock Exchange Market, i. e. after October 1st, 2015.

If all conditions stated are met by the participant, Kofola shall transfer to the participant the Pair shares to shares purchased in 2017, not later than on January 31, 2020, the Pair to shares purchased in 2018, not later than on January 31, 2021 and the Pair shares to shares purchased in 2019, not later than on January 31, 2022.

The participant shall hold the Pair shares for the minimum period which lasts:

- a) until January 31, 2021 for Pair Shares transferred to the Participant in 2020,
- b) until January 31, 2022 for Pair Shares transferred to the Participant in 2021,
- c) until January 31, 2023 for Pair Shares transferred to the Participant in 2022.

### Summary of effect during 2018

|                                                                                     |                          |
|-------------------------------------------------------------------------------------|--------------------------|
| Number of Pair shares granted in 2018 (pcs)                                         | 24 217                   |
| Total cumulated number of Pair shares granted as of 31 Dec 2018 (pcs)               | 43 597                   |
| Fair value of Pair shares as of grant date (CZK)                                    | 406.60                   |
| End of 3-year vesting period                                                        | 31 Dec 2019, 31 Dec 2020 |
| Transfer of Pair shares to participants                                             | 31 Jan 2020, 31 Jan 2021 |
| Total expense from equity settled transactions in 2018 (CZK thousand)               | 6 324                    |
| Cumulated expense from equity settled transactions as of 31 Dec 2018 (CZK thousand) | 9 133                    |

### **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.**

The number of Performance shares is the result of the division (fraction) of:

- a) the amount representing 50% of the participant's annual gross salary (compensation) paid by the companies of the Group from January 1, 2017 to December 31, 2019, unless the Company's Supervisory Board does not set a higher maximum number of the Performance and
- b) the amount of CZK 440 representing a virtual value of a Company share.

The Conditions for vesting of Performance shares are:

- a) existence of a labour contract of the participant or his membership in a body of any company from KOFOLA Group from his/her joining to the program to the end of the reference period,
- b) Group's fulfilment of the key performance targets.

## 8. CORPORATE GOVERNANCE



The key performance targets (“KPT”) are:

- a) Group’s Earning per share from 1 January 2019 to 31 December 2019 – weight of this indicator is 50%,
- b) Group’s Net brand sales from 1 January 2019 to 31 December 2019 – weight of this indicator is 25%,
- c) Group’s Free cash flow on 31 December 2019 – weight of this indicator is 25%.

If all conditions for vesting of Performance Shares are met and simultaneously the weighted average of the achievement of all the KPT exceeds 100%, for each 1% of the weighted average excess of 100%, the participant will be entitled to 4% of Company’s shares in excess of the basic claim. At most, a double of the basic claim for Performance Shares may be vested in to the participant.

By April 30, 2020, the Group shall evaluate the Group’s KPT and inform the participant of the results of the evaluation. The Company shall transfer to the participant the Company’s shares transformed from his/her Performance shares not later than on May 31, 2020. The participant shall hold at least 70% of the Performance Shares for at least 1 year after their transfer by the Company or another company in the Group.

As of 31 December 2018, and 31 December 2017, no Performance shares were granted.

### 8.3. CORPORATE GOVERNANCE CODE

#### CZECH CORPORATE GOVERNANCE

The Company is listed on the Prague Stock Exchange (PSE). In the Czech Republic, the Company is required to submit to the PSE a declaration on the code of corporate governance stating that the issuer willingly or voluntarily complies with the same form as is a part of the Company’s annual report. However, due to the fact that there was no binding corporate governance regime in the Czech Republic, which the Company had to comply with, the Company, as at the date of the annual report, did not commit to comply with any specific corporate governance regime in the Czech Republic.

Nevertheless, the Company and the companies within the Group are firmly committed to maintaining an effective framework for the control and management of the Group’s business. The Company puts much emphasis on respecting all statutory rights of shareholders, including the equal treatment of shareholders in a similar position. The Company strictly adheres to the principle of disclosure and transparency not only in relation to convening a General Meeting but also in relation to informing of corporate events, including financial results and relations with related parties. The Company follows in particular Business Corporations Act, Civil Code, Corporate Criminal Liability Act and Capital Market Undertakings Act.

Information about policies and procedures, internal controls and the rules of the risks in relation to the accounting process is contained in part 7.6. Financial reporting process.

### 8.4. STATUTORY BODIES

Kofola ČeskoSlovensko a.s. had the following governing bodies in 2018:

- General Meeting,
- Board of Directors,
- Supervisory Board,
- Audit Committee.

#### 8.4.1 GENERAL MEETING

##### OVERALL INFORMATION

The General Meeting is the supreme body of the Company. Apart from the powers vested in the General Meeting by the Czech Companies Act, the General Meeting is, according to the Articles of Association, authorised to:

- decide on changes of the Articles of Association, unless it is a change which occurred as a result of an increase in the registered capital by the authorised Board of Directors or a change which occurred as a result of other legal facts,
- adopt Procedural Rules of the General Meeting, if the Company desires to provide more details on the course of a General Meeting of the Company besides the rules stipulated by the law or the Articles of Association,
- elect and recall members of the Supervisory Board and approve their agreement on performance of office including their remuneration,

- appoint and recall a liquidator and approve its agreement on the performance of office including its remuneration,
- approve a transfer, lease or pledge of the Company's enterprise or such a part thereof that would imply a significant change of the existing structure of the enterprise or a significant change of the scope of business or activity of the Company,
- decide on matters which are submitted by the Board of Directors to the General Meeting to be resolved by the General Meeting,
- grant instructions to the Board of Directors and Supervisory Board and approve the operating principles of the Board of Directors and the Supervisory Board, provided that these are not contrary to the law; the General Meeting may also prohibit a member of the Board of Directors and Supervisory Board from taking certain actions, if such a prohibition is in the interest of the Company,
- decide on the distribution of profit, including the distribution of dividends, or of other own sources, or decide on the settlement of loss,
- approve the Company's auditor, and
- decide on any other issues falling under the powers of the General Meeting by virtue of the Czech Companies Act or the Articles of Association.

The General Meeting must be held at least once in a financial year of the Company, no later than six months from the last day of the previous financial year at the request of the Board of Directors (or, in exceptional cases, also at the request of a member of the Board of Directors, of a qualified shareholder, or at the request of the Supervisory Board).

The General Meeting is to be convened at least 30 days (if the General Meeting is not requested by a qualified shareholder or if the General Meeting is not requested as a substitute General Meeting) before the General Meeting, by publishing an invitation to the General Meeting on the Company's website [www.firma.kofola.cz](http://www.firma.kofola.cz). Sending of the invitation to the shareholders is replaced by publishing of the invitation in the Commercial Journal. The invitation shall contain all information required by law. If a qualified shareholder requests the Board of Directors to convene the General Meeting, it shall be convened in a manner and period prescribed by the Czech Companies Act. If all the shareholders agree, the General Meeting may be held without fulfilling the requirements set out by law and the Articles of Association.

There is no provision of the Articles of Association that would have an effect of delaying, deferring or preventing a change in control of the Company.

### VOTING AT GENERAL MEETING

Shareholders may participate in the General Meeting and exercise their voting right personally or by proxy. It is also allowed to exercise voting right by correspondence in compliance with Article 14 par. 14.2. and following of the Articles of Association of the Company.

Each share in the capital of the Company confers the right to cast one vote, subject to the relevant provisions of the Articles of Association. The total number of votes in the Company is 22 291 948 votes. As the date of the annual report, the total number of votes in the Company is 21 177 839 votes reduced by number of votes attached to the Company's shares by which is not possible to exercise the voting right (shares owned by the company RADENSKA controlled by the Company). None of the Participating Shareholders has different voting rights.

Every holder of the Company's share(s) and every other party entitled to attend the General Meeting who derives his rights from such share(s), is entitled to attend the General Meeting in person, or be represented by a person holding a written power of attorney unless provided by the legal provisions or the Articles of Association of the Company otherwise, to address the General Meeting and, as far as he/she has voting rights, to vote at the meeting. For this purpose, Czech law prescribes a mandatory record date to establish which shareholders are entitled to attend and vote at the General Meeting.

Such record date is fixed at the seventh day before said General Meeting. The invitation to the General Meeting shall state the record date, the place and the manner in which registration shall take place. According to Article 8 par. 8.2 of the Articles of Association of the Company the list of shareholders is replaced by a book-entry securities register issued by the Central Securities Depository. The book-entry securities register shall be used for identification of attendance at the General Meeting.

The General Meeting constitutes a quorum if the shareholders present at the General Meeting own shares with an aggregate face value exceeding 50% of the share capital. All resolutions are adopted by a simple majority of votes unless otherwise specified in the legal provisions. Shareholders vote by raising a voting card indicating the number of votes pertaining to the respective shareholder. Shareholders may also cast votes by correspondence voting. In such case, shareholders cast their votes in writing at least one business day before a general meeting is opened. The Company records the voting results for each resolution adopted at a General Meeting.

## 8. CORPORATE GOVERNANCE



Detailed information regarding participation and voting at General Meetings will be included in the invitation to the General Meeting published in accordance with relevant Czech legislation.

### DECISION MAKING OF THE GENERAL MEETING

The General meeting of the Company is quorate if the present shareholders hold shares the par value which exceeds 50% of the share capital. The General meeting adopts decision by a majority of votes of the present shareholders, unless a different majority is required by the law. The Articles of Association do not require any majorities that differ from the majorities required by the law.

### GENERAL MEETINGS IN 2018

During the year 2018, four ordinary general meetings were held by the Company.

On 6 February 2018, the first ordinary General meeting took place which among others decided on:

- appointment of the new member of the Supervisory Board Mr. Dariusz Romuald Prończuk to fill a vacancy for Supervisory Board member post caused by a resignation of Mr. Woźniak from his position;
- appointment of the company KPMG Česká republika Audit, s.r.o., ID No. 496 19 187 as the auditor for the statutory audit for the accounting period of years 2018 to 2020.

On 18 May 2018, the second ordinary General meeting took place which particularly:

- heard the Report of the Board of Directors on business activities of the Company and state of its assets for the year 2017 and Summary explanatory report regarding the matters pursuant to Section 118 subsec. 5 par. a) to k) of the Capital Market Undertakings Act and Conclusions of the Report on relations between controlling entity and controlled entity and between controlled entity and entities controlled by the same controlling entity for the year 2017;
- heard the Report of the Supervisory Board on the results of the control activities including information about review of the Report on relations;
- approved the financial statements of the Company for the year 2017 and consolidated financial statements of Kofola ČeskoSlovensko Group for the year 2017;
- approved the distribution of Company's profit for the year 2017 in the amount of CZK 350 667 210.84 together with the part of undistributed profits of previous years in the amount of CZK 10 511 789.16, being CZK 361 179 000 in total as the profit share to be distributed among the shareholders of the Company. It represented the amount of CZK 16.20 per Company's share before tax. The relevant date to exercise the right to the dividend was 11 May 2018.

On 13 August 2018, the third ordinary General meeting took place which particularly:

- decided on decrease of the Share capital of the Company by the amount of CZK 1 114 902 600, namely from the amount of CZK 2 229 500 000 to the amount of CZK 1 114 597 400, by (i) cancelling of 3 052 pcs of Company's shares in the total nominal value of CZK 305 200 in the possession of the Company and further by (ii) decreasing of a par value of other Company's shares by CZK 50, namely from the par value of CZK 100 to CZK 50.

On 30 November 2018, the fourth ordinary General meeting of the Company took place which particularly:

- decided on proposed amendment to the Articles of Association of the Company;
- decided on appointment of a new member of the Supervisory Board, Mr. Tomáš Jendřejek (replaced Mr. Pavel Jakubík who resigned of his position);
- decided on appointment of new members of the Audit Committee, Mrs. Lenka Frostová and Mrs. Zuzana Prokopcová (replaced Mr. Pavel Jakubík and Mr. Kwiatkowski who resigned of their positions);
- decided on approval of the Service agreement for a member of the Supervisory Board of the Company that will be entered into with the members of the Supervisory Board;
- decided on approval of the salary and other benefits to be paid to Mr. Tomáš Jendřejek (the elected member of the Supervisory Board) under the employment agreement with the Company.

### 8.4.2 BOARD OF DIRECTORS

#### BOARD OF DIRECTORS

The Board of Directors of the Company has 6 members.

The Board of Directors is responsible for the day-to-day management of the Company's operations under the supervision of the Supervisory Board. Status, powers, composition, decision-making and other basic rights and obligations as well as rules of procedure are included in Art. 15 of the Articles of Associations of the Company. The Board of Directors is required to keep the Supervisory Board informed, to consult with the Supervisory Board on important matters and to submit certain important decisions to the Supervisory Board for its approval, as more fully described below. The members of the Board of Directors are elected by the Supervisory Board.

A member of the Board of Directors is appointed for a period of five years. A member of the Board of Directors may be reappointed. The Supervisory Board may also dismiss any member of the Board of Directors at any time.

The Board of Directors appoints a chairperson and two Vice-Chairs from amongst its members.

The Board of Directors constitutes a quorum if a majority of its members is present or otherwise takes part in a meeting. It takes a decision by a majority of votes of the present or otherwise participating members. In case of a tie, the vote of the chairman decides. Resolutions of the Board of Directors require the approval of the General Meeting when these relate to an important change in the identity or character of the Company or its business.

The Board of Directors acts on behalf of the Company towards third parties, in which case the chairman of the Board of Directors together with one member of the Board of Directors or Vice-Chair of the Board of Directors together with one member of the Board of Directors shall act jointly.

Meetings of the Board of Directors are convened as the need arises.

#### MEMBERS OF THE BOARD OF DIRECTORS

As at the date of the Report, the Board of Directors is composed of six members. The table below sets forth the names, positions, election date, and terms of office of the current members of the Board of Directors:

| Members of the Board of Directors | Position                                                                                                                | Age | Appointment date  | Expiration of the office term |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------|-----|-------------------|-------------------------------|
| Janis Samaras                     | Chairman of the Board of Directors – Chief Executive Officer                                                            | 47  | 18 September 2015 | 18 September 2020             |
| Daniel Buryš                      | Vice-Chair of the Board of Directors – Chief Executive Officer for the matters of Kofola a.s. (CZ) and Kofola a.s. (SK) | 49  | 17 June 2015      | 17 June 2020                  |
| Tomáš Jendřejek                   | Member of the Board of Directors – Procurement Director                                                                 | 52  | 18 September 2015 | Expired on 25 November 2018   |
| René Musila                       | Vice-Chair of the Board of Directors – Chief Operations Officer Kofola Group                                            | 49  | 16 June 2015      | 16 June 2020                  |
| Jiří Vlasák                       | Member of the Board of Directors                                                                                        | 43  | 18 September 2015 | 18 September 2020             |
| Pavel Jakubík                     | Member of the Board of Directors- Chief Financial Officer of Kofola Group                                               | 42  | 26 November 2018  | 26 November 2023              |
| Marián Šeřčovič                   | Member of the Board of Directors – Chief Executive Officer of Adriatic operation                                        | 45  | 21 June 2017      | 21 June 2022                  |

#### JANIS SAMARAS

Janis Samaras is the Chairman of the Board of Directors and the CEO of the Company. He received secondary education and gained a CIMA certificate from the Czech Institute of Marketing in 2010. He was awarded Entrepreneur of the Year 2011 in the Czech Republic. In 1991, together with his father, Mr. Samaras established a company, Santa Napoje s.r.o. that took over the Kofola trademark in 2002. Starting from 1996 Mr. Samaras has held various managerial positions at Santa Napoje and thereafter in the Kofola Group, including being CEO and Chairman of the Board of Directors of Kofola CZ, Kofola SK, Kofola CS and Kofola PL.

### *DANIEL BURYŠ*

Daniel Buryš is the Vice-Chair of the Board of Directors and the Chief Executive Officer for the matters of Kofola a.s. (CZ) and Kofola a.s. (SK). In 1993 he graduated in automatic control in economy from the Technical University of Ostrava, Czech Republic. He also completed an MBA programme at Liverpool JMU School organized by Technical University of Ostrava, Czech Republic in 2008. Mr. Buryš joined the Kofola Group in 2010 as the CFO of Czech operations. Prior to joining the Kofola Group, Mr. Buryš was CFO at Štěrkovny spol. s r.o. (2000-2004), Severomoravská energetika, a.s. (2004-2007) and Elektrociepłownia Chorzów „ELCHO” S.A. (ČEZ Group).

### *RENÉ MUSILA*

René Musila is the Vice-Chair of the Board of Directors and the Chief Operations Officer. He received secondary education. He has been present in the beverage industry since 1993 when he started to work at SP Vrachos, which was taken over by Santa Nápoje, the predecessor of the Kofola Group. Since 1996 he has been the Operating Director at Kofola CS responsible for production, purchasing and quality. In the following years, he became responsible for managing production plants, investments and new technologies in the whole Group.

### *JIŘÍ VLASÁK*

Jiří Vlasák is Member of the Board of Directors and was CEO of Polish subsidiary Hoop Polska, acting as the Commercial director of Polish operation in years 2015 - 2016 and former Chief Marketing Officer of the Company. He graduated in business administration from the Technical University of Liberec in 1999. Mr. Vlasák joined the Kofola Group in 2010 when he became responsible for the marketing strategy of the Czech operations. In 2011 he also started to head the marketing department in Slovakia. Prior to joining the Kofola Group, Mr. Vlasák was the marketing manager at Poděbradka (1999-2000), the export manager at Karlovarské minerální vody (2001-2005), the commercial director at HBSW (Ukraine) (2006-2007) and the marketing director at Poděbradka (2008-2010).

### *PAVEL JAKUBÍK*

Mr. Pavel Jakubík graduated from the Technical University of Ostrava with a specialisation in finance. He is a member of the Association of Chartered Certified Accountants since 2003. Pavel Jakubík joined the Kofola Group in 2008 as the Group reporting manager at Kofola CS, promoted in 2010 to financial manager. Since November 2018 he was promoted to Kofola Group CFO. He had been the member of the Supervisory Board and Audit Committee of the Company from 2012 to 2018. Before joining the Kofola Group, he was an audit supervisor at Ernst & Young Audit s.r.o. (2000-2005) and a financial and administrative manager at Bekaert Bohumín s.r.o. and Bekaert Petrovice s.r.o. (2005-2008).

### *MARIÁN ŠEŤČOVIČ*

Since 1999, Marián Šeťčovič acted as a regional salesman in Santa Nápoje Slovakia (currently Kofola a.s. Slovakia). During 2001 – 2002, he was a sales manager of Kofola a.s. (SK). Between 2002 – 2007 acted as sales director of Kofola a.s. (SK) where he was responsible for the entire sales force and sales strategy in Slovakia. During 2007 – 2011, he acted as general director of Kofola a.s. (SK). Since September 2011 until April 2015, he also acted in the position of the sales director responsible for sales in all channels of Kofola brand in the Czech Republic and Slovakia. Since March 2015, Mr. Šeťčovič has been acting as CEO of Adriatic business.

### *TOMÁŠ JENDŘEJEK*

Tomáš Jendřejek was a member of the Board of the Directors till 25 November 2018.

## 8. CORPORATE GOVERNANCE

### DIRECTORSHIPS OF MEMBERS OF THE BOARD OF DIRECTORS

The following table sets forth the past and current directorships held by the current members of the Board of Directors in the past five years:

| Directorships of the Board of Directors members | Current and former directorships                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Janis Samaras                                   | Chairman of the BoD, Kofola ČeskoSlovensko a.s., since 2015<br>Chairman of the BoD, Kofola CS a.s. 2006-2016<br>Chairman of the BoD, KOFOLA S.A. (PL), 2008-2016<br>Statutory representative, PINELLI spol.s r.o., 2011-2016<br>Chairman of the BoD, Kofola a.s. (CZ), since 2011<br>BoD Member, Alofok Ltd., since 2012<br>BoD Member, Kofola a.s. (SK), since 2004<br>SB Member, RADENSKA d.o.o. (SI), 2015-2016<br>Statutory representative UGO trade s.r.o., since 2018<br>Chairman of the BoD, AETOS a.s., since 2017<br>Statutory representative, Palác Silesia s.r.o., since 2016 |
| Daniel Buryš                                    | Vice-Chair of the BoD, Kofola ČeskoSlovensko a.s., since 2015, (Vice-Chair of the BoD since 2018)<br>SB Member, RADENSKA d.o.o. (SI), 2015-2016<br>BoD Member, Kofola a.s. (SK), since 2011<br>BoD Member, KOFOLA S.A. (PL), 2013-2016<br>BoD Member, Kofola a.s. (CZ), since 2010<br>BoD Member, Kofola CS a.s., 2013-2016<br>Statutory representative, UGO trade s.r.o., 2012-2018<br>Statutory representative, Mangaloo s.r.o., 2014<br>Statutory representative, Mangaloo freshbar s.r.o., 2014                                                                                      |
| Pavel Jakubík                                   | SB Member, Kofola CS a.s., 2015-2016<br>SB Member, Kofola ČeskoSlovensko a.s., 2015-2018<br>Statutory representative, Minerálka s.r.o., since 2018<br>SB member, KOFOLA S.A. (PL), 2012-2016<br>Member of the BoD, Kofola ČeskoSlovensko a.s. since 2018                                                                                                                                                                                                                                                                                                                                 |
| René Musila                                     | Vice-Chair of the BoD, Kofola ČeskoSlovensko a.s., since 2015 (Vice Chairman of the BoD since 2018)<br>SB Member, RADENSKA d.o.o. (SI), 2015-2016<br>Vice-Chair of the BoD, Kofola CS a.s., since 2011; 2006-2011 (BoD member)<br>BoD Member, KOFOLA S.A. (PL), 2008-2016<br>Statutory representative, SANTA-TRANS s.r.o., since 2004<br>Vice-Chair of the BoD, Kofola a.s. (CZ), since 2006<br>BoD Member, Kofola a.s. (SK), since 2017<br>BoD Member, AETOS a.s., since 2017                                                                                                           |
| Jiří Vlasák                                     | Chairman of the BoD, HOOP Polska Sp.z.o.o., 2016-2019<br>BoD Member, Kofola ČeskoSlovensko a.s., since 2015<br>BoD Member, Kofola a.s. (CZ), 2010-2016<br>Statutory representative, PINELLI spol.s r.o., 2011-2016<br>BoD Member, Kofola a.s. (SK), 2011-2016<br>BoD Member, KOFOLA S.A. (PL), 2015-2016                                                                                                                                                                                                                                                                                 |
| Marián Šefčovič                                 | Vice-Chair of the BoD, Kofola a.s., 2011-2015<br>BoD Member, Kofola ČeskoSlovensko a.s., since 2017<br>Chairman of the BoD, RADENSKA d.o.o. since 2015<br>BoD Member, Kofola a.s. (SK), 2007-2015<br>Chairman of the BoD, Studenac d.o.o. since 2016                                                                                                                                                                                                                                                                                                                                     |

Above mentioned activities are considered as significant.

### 8.4.3 SUPERVISORY BOARD

The Supervisory Board is responsible for supervising the conduct of and providing advice to the Board of Directors and for supervising the Company's business generally. In performing its duties, the Supervisory Board is required to take into account the interests of the Company's business. Status, powers, composition, decision-making and other basic rights and obligations as well as rules of procedure are included in Art. 16 of the Articles of Association of the Company. The members of the Supervisory Board are not authorised to represent the Company in dealings with third parties, unless they are explicitly appointed by the Supervisory Board to represent the Company in courts and other authorities' proceedings against a member of the Board of Directors of the Company. The members of the Supervisory Board are elected by the General Meeting.

A member of the Supervisory Board is appointed for a period of five years. A member of the Supervisory Board may be reappointed. The General meeting may elect alternate member/s for filling free posts of members of the Supervisory Board according to the predefined order. If the alternate members are not elected, the Supervisory Board, in which the number of members elected by the General meeting has not decreased by more than one half, may appoint substitute member until the next General meeting. The term of office of a substitute member of the Supervisory Board shall not be applied towards the term of office of a member of the Supervisory Board.



## 8. CORPORATE GOVERNANCE



The Supervisory Board consists of four members. The Supervisory Board shall appoint a chairperson from amongst its members. The General Meeting may at any time suspend or dismiss Supervisory Board members.

The Supervisory Board constitutes a quorum if a majority of its members is present or otherwise takes part in a meeting. It takes a decision by a majority of votes of the present or otherwise participating members. In case of a tie the vote of the chairman decides.

The Supervisory Board holds at least one meeting every calendar quarter. The Supervisory Board may also take decisions per rollam.

### MEMBERS OF THE SUPERVISORY BOARD

As at the date of the Report, the Supervisory Board is composed of four (4) members. The table below sets forth the names, positions, election date, and terms of office of the current members of the Supervisory Board:

| Members of the Supervisory Board | Position                          | Age | Appointment date  | Expiration of the office term |
|----------------------------------|-----------------------------------|-----|-------------------|-------------------------------|
| René Sommer                      | Chairman of the Supervisory Board | 52  | 17 June 2015      | 17 June 2020                  |
| Jacek Woźniak                    | Member of the Supervisory Board   | 50  | 15 September 2015 | Expired on 21 Jan 2018        |
| Moshe Cohen-Nehemia              | Member of the Supervisory Board   | 49  | 15 September 2015 | 15 September 2020             |
| Pavel Jakubík                    | Member of the Supervisory Board   | 42  | 15 September 2015 | Expired on 25 November 2018   |
| Petr Pravda                      | Member of the Supervisory Board   | 58  | 17 June 2015      | 17 June 2020                  |
| Bartosz Kwiatkowski              | Member of the Supervisory Board   | 31  | 18 December 2017  | Expired on 25 October 2018    |
| Dariusz Prończuk                 | Member of the Supervisory Board   | 57  | 6 February 2018   | Expired on 25 October 2018    |
| Tomáš Jendřejek                  | Member of the Supervisory Board   | 52  | 30 November 2018  | 30 November 2023              |

A brief description of the qualifications and professional experience of the members of the Supervisory Board is presented below.

### RENÉ SOMMER

René Sommer is the Chairman of the Supervisory Board of the Company. In 1992, Mr. Sommer started to cooperate with SP Vrachos, which was taken over by Santa Nápoje, the predecessor of the Kofola Group. Mr. Sommer held many different positions in the Group's structures in financial, HR and legal departments. He also held the position of CEO in Kofola CZ. Prior to joining the Kofola Group, he worked, among others, as the Project Manager of Production for ČKD Polovodiče Praha (until 1990) and ran his own grocery chain (starting from 1990).

### JACEK WOŹNIAK

Jacek Woźniak was a member of the Supervisory Board till 21 January 2018.

### MOSHE COHEN-NEHEMIA

Moshe Cohen-Nehemia is a member of the Supervisory Board of the Company. He graduated from the Faculty of Economics at the Open University in Israel in 1995 and completed an MBA program at Ben Gurion University in 2000. Mr. Cohen-Nehemia joined the Kofola Group in 2014 as a member of the Supervisory Board of Kofola PL. Mr. Cohen-Nehemia gained professional experience in the beverages industry at Jafora Tabori (Israel) (1997-2004), RC Cola International (USA) (from 2005), being responsible, among others, for strategic marketing, cooperation with strategic partners, and managing business development projects on foreign markets.

### PAVEL JAKUBÍK

Pavel Jakubík was a member of the Supervisory Board till 25 November 2018.

## 8. CORPORATE GOVERNANCE



### PETR PRAVDA

Petr Pravda is a member of the Supervisory Board of the Company. He graduated from the Charles University in Prague in biophysics in 1985. He started cooperation with the Kofola Group in 2000 when he became a quality manager at Santa Napoje. He was promoted to the position of Director of Research and Development, Quality Control Department in Kofola CS. Prior to joining the Kofola Group, he worked in laboratories of the agriculture industry and at a regional hygienic authority where he became chief of laboratories analysing food, water, soils, etc.

### BARTOSZ KWIATKOWSKI

Bartosz Kwiatkowski was a member of the Supervisory Board till 25 October 2018.

### DARIUSZ PROŃCZUK

Dariusz Prończuk was a member of the Supervisory Board till 25 October 2018.

### TOMÁŠ JENDŘEJEK

Tomáš Jendřejek is a member of the Supervisory Board of the Company. He received secondary education and gained a CIMA certificate from the Czech Institute of Marketing in 2010. He established his relationship with Kofola in 1994 as a Sales representative and after several promotions he became the Sales Director in 2002. Since 2006 he has been responsible for procurement of the Group. Before joining the Group, he had worked for eight years in the plant producing the tannery industry machines.

### DIRECTORSHIPS OF THE MEMBERS OF THE SUPERVISORY BOARD

The following table sets forth the past and current directorships held by the current members of the Supervisory Board in the past five years:

| Directorships of the Supervisory Board members | Current and former directorships                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| René Sommer                                    | Chairman of the SB, Kofola ČeskoSlovensko a.s., since 2015<br>Chairman of the SB, KOFOLA S.A. (PL), 2011-2016<br>Statutory representative, SANTA-TRANS s.r.o., 1997-2013<br>Chairman of the SB, AETOS a.s., since 2017<br>Statutory representative, Palác Silesia s.r.o., since 2016<br>Chairman of the SB, REMA AOS, a.s., since 2015                                                                                                                  |
| Moshe Cohen-Nehemia                            | SB Member, Kofola ČeskoSlovensko a.s., since 2015<br>SB Member, KOFOLA S.A. (PL), 2014-2016                                                                                                                                                                                                                                                                                                                                                             |
| Tomáš Jendřejek                                | SB Member, Kofola ČeskoSlovensko a.s., since 2018<br>SB Member, Kofola a.s., since 2015<br>SB Member, RADENSKA d.o.o. (SI), 2015-2016<br>BoD Member, KOFOLA S.A. (PL), 2008-2016<br>Statutory representative, UGO trade s.r.o., since 2018<br>Statutory representative, SANTA-TRANS s.r.o., since 2013<br>Member of the BoD, Kofola CS a.s., 2011-2016<br>Member of the BoD, Kofola ČeskoSlovensko a.s., 2015-2018<br>SB Member, AETOS a.s., since 2017 |
| Petr Pravda                                    | SB Member, Kofola ČeskoSlovensko a.s., since 2015<br>SB Member, KOFOLA S.A. (PL), 2015-2016<br>SB member, Kofola CS a.s., 2006-2015<br>Chairman of the SB, Kofola CS a.s., 2015-2016<br>Chairman of the SB, Kofola a.s. (CZ), since 2006<br>SB member, Kofola a.s. (SK), since 2014                                                                                                                                                                     |

Above mentioned activities are considered as significant.

### 8.4.4 AUDIT COMMITTEE

Competences of the Audit Committee are laid down by the law. The Audit Committee assists the Supervisory Board in supervising the activities of the Board of Directors with respect to:

- recommending to the Supervisory Board the selection of an auditor of the financial statements of the Company and of the Group companies, and of the consolidated financial statements for the previous financial year,
- monitoring the audit of the Company's financial statements and the consolidated financial statements for the previous financial year; becoming familiar with the details of the results of these audits at their various stages,
- presenting to the Board of Directors its findings and recommendations relating to the audit and evaluation of the financial statements and consolidated financial statements for the previous financial year, as well as the Board of Director's proposed distribution of profit or coverage of loss,
- presenting to the Board of Directors its findings and recommendations on granting a discharge to the member of the Board of Directors in charge of the economic and finance department for the duties he/she performed,
- performing other tasks determined by the Board of Directors depending on the needs arising from the Company's current situation,
- submitting to the Board of Directors annual reports on the Audit Committee's operations, and
- other matters as specified in Article 41 of Directive No. 2006/43/EC passed by the European Parliament on 17 May 2006.

The members of the Audit Committee are elected by the General Meeting from among the whole Group or third parties.

#### MEMBERS OF THE AUDIT COMMITTEE

As at the date of the Report, the Audit Committee is composed of three members. The table below sets forth the names, positions, election date, and terms of office of the current members of the Audit Committee:

| Members of the Audit Committee | Position                        | Age | Appointment date  | Expiration of the office term |
|--------------------------------|---------------------------------|-----|-------------------|-------------------------------|
| Petr Šobotník                  | Chairman of the Audit Committee | 64  | 21 June 2017      | 21 June 2022                  |
| Pavel Jakubík                  | Member of the Audit Committee   | 42  | 15 September 2015 | Expired on 25 November 2018   |
| Bartosz Kwiatkowski            | Member of the Audit Committee   | 31  | 18 December 2017  | Expired on 25 November 2018   |
| Zuzana Prokopcová              | Member of the Audit Committee   | 44  | 30 November 2018  | 30 November 2023              |
| Lenka Frostová                 | Member of the Audit Committee   | 46  | 30 November 2018  | 30 November 2023              |

A brief description of the qualifications and professional experience of the members of the Audit Committee is presented below.

#### PETR ŠOBOTNÍK

Petr Šobotník is the chairman of the Audit Committee. He has more than 20 years experience in audit profession, in 1995-2010 he was an audit Partner in Coopers & Lybrand and PricewaterhouseCoopers. Up to his early retirement from PwC in 2010 he functioned in various performing positions focusing mainly on local market development. Petr Šobotník also served as the President of the Chamber of Auditors of the Czech Republic in years 2007-2014, from 2014-2016 he was a member of the Supervisory Board of the Chamber of Auditors of the Czech Republic.

#### PAVEL JAKUBÍK

Pavel Jakubík was a member of the Audit Committee till 25 November 2018.

#### BARTOSZ KWIATKOWSKI

Bartosz Kwiatkowski was a member of the Audit Committee till 25 November 2018.

## 8. CORPORATE GOVERNANCE

### ZUZANA PROKOPCOVÁ

Zuzana Prokopcová is a member of the Audit Committee. Zuzana Prokopcová graduated from the University of Economics in Prague, Faculty of finance and accounting. She has experience as an auditor in international advisory company and in the management of large companies. Zuzana began her professional career at the international consulting company PricewaterhouseCoopers (PwC) in 1998, where she served as an auditor, focusing mainly on financial institutions. Subsequently, she held the same position for one year in Russia and for two and half years in Kazakhstan, again within the framework of her work at PwC. For 2014-2016, she was the Vice-Chairman of the Board of Directors and CFO of Czech Aeroholding, the leading company in the field of air transport in the Czech Republic, where she was responsible for treasury, accounting, tax, controlling, internal audit and risk management areas. In years 2017 and 2018, she worked as a COO in Moore Stephens s.r.o. Zuzana is a Certified member of the Association of Chartered Certified Accountants.

### LENKA FROSTOVÁ

Lenka Frostová is a member of the Audit Committee. Lenka Frostová graduated from the Technical University of Ostrava with a specialisation in management. She became a member of the Association of Chartered Certified Accountants in 2000. She joined the Kofola Group in 2016 as Group reporting manager, and in 2018 she assumed the role of Financial manager. Previous to joining the Kofola Group, she was an audit supervisor at Ernst & Young Audit s.r.o. (1996-2005) and later joined OKD, a.s. as an IFRS specialist, before becoming Accounting manager (2005-2016).

### DIRECTORSHIPS OF THE MEMBERS OF THE AUDIT COMMITTEE

The following table sets forth the past and current directorships held by the current members of the Audit Committee in the past five years:

| Directorships of the Audit Committee members | Current and former directorships                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Petr Šobotník                                | Chairman of the AC, Kofola ČeskoSlovensko a.s., since 2017<br>Chairman of the AC, Severomoravské vodovody a kanalizace Ostrava a.s., since 2017<br>Chairman of the AC, ČEPRO, a.s., since 2016<br>Chairman of the AC, Český Aeroholding, a.s., since 2014<br>Chairman of the AC, Československá obchodní banka, a.s., since 2016<br>Member of the SB, Československá obchodní banka, a.s., since 2017<br>Executive Director, Šobotník & Partners, s.r.o., since 2010<br>Member of the SB, Letiště Praha, a.s., since 2017          |
| Zuzana Prokopcová                            | AC member, Kofola ČeskoSlovensko a.s., since 2018<br>AC member, MONETA Money Bank, a.s., since 2017<br>Chairman of the SB, Sky Venture a.s., 2014-2016<br>Chairman of the SB, Czech Airlines Technics, a.s., 2014-2016<br>Vice-Chair of the BoD, Český Aeroholding, a.s., 2014-2016<br>Chairman of the SB, B. aircraft, a.s., 2014-2016<br>Chairman of the SB, Czech Airlines Handling, a.s., 2014-2016<br>Chairman of the SB, Whitelines Industries a.s., 2014-2016<br>Chairman of the SB, Realitní developerská, a.s., 2014-2016 |
| Lenka Frostová                               | AC Member, Kofola ČeskoSlovensko a.s., since 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

### 8.4.5 PERSONS WITH EXECUTIVE AUTHORITY

#### DEFINITION

The Company regard as persons with executive authority those persons that are either:

- a member of the Board of Directors of the Company, or
- a member of the Supervisory Board of the Company, or
- a member of the Audit Committee of the Company, or
- a participant of the Group Share Option plan, or
- other top management members who both make decisions within the Company or Group that can affect future development and strategy of the Company and the Group and who have an access to inside information.

#### IDENTIFICATION

The following persons qualified as persons with executive authority:

### MEMBERS OF THE BOARD OF DIRECTORS

- Janis Samaras
- Daniel Buryš
- René Musila
- Pavel Jakubík
- Jiří Vlasák
- Marian Šefčovič

### MEMBERS OF THE SUPERVISORY BOARD

- René Sommer
- Tomáš Jendřejek
- Petr Pravda
- Moshe Cohen-Nehemia

### MEMBERS OF THE AUDIT COMMITTEE

- Petr Šobotník
- Zuzana Prokopcová
- Lenka Frostová

### OTHER PERSONS WITH THE EXECUTIVE AUTHORITY

#### *KAREL HRBEK*

Karel Hrbek is a marketing director responsible for Group activities in Czech and Slovak region. He is also member of the Board of Directors of the Kofola a.s. (ČR) and Kofola a.s. (SK).

#### *MARTIN PISKLÁK*

Martin Pisklák is a financial director in Company's subsidiaries RADENSKA and Studenac.

#### *LUBOMÍR SURÍK*

Lubomír Surík is an operation director in Company's subsidiaries RADENSKA and Studenac.

#### *JURE ZRILIC*

Jure Zrilic is a sales director in Company's subsidiaries RADENSKA and Studenac.

#### *RENÉ NOVOTNÝ*

René Novotný is a CEO of SANTA-TRANS s.r.o.

No person with managerial responsibilities has been convicted of crime or fraud in the past five years, they were not connected with any proceedings of bankruptcy or liquidation, nor were they involved in any public accusation from official authorities. No person with managerial responsibilities was rendered incapable of acting as a member of management or supervisory bodies of any company in the past five years.

No person with managerial responsibilities is in the conflict of powers with the Group activities.

### REMUNERATION PRINCIPLES

The persons with executive authority, aside from regular salaries that are based on individual employment contracts, receive variable compensation based on the Group's results. Remuneration for explicit work in the Board of Directors and Supervisory Board, as well as in Audit Committee is paid only to Non-executive members. The remuneration level is given by the General meeting resolution. No members of the administrative, management or supervisory body of the Company or any of its subsidiaries have any service contracts with the Company or the respective Company's subsidiary which would provide benefits upon termination of the member's services with the Company or the respective Company's subsidiary.

All members of administrative, management and supervisory bodies of the Company and of its subsidiaries work for the Company or the respective subsidiary on the basis of standard employment contracts and the relationship between these members and the Company or the respective Company's subsidiary is governed by the local employment law. Accordingly,

all members of the administrative, management and supervisory bodies of the Company work on the basis of an individual employment contract governed by the Czech law.

The remuneration of persons with executive authority consists of a fixed and a variable component related to each particular position and the management level. Remuneration is paid in the form of salaries for work performed under employment contracts. The level of salaries is based on qualified benchmarking studies on manager's remuneration in the Czech Republic and reflects both managerial and professional potential as well as competencies. The variable component amounts 0 – 100% of the basic monthly salaries and is paid yearly in relation to the level of planned EBITDA performance. The payment execution is not a subject of any further approval of the Board of Directors, until the variable component amount exceeds the limit stated in the Article of Association.

In addition to financial income, persons with executive authority are entitled to an income in kind, which includes:

1. right to use a business car for private purposes;
2. accommodation costs, eventual costs associated with relocation;
3. air ticket expenditures according to internal regulation;
4. fuel consumption for private purposes.

This income in kind is adjusted by the internal regulation and depends on the level of managerial position.

The remuneration system is approved by the Board of Directors. The variable component related to planned EBITDA is amended individually for each year by the Board of Directors as well.

According to the Czech law, an employee is entitled to a severance payment upon termination of his/her employment (by agreement or notice) only if:

1. the employer or a portion of the employer's organization is dissolved or relocated, or
2. the employee becomes redundant because of a decision by the employer or the respective body to change the employer's tasks or technical set-up, to reduce the number of employees for the purpose of raising work productivity, or to make other organizational changes. If one of the above conditions is met, the employee should receive from the employer a severance payment based on his/her years of service as set out in the table below:

| Duration of employment relationship   | Amount of severance payment                                     |
|---------------------------------------|-----------------------------------------------------------------|
| less than 1 year                      | at least 1 multiple of the employee's average monthly earnings  |
| at least 1 year but less than 2 years | at least 2 multiples of the employee's average monthly earnings |
| at least 2 years                      | at least 3 multiples of the employee's average monthly earnings |

If the reason for employment termination (by agreement or notice) is a work-related injury, work-related sickness or threat of work-related sickness, the employee is then entitled to receive from the employer a severance payment in the amount of at least 12 multiples of the employee's average monthly earnings.

With respect to the members of the Board of Directors and the Supervisory Board the Group transfers mandatory social security contributions being part of the national pension systems in the countries where the Group is obliged to make such contributions. No other amounts are set aside to provide pension or retirement benefits to the members of the Board of Directors and the Supervisory Board.

## 8. CORPORATE GOVERNANCE

### REMUNERATION SUMMARY

Presented below is the structure of the remuneration paid out to persons with executive authority in 2018. All costs were paid by the Company, except for the remuneration of Other key management personnel which was paid by other Group entities.

| Remuneration of the Group's key management personnel            | compensation  | Members of the Company's Board of Directors | Members of the Company's Supervisory Board | Members of the Company's Audit Committee | Other key management personnel of the Group | Total         |
|-----------------------------------------------------------------|---------------|---------------------------------------------|--------------------------------------------|------------------------------------------|---------------------------------------------|---------------|
|                                                                 |               | CZK'000                                     | CZK'000                                    | CZK'000                                  | CZK'000                                     | CZK'000       |
| Amounts paid for activities in the Company's Board of Directors | Financial     | 17 029                                      | -                                          | -                                        | -                                           | <b>17 029</b> |
|                                                                 | Non-financial | 940                                         | -                                          | -                                        | -                                           | <b>940</b>    |
| Amounts paid for activities in the Company's Supervisory Board  | Financial     | -                                           | 1 028                                      | -                                        | -                                           | <b>1 028</b>  |
|                                                                 | Non-financial | -                                           | -                                          | -                                        | -                                           | -             |
| Amounts paid for activities in the Company's Audit Committee    | Financial     | -                                           | -                                          | 156                                      | -                                           | <b>156</b>    |
|                                                                 | Non-financial | -                                           | -                                          | -                                        | -                                           | -             |
| Amounts paid for other activities within the Group              | Financial     | 7 259                                       | 4 268                                      | 93                                       | 10 559                                      | <b>22 179</b> |
|                                                                 | Non-financial | -                                           | 445                                        | 4                                        | 350                                         | <b>799</b>    |
| Total expense from equity settled transactions (Option scheme)  | A 7.2 (k)     | 3 819                                       | 551                                        | -                                        | 1 954                                       | <b>6 324</b>  |
| Cumulated expense from equity settled transactions              | A 7.2 (k)     | 5 574                                       | 762                                        | -                                        | 2 797                                       | <b>9 133</b>  |
| Cumulated number of Pair shares granted on 31.12.2018 [pcs.]    | A 7.2 (k)     | 26 677                                      | 3 729                                      | -                                        | 13 191                                      | <b>43 597</b> |

### 8.5. DESCRIPTION OF DIVERSITY POLICY APPLIED TO GOVERNANCE BODIES

Due to the fact that there is no binding diversity policy regime in the Czech Republic, which the Company has to comply with, the Company, as at the date of the annual report, did not commit to comply with any specific diversity policy.

Regardless of age, gender or other indicators the Company places main emphasis on search and appointment of the most suitable candidates into the governance bodies of the Company (Board of Directors, Supervisory Board or Audit Committee) taking account on their background, experience and qualification for performance of the position of a member of the relevant governance body of the Company. The Company also assess candidates' knowledge in the business field of the Company or nature of activities of the relevant body.

All the persons suitable for the positions in the governance bodies of the Company are chosen in a non-discriminatory manner.

### 8.6. FINANCIAL REPORTING PROCESS

Entities in the Kofola Group keep their accounting primarily in accordance with the local accounting standards. The Group companies maintain a parallel general ledger according to International Financial Reporting Standards as adopted by the European Union (IFRS) for consolidation purposes, as well as for the Group management who periodically evaluates IFRS results.

Individual Group companies are reporting their statutory annual financial results according to local accounting standards, except for Kofola ČeskoSlovensko a.s. (as the issuer of publicly traded instruments), that reports separate and consolidated results quarterly and annually based on IFRS. Hoop Polska Sp. z o.o. also reports its individual financial statements according to IFRS.

The Group maintains the Group Accounting Manual that complies with IFRS that contains general principles to prepare the consolidation packages and consolidated financial statements. All the Group entities follow the Group Accounting Manual and as such the Group accounting policies are unified.

The accounting is partly carried out at individual entities and partly is centralised. The shared service is maintained by Kofola ČeskoSlovensko a.s. in Ostrava.

The accounting is processed in enterprise information system SAP that is implemented in all major Group companies. The Company and the Group follow the internal guidelines and internal directives with respect to e.g. the circulation of accounting documents, approval processes or orders.

The approval procedures are specified in internal guidelines that specify the transaction limits that particular employees can approve. The Group has implemented a three-way match policy to pair order, receipt note (or other confirmation of transaction) and the invoice. The payments are made only if approved by a specified employee, the treasury function is personally separated from accounting function.

The information system access rights are granted after approval by persons specified in internal guidelines only to authorised employees and only to limited parts of the system valid for the employee's job specification.

The accounting is under an oversight of controlling department that is separated from accounting department both personally and in terms of organization structure. Also, the Group has established an internal processes review function in order to assess and improve the design, implementation and operating effectiveness of the internal controls and process. The accounting is also subject to external audit, both on individual and on consolidated basis, with the Audit Committee overseeing the audit process and findings.



### REPORT ON RELATIONS BETWEEN THE CONTROLLING ENTITY AND THE CONTROLLED ENTITY AND BETWEEN THE CONTROLLED ENTITY AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY FOR THE ACCOUNTING PERIOD OF 2018

Pursuant to Section 82 of Act No. 90/2012 Coll., on business corporations, the Board of Directors of Kofola ČeskoSlovensko a.s., with its registered office at Nad Porubkou 2278/31a, Poruba, 708 00 Ostrava, Czech Republic, identification number 24261980, in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735 („Controlled entity“ or „Company“) has prepared the following Report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity for the accounting period of twelve months ended 31 December 2018 („Indicated period“).

#### 9.1. STRUCTURE OF RELATIONS BETWEEN RELATED PARTIES AND THE DESCRIPTION OF THE ENTITIES

Based on the information known to the Board of Directors of the Company acting with due care, the Company was for the period of 1 January 2018 till 30 August 2018 part of the group controlled by KSM Investment S.A. KSM Investment S.A. merged into AETOS a.s. on 31 August 2018 („Group“). Data about the entities that were part of the Group are valid as of 31 December 2018, based on the information known to the Board of Directors acting with due care.

##### 9.1.1 INFORMATION ABOUT THE GROUP ENTITIES

###### CONTROLLED ENTITY

*KOFOLA ČESKOSLOVENSKO A.S.*

Identification number: 24261980

Registered office: Nad Porubkou 2278/31a, 708 00 Ostrava, Czech Republic

###### CONTROLLING ENTITY

*KSM INVESTMENT S.A. (UNTIL 30 AUGUST 2018)*

Registered office: Rue de Neudorf 560A, L-2220 Luxembourg, Luxembourg

*AETOS A.S. (FROM 31 AUGUST 2018)*

Identification number: 06167446

Registered office: Nad Porubkou 2278/31a, 708 00 Ostrava, Czech Republic

###### OTHER ENTITIES CONTROLLED BY CONTROLLING ENTITY

*KOFOLA A.S.*

Identification number: 27767680

Registered office: Za Drahou 165/1, Pod Bezručovým vrchem, 794 01 Krnov, Czech Republic

*KOFOLA A.S.*

Identification number: 36319198

Registered office: Rajecká Lesná súp. č. 1, 013 15, Slovakia

*HOOP POLSKA SP. Z O.O.*

Identification number: 0000269410

Registered office: Wschodnia 5, 99-300 Kutno, Poland

*UGO TRADE S.R.O.*

Identification number: 27772659

Registered office: Za Drahou 165/1, Pod Bezručovým vrchem, 794 01 Krnov, Czech Republic

## 9. REPORT ON RELATIONS



*SANTA-TRANS S.R.O.*

Identification number: 25377949

Registered office: Ve Vrbíně 592/1, 794 01 Krnov - Pod Cvilínem, Czech Republic

*RADENSKA D.O.O.*

Part of the Group since 17 March 2015

Identification number: 5056152

Registered office: Boračeva 37, 9502, Radenci, Slovenia

*RADENSKA MIRAL D.D. (MERGED ON 3 AUGUST 2018 WITH RADENSKA D.O.O, RADENSKA D.O.O. ACTS AS A LEGAL SUCCESSOR).*

Part of the Group since 17 March 2015

Identification number: 1778307

Registered office: Boračeva 37, 9502, Radenci, Slovenia

*RADENSKA D.O.O.*

Part of the Group since 17 March 2015

Identification number: 27005250232

Registered office: Andrije Hebranga 30, Zagreb, Croatia

*RADENSKA D.O.O.*

Part of the Group since 17 March 2015

Identification number: 20059842

Registered office: 27. Marta 11/1, 110 00, Beograd, Serbia

Liquidated on 2 October 2017

*ALOFOK LTD.*

Registered office: 6, Karaiskaki Street, City House, 3032, Limassol, Cyprus

*STUDENAC D.O.O.*

Part of the Group since 20 December 2016

Identification number: 42128028

Registered office: Matije Gupca 120, Lipik, Croatia

*PREMIUM ROSA SP. Z O.O.*

Part of the Group since 10 July 2017

Identification number: 0000295231

Registered office: ul. Św. Andrzeja Boboli 20, Złotokłos, Poland

*LEROS, S.R.O.*

Part of the Group since 13 March 2018

Identification number: 61465810

Registered office: U Národní galerie 470, Praha 5, Czech Republic

*MINERÁLKA S.R.O.*

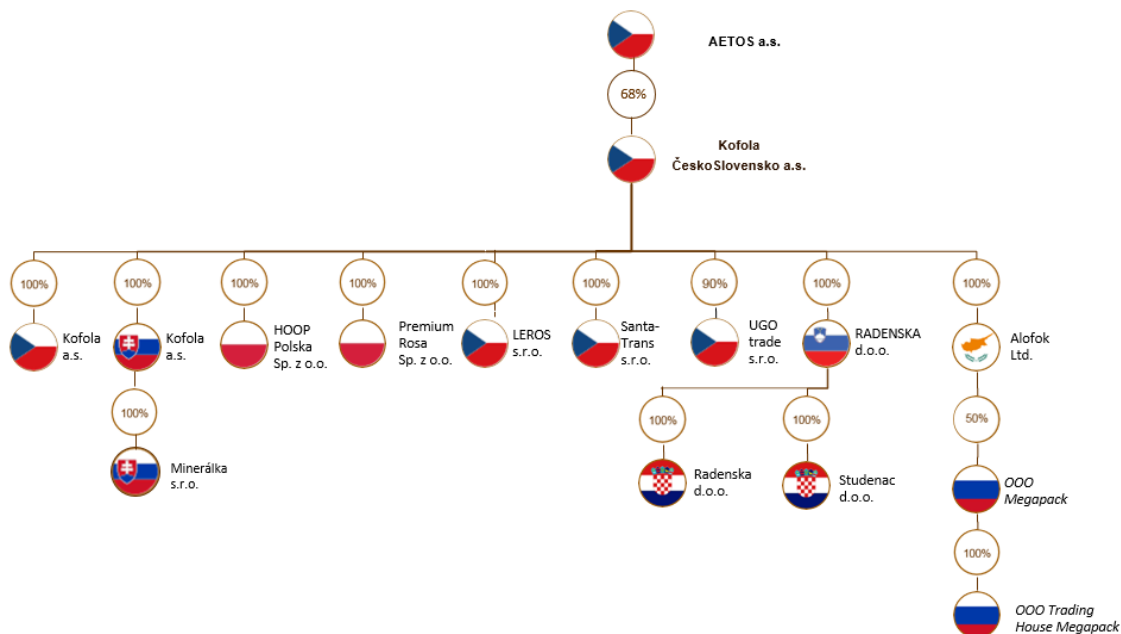
Part of the Group since 13 June 2018

Identification number: 50482521

Registered office: Rajecká Lesná súp. č. 1, 013 15, Slovakia

## 9. REPORT ON RELATIONS

### 9.2. STRUCTURE OF RELATIONS AND OWNERSHIP INTERESTS BETWEEN RELATED ENTITIES AS AT 31 DECEMBER 2018



### 9.3. ROLE OF THE CONTROLLED ENTITY IN THE ORGANISATIONAL STRUCTURE

The Company became part of the Group in 2015. The Company is the parent company of the Kofola Group. The main asset of the Company is the direct and indirect shareholdings in the Group Companies. Company also provides certain services for the other companies in Kofola Group. This comprises, in particular, the provision of:

- strategic services, including: cooperation in the preparation of business, marketing, production, investment and financing plans, management of subsidiaries, including their financing;
- services related to products (quality department), including: central product development, innovation process management, costing and pricing, production and logistics planning, quality control;
- shared services, including: controlling and reporting, IT services, legal services, central purchasing department, back office services, supply chain, call center, internal audit
- licenses and trademarks: Kofola ČeskoSlovensko a.s. owns most licenses, trademarks for branded beverages and similar copyrights for the products distributed on the CzechoSlovak market, for which the other Group Companies pay royalties.

The Company is listed at Prague Stock Exchange. A delisting from the Warsaw Stock Exchange took place in June 2017.

### 9.4. METHOD AND MEANS OF CONTROL

With the implementation of the new Articles of Association of the Company dated 15 September 2015 as amended on 30 May 2016, the control of the Company is exercised above all through decision taken by the general meeting of the Company, especially through appointment and removal of members of the Supervisory Board which is according to the Articles of Association of the Company entitled to appoint and remove members of the Board of Directors of the Company.

### 9.5. LIST OF ACTS WITH VALUE EXCEEDING 10% OF EQUITY

On August 3, 2017 the Company as a borrower together with Kofola a.s. (CR), Kofola a.s. (SK) and UGO trade s.r.o. as co-borrowers concluded with the Česká spořitelna, a.s. and Československá obchodní banka, a.s. the facility agreement up to CZK 4 261 000 thousand. The facility loan agreement (which refinanced current loans and a loan for financing RADENSKA d.o.o. acquisition) with carrying amount of CZK 2 640 987 thousand as at 31 December 2018 is a main component of Group's liabilities. The reason for the execution of the facility loan agreement was a consolidation of Group financing to ensure strategic development, taking advantage of the favourable conditions of financial market and reduction of total financial cost.

The Company received a dividend income from Kofola a.s. (SK) of CZK 173 171 thousand.

RADENSKA d.o.o. made an announcement on 10 July 2017 of its bid to purchase up to 5.00% of Kofola shares for a price of CZK 440. The share purchases were settled on 3 October 2017, when RADENSKA d.o.o. purchased from the interested parties a total of 1 114 109 shares of Kofola for a price of CZK 440 per share and now owns approximately 5.00% of Kofola shares.

### 9.6. LIST OF MUTUAL CONTRACTS BETWEEN CONTROLLED ENTITY AND CONTROLLING ENTITY OR BETWEEN CONTROLLED ENTITIES

In the indicated period, the following contracts were concluded between controlled entity and controlling entity or between controlled entities:

- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 1 June 2018,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and SANTA-TRANS s.r.o. on 22 June 2018,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS s.r.o. on 1 May 2018,
- service agreement (controlling, financial and purchasing activities) concluded between Kofola ČeskoSlovensko a.s. and SANTA-TRANS s.r.o. on 1 December 2018
- accounting services agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 2 January 2018
- accounting services agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 2 January 2018
- annex to the accounting services agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 29 January 2018
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Premium Rosa Sp. z o.o. on 9 August 2018 and the amendment of the loan agreement concluded on 21 October 2018
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS s.r.o. on 4 May 2018 and the amendment of the loan agreement concluded on 30 October 2018
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS s.r.o. on 25 May 2018
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Hoop Polska Sp. z o.o. on, 11 October 2018
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SR) on 28 January 2018

#### PROVIDED GUARANTEES:

| Entity receiving guarantees | Currency | Guarantee amount | Guarantee amount | Guarantee period      | Guarantees provided for | Relationship |
|-----------------------------|----------|------------------|------------------|-----------------------|-------------------------|--------------|
|                             |          | FCY'000          | CZK'000          |                       |                         |              |
| City-Arena PLUS a.s.        | EUR      | 7                | 180              | 8/2020                | UGO Trade s.r.o.        | subsidiary   |
| PRO-FLEX S.A.               | PLN      | 272              | 1 627            | 9/2019                | Hoop Polska Sp. z o.o.  | subsidiary   |
| ALPLA Sp. z o.o.            | PLN      | 2 785            | 16 654           | 12/2019               | Hoop Polska Sp. z o.o.  | subsidiary   |
| Bogucki Folie Sp. z o.o.    | PLN      | 498              | 2 980            | 10/2019               | Hoop Polska Sp. z o.o.  | subsidiary   |
| UAB Putokšnis               | EUR      | 120              | 3 099            | until end of contract | Hoop Polska Sp. z o.o.  | subsidiary   |
| PORSHE LEASING              | EUR      | 600              | 15 435           | Lease terms           | Studenac d.o.o.         | subsidiary   |

## 9. REPORT ON RELATIONS



The following contracts concluded between controlled entity and controlling entity or between controlled entities were effective in the indicated period:

- management service agreement concluded between Kofola CS a.s. and Radenska d.d. (original company name of RADENSKA d.o.o.) on 1 January 2016,
- car rental agreement concluded between Kofola CS a.s. and UGO trade s.r.o. on 1 February 2016,
- car rental agreements concluded between Kofola CS a.s. and UGO trade s.r.o. on 1 November 2016,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 14 September 2016,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 8 November 2016,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1 November 2016,
- master inter-group service agreement concluded between Kofola CS a.s. and Radenska d.d. (original company name of RADENSKA d.o.o.) on 18 March 2015,
- car rental agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 25 February 2014,
- car rental agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 23 May 2014,
- car rental agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 1 July 2014,
- car rental agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 23 June 2014,
- car rental agreement concluded between Kofola CS a.s. and HOOP Polska Sp. z o.o. on 1 October 2014,
- service agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 20 January 2012,
- service agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Hoop Polska Sp. z o.o. on 16 November 2009,
- licence agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Hoop Polska Sp. z o.o. on 1 September 2008,
- service and agency agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (ČR) on 1 November 2006,
- service and agency agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (SK) on 1 November 2006,
- licence agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (SK) on 1 November 2006,
- licence agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (ČR) on 1 November 2006,
- licence agreement concluded between Kofola a.s. (ČR) and PINELLI spol. s r.o. on 16 May 2011. Successor of PINELLI spol. s r.o. after merger is Kofola ČeskoSlovensko a.s.
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and RADENSKA d.o.o. on 1 March 2017, 7 April 2017, 16 May 2017 and 2 August 2017 followed by the annex dated on 31 December 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Hoop Polska Sp. z o.o. on 28 November 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (ČR) on 19 September 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SR) on 27 November 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Santa-Trans s.r.o. on 28 December 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Premium Rosa Sp. z o.o. on 10 July 2017 and the amendment of the loan agreement concluded on 17 July 2017
- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and Hoop Polska Sp. z o.o. on 1 February 2017,
- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and RADENSKA d.o.o. on 1 February 2017,

## 9. REPORT ON RELATIONS

- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and Studenac d.o.o. on 1 February 2017,
- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1 February 2017,
- mandate agreement for marketing services concluded between Kofola ČeskoSlovensko a.s. and Hoop Polska Sp. z o.o. on 3 June 2017,
- bookkeeping service agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (ČR) on 1 September 2017,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Hoop Polska Sp. z o.o. on 1 January 2017,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 1 March 2017,
- car rental agreements concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (ČR) on 25 May 2017,
- car rental agreements concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1 March 2017,
- car rental agreements concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 3 April 2017,
- car rental agreements concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 2 May 2017.
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 12 September 2017,
- car rental agreements concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 1 November 2017,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 12 October 2017,

All described contractual relationships between the Company and controlling entity or controlled entities were established under standard contractual terms and conditions when the agreed and provided performance or consideration corresponded to the conditions of a standard business relation. Some transactions were realized based on oral agreements.

### 9.7. ASSESSMENT OF WHETHER THE CONTROLLED ENTITY SUFFERED A LOSS AND OF ITS SETTLEMENT

The Company has not suffered loss from contracts and agreements concluded in the Indicated period between the Company and other Group companies, or from other acts and measures that were concluded by the Company in the Indicated period based on instruction or in the interest of other Group entities.


### 9.8. ASSESSMENT OF ADVANTAGES AND DISADVANTAGES ARISING FROM RELATIONS BETWEEN RELATED ENTITIES

Controlled entity has advantages from relations with Group entities coming mainly from synergies from optimisation of processes and costs throughout the Group and from possibility to exploit access to financial, knowledge and technical potential of individual entities.

Controlled entity has no disadvantages from relations with Group entities.

The Company is not exposed to any specific risk from relations with Group entities except those arising from standard participation in international business group.

In Ostrava, on 25 March 2019



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René Musila  
Vice-Chair of the Board of Directors



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Pavel Jakubík  
Member of the Board of Directors

## 10. STATUTORY DECLARATION

STATUTORY DECLARATION OF PERSONS RESPONSIBLE FOR THE ANNUAL REPORT OF KOFOLA ČESKOSLOVENSKO A.S.

To the best of our knowledge, the consolidated annual report of Kofola ČeskoSlovensko a.s. gives a true and fair view of the financial position, business activities and financial performance of Kofola ČeskoSlovensko a.s. and its Group for the year 2018 and of the outlook for future development of the financial position, business activities and financial performance.

### SIGNATURES OF THE COMPANY'S REPRESENTATIVES

|                                 |                                                   |                                                                     |                                                                                                           |
|---------------------------------|---------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| <b>25.3.2019</b><br><i>date</i> | <b>Janis Samaras</b><br><i>name and surname</i>   | <b>Chairman of the Board of Directors</b><br><i>position/role</i>   | <br><i>signature</i>   |
| <b>25.3.2019</b><br><i>date</i> | <b>René Musila</b><br><i>name and surname</i>     | <b>Vice-Chair of the Board of Directors</b><br><i>position/role</i> | <br><i>signature</i>   |
| <b>25.3.2019</b><br><i>date</i> | <b>Daniel Buryš</b><br><i>name and surname</i>    | <b>Vice-Chair of the Board of Directors</b><br><i>position/role</i> | <br><i>signature</i>  |
| <b>25.3.2019</b><br><i>date</i> | <b>Pavel Jakubík</b><br><i>name and surname</i>   | <b>Member of the Board of Directors</b><br><i>position/role</i>     | <br><i>signature</i> |
| <b>25.3.2019</b><br><i>date</i> | <b>Jiří Vlasák</b><br><i>name and surname</i>     | <b>Member of the Board of Directors</b><br><i>position/role</i>     | <br><i>signature</i> |
| <b>25.3.2019</b><br><i>date</i> | <b>Marián Šefčovič</b><br><i>name and surname</i> | <b>Member of the Board of Directors</b><br><i>position/role</i>     | <br><i>signature</i> |

# 11. INDEPENDENT AUDITOR'S REPORT



**KPMG Česká republika Audit, s.r.o.**

Pobřežní 1a  
186 00 Praha 8  
Czech Republic  
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www.kpmg.cz

**Independent Auditor's Report to the Shareholders of  
Kofola ČeskoSlovensko a.s.**

*Report on the Audit of the Consolidated Financial Statements*

**Opinion**

We have audited the accompanying consolidated financial statements of Kofola ČeskoSlovensko, a.s. ("the Company") and its subsidiaries ("the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company and the Group is set out in Note 2 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Basis for Opinion**

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187  
VAT CZ255001596  
ID data box: 8h3gtr



## 11. INDEPENDENT AUDITOR'S REPORT



### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Valuation of intangible assets with indefinite useful life including goodwill and excluding intangible assets related to Hoop Polska Sp. z o.o. (MCZK 685)**

Refer to significant accounting policies, sections 3.5.3, 3.5.4 and 3.5.5 and chapter 4.11 of the notes to the consolidated financial statements.

#### *Description of key audit matter*

The intangible assets with indefinite useful life represent a significant risk for our audit as the value of these assets is significant, they are related to a number of different markets and as part of the testing a number of assumptions are used (such as royalty rate, perpetuity growth rate, discount rate). The intangible assets are represented by a number of trademarks and goodwill balances.

For the impairment testing of trademarks and goodwill, the Group has decided to use the value in use method. The calculation is based on discounted free cash flows and uses the estimated cash-flow projections based on financial plans approved by the Board of Directors for the period until 2023.

#### *Audit approach to key audit matter*

Our audit procedures included mainly the following:

- We involved our own valuation specialists who assessed the appropriateness of the key assumptions (mentioned above) used in the impairment calculations, with a particular focus on the calculation of discount rates. Our specialists formed our own assessment of the discount rate based on the key inputs from the market (such as risk free rate, size premium, inflation, country premium etc). Using the discount rate established by our valuation specialists we recalculated the headroom for trademarks and goodwill and we compared our result to the Group conclusion.
- We performed our own sensitivity analysis by reference to the modified discount rate as well as the future plans in terms of revenues and growth rate.
- We assessed the financial plans used in the calculations and our testing included a reference to past experience and performance of sensitivity analysis for each trademark and goodwill.
- We also considered the adequacy of the presentation and disclosures related to these intangible assets in the notes to the consolidated financial statements.

## 11. INDEPENDENT AUDITOR'S REPORT



### **Impairment of Cash Generating Unit of Hoop Polska. Sp. z o.o. (MCZK 346)**

Refer to significant accounting policies, section 3.5.5 and chapters 4.10.1, 4.11.1 and 4.30 of the notes to the consolidated financial statements.

#### *Description of key audit matter*

The Board of Directors initiated a sale process of the Polish company in 2018. The transaction was completed in 2019. The recoverable amount for this cash generating unit was determined as fair value less costs of disposal.

The impairment charge recorded as at 31 December 2018 amounted to 346 MCZK and it was allocated to tangible and intangible assets of Hoop Polska Sp. z o.o. (excluding the carrying amount of the Grodzisk Wielkopolski plant) on a pro rata basis. Determination of the net assets of the Hoop Polska Sp. z o.o., complexity of the sale due to specific intragroup transactions before the date of sale and reflection of these transactions in the impairment calculation represented a significant risk for our audit.

#### *Audit approach to key audit matter*

Our audit procedures included mainly the following:

- We inspected the share purchase agreement to identify the selling price (fair value) and all adjustments to the selling price (costs of disposal) including the timing and substance of intragroup transactions before the date of sale.
- We considered the effect of the intragroup transactions on the net assets of Hoop Polska Sp. z o.o. and assessed their measurement.
- We compared the net assets of Hoop Polska Sp. z o.o. with the recoverable amount determined as fair value less costs of disposal.
- We considered the disclosures in the notes to the consolidated financial statements in order to determine whether these are sufficient and appropriate.
- We inspected the prior period impairment testing and inquired the Group to assess whether the impairment is correctly recognized in current year consolidated statement of profit or loss.

#### **Other Information**

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e.

## 11. INDEPENDENT AUDITOR'S REPORT



whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

### ***Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Consolidated Financial Statements***

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and

## 11. INDEPENDENT AUDITOR'S REPORT



appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 11. INDEPENDENT AUDITOR'S REPORT



### Report on the Audit of the Separate Financial Statements

#### *Opinion*

We have audited the accompanying separate financial statements of Kofola ČeskoSlovensko a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2018, and the separate statement of profit or loss, the separate statement of other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 2 to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2018, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### *Basis for Opinion*

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Valuation of intangible assets with indefinite useful life including goodwill (MCZK 253)**

Refer to significant accounting policies, sections 3.4.3, 3.4.4 and 3.4.6 and chapter 4.12 of the notes to the separate financial statements.

#### *Description of key audit matter*

The intangible assets with indefinite useful life represent a significant risk for our audit as the value of these assets is significant and as part of the testing a number of assumptions is

## 11. INDEPENDENT AUDITOR'S REPORT



used (such as royalty rate, perpetuity growth rate, discount rate and other). The intangible assets are represented by trademarks and goodwill balances.

For the impairment testing of trademarks and goodwill, the Company has decided to use the value in use method. The calculation is based on discounted free cash flows and uses the estimated cash-flow projections based on financial plans approved by the Board of Directors for the period until 2023.

#### *Audit approach to key audit matter*

Our audit procedures included mainly the following:

- We involved our own valuation specialists who assessed the appropriateness of the key assumptions (mentioned above) used in the impairment calculations, with a particular focus on the calculation of discount rates. Our specialists formed our own assessment of the discount rate based on the key inputs from the market (such as risk free rate, size premium, inflation, country premium etc). Using the discount rate established by our valuation specialists we recalculated the headroom for trademarks and goodwill and we compared our result to the Company's conclusion.
- We performed our own sensitivity analysis by reference to modified discount rate, future plans in terms of revenues and growth rate.
- We also considered the adequacy of the presentation and disclosures related to these intangible assets in the notes to the separate financial statements.
- We assessed the financial plans used in the calculations and our testing included a reference to past experience and performance of sensitivity analysis for trademarks and goodwill.

#### **Impairment related to investment in Hoop Polska. Sp. z o.o. (MCZK 622)**

Refer to significant accounting policies, section 3.4.6 and chapters 4.10.1 and 4.27 of the notes to the separate financial statements.

#### *Description of key audit matter*

The Board of Directors initiated a sale process of the Polish company in 2018. The transaction was completed in 2019. The recoverable amount for this investment was determined as fair value less costs of disposal.

The impairment charge recorded as at 31 December 2018 is amounting to 622 MCZK. The complexity of the sale transaction due to particular intragroup transactions before the date of sale and recognition of these transactions in the impairment calculation represented a significant risk for our audit.

#### *Audit approach to key audit matter*

Our audit procedures included mainly the following:

## 11. INDEPENDENT AUDITOR'S REPORT



- We inspected the share purchase agreement to identify the selling price (fair value) and all adjustments to the selling price (costs of disposal) including the timing and substance of intra Group transactions before the date of sale.
- We considered the effect of the intragroup transactions on determination of the impairment.
- We compared the carrying amount of investment with recoverable amount determined as fair value less costs of disposal.
- We considered the disclosures in the notes to the separate financial statements in order to identify whether these are sufficient and appropriate.
- We inspected prior year impairment testing and inquired the Company to assess whether the impairment is correctly recognized in current year consolidated statement of profit or loss.

### ***Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Separate Financial Statements***

The statutory body is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Separate Financial Statements***

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

## 11. INDEPENDENT AUDITOR'S REPORT



misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:



## 11. INDEPENDENT AUDITOR'S REPORT



### *Appointment of Auditor and Period of Engagement*

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 12 February 2018 and our uninterrupted engagement has lasted for 1 year.

### *Consistency with Additional Report to Audit Committee*

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 25 March 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

### *Provision of Non-audit Services*

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services.

### **Statutory Auditor Responsible for the Engagement**

Blanka Dvořáková is the statutory auditor responsible for the audit of the separate and consolidated financial statements of Kofola ČeskoSlovensko a.s. as at 31 December 2018, based on which these independent auditor's reports have been prepared.

Prague  
25 March 2019

  
KPMG Česká republika Audit, s.r.o.  
Registration number 71

  
Blanka Dvořáková  
Partner  
Registration number 2031



# CONSOLIDATED FINANCIAL STATEMENTS 2018

KOFOLA ČESKOSLOVENSKO A.S.

# 1. CONSOLIDATED FINANCIAL STATEMENTS



## 1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the 12-month period ended 31 December 2018 and 31 December 2017 in CZK thousand.

| Consolidated statement of profit or loss                                                                               | Note             | 2018               | 2017               |
|------------------------------------------------------------------------------------------------------------------------|------------------|--------------------|--------------------|
|                                                                                                                        |                  | CZK'000            | CZK'000            |
| Revenue from the sale of finished products and services                                                                | 4.1, 4.2         | 6 532 693          | 6 409 682          |
| Revenue from the sale of goods and materials                                                                           | 4.1, 4.2         | 586 075            | 553 596            |
| <b>Revenue</b>                                                                                                         |                  | <b>7 118 768</b>   | <b>6 963 278</b>   |
| Cost of products and services sold                                                                                     | 4.3              | (3 550 753)        | (3 648 402)        |
| Cost of goods and materials sold                                                                                       | 4.3              | (506 169)          | (485 679)          |
| <b>Cost of sales</b>                                                                                                   |                  | <b>(4 056 922)</b> | <b>(4 134 081)</b> |
| <b>Gross profit</b>                                                                                                    |                  | <b>3 061 846</b>   | <b>2 829 197</b>   |
| Selling, marketing and distribution costs                                                                              | 4.3              | (2 197 986)        | (2 094 727)        |
| Administrative costs                                                                                                   | 4.3              | (468 901)          | (395 783)          |
| Other operating income                                                                                                 | 4.4              | 72 882             | 127 535            |
| Other operating expenses                                                                                               | 4.5              | (84 392)           | (62 114)           |
| Impairment                                                                                                             | 4.10, 4.11, 4.30 | (345 754)          | (112 386)          |
| <b>Operating profit/(loss)</b>                                                                                         |                  | <b>37 695</b>      | <b>291 722</b>     |
| Finance income                                                                                                         | 4.6              | 11 466             | 71 707             |
| Finance costs                                                                                                          | 4.7              | (115 269)          | (108 391)          |
| Share of profit/(loss) of equity accounted investee                                                                    | 4.12             | 22 963             | 11 846             |
| <b>Profit/(loss) before income tax</b>                                                                                 |                  | <b>(43 145)</b>    | <b>266 884</b>     |
| Income tax expense                                                                                                     | 4.8              | (49 881)           | (114 689)          |
| <b>Profit/(loss) for the period</b>                                                                                    |                  | <b>(93 026)</b>    | <b>152 195</b>     |
| <i>Attributable to:</i>                                                                                                |                  |                    |                    |
| Owners of Kofola ČeskoSlovensko a.s.                                                                                   |                  | (88 554)           | 158 775            |
| Non-controlling interests                                                                                              |                  | (4 472)            | (6 580)            |
| <b>Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company (in CZK)</b> |                  |                    |                    |
| Basic earnings/(loss) per share                                                                                        | 4.9              | (3.97)             | 7.12               |

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

# 1. CONSOLIDATED FINANCIAL STATEMENTS



## 1.2. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the 12-month period ended 31 December 2018 and 31 December 2017 in CZK thousand.

| Consolidated statement of other comprehensive income                     | Note   | 2018             | 2017             |
|--------------------------------------------------------------------------|--------|------------------|------------------|
|                                                                          |        | CZK'000          | CZK'000          |
| <b>Profit/(loss) for the period</b>                                      |        | <b>(93 026)</b>  | <b>152 195</b>   |
| <b>Other comprehensive income</b>                                        |        |                  |                  |
| <i>Items that may be reclassified to profit or loss:</i>                 |        |                  |                  |
| Exchange differences on translation of foreign subsidiaries              |        | 2 230            | (119 528)        |
| Exchange differences on translation of foreign equity accounted investee | 4.12   | (10 306)         | (9 367)          |
| Derivatives - Cash flow hedges                                           | 4.25.1 | 1 082            | -                |
| Deferred tax from cash flow hedging                                      | 4.8    | (206)            | -                |
| <b>Other comprehensive income/(loss) for the period, net of tax</b>      |        | <b>(7 200)</b>   | <b>(128 895)</b> |
| <b>Total comprehensive income/(loss) for the period</b>                  |        | <b>(100 226)</b> | <b>23 300</b>    |
| <b>Attributable to:</b>                                                  |        |                  |                  |
| Owners of Kofola ČeskoSlovensko a.s.                                     |        | (95 754)         | 29 880           |
| Non-controlling interests                                                |        | (4 472)          | (6 580)          |

*The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.*

# 1. CONSOLIDATED FINANCIAL STATEMENTS



## 1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018 and 31 December 2017 in CZK thousand.

| Assets                                                             | Note   | 31.12.2018<br>CZK' 000 | 31.12.2017<br>CZK' 000 |
|--------------------------------------------------------------------|--------|------------------------|------------------------|
| <b>Non-current assets</b>                                          |        | <b>4 348 833</b>       | <b>4 786 195</b>       |
| Property, plant and equipment                                      | 4.10   | 2 959 954              | 3 384 892              |
| Goodwill                                                           | 4.11   | 93 467                 | 86 302                 |
| Intangible assets                                                  | 4.11   | 1 054 524              | 1 090 190              |
| Investment in equity accounted investee                            | 4.12   | 66 894                 | 70 260                 |
| Other receivables                                                  | 4.14   | 118 959                | 70 703                 |
| Other assets                                                       |        | 2 261                  | 2 317                  |
| Deferred tax assets                                                | 4.8    | 52 774                 | 81 531                 |
| <b>Current assets</b>                                              |        | <b>2 214 197</b>       | <b>1 792 673</b>       |
| Inventories                                                        | 4.13   | 496 103                | 494 508                |
| Trade and other receivables                                        | 4.14   | 1 095 035              | 994 155                |
| Income tax receivables                                             |        | 3 759                  | 14 416                 |
| Cash and cash equivalents                                          | 4.15   | 619 300                | 289 594                |
| <b>Total assets</b>                                                |        | <b>6 563 030</b>       | <b>6 578 868</b>       |
| <b>Liabilities and equity</b>                                      |        |                        |                        |
| Liabilities and equity                                             | Note   | 31.12.2018<br>CZK' 000 | 31.12.2017<br>CZK' 000 |
| <b>Equity attributable to owners of Kofola ČeskoSlovensko a.s.</b> |        | <b>1 531 669</b>       | <b>1 977 670</b>       |
| Share capital                                                      | 4.16   | 1 114 597              | 2 229 500              |
| Share premium and capital reorganisation reserve                   | 4.16   | (1 962 871)            | (1 962 871)            |
| Other reserves                                                     | 4.16   | 2 438 776              | 2 048 985              |
| Foreign currency translation reserve                               | 4.16   | 28 954                 | 37 030                 |
| Distribution fund                                                  | 4.16   | 618 331                | -                      |
| Own shares                                                         | 4.16   | (490 208)              | (491 565)              |
| Retained earnings/(Accumulated deficit)                            | 4.16   | (215 910)              | 116 591                |
| <b>Equity attributable to non-controlling interests</b>            | 4.16.6 | <b>(8 156)</b>         | <b>(3 684)</b>         |
| <b>Total equity</b>                                                | 1.5    | <b>1 523 513</b>       | <b>1 973 986</b>       |
| <b>Non-current liabilities</b>                                     |        | <b>2 565 592</b>       | <b>1 855 652</b>       |
| Bank credits and loans                                             | 4.19   | 2 308 429              | 1 480 488              |
| Finance lease liabilities                                          | 4.22   | 88 288                 | 112 867                |
| Provisions                                                         | 4.17   | 34 063                 | 85 483                 |
| Other liabilities                                                  | 4.20   | 28 470                 | -                      |
| Deferred tax liabilities                                           | 4.8    | 106 342                | 176 814                |
| <b>Current liabilities</b>                                         |        | <b>2 473 925</b>       | <b>2 749 230</b>       |
| Bank credits and loans                                             | 4.19   | 605 295                | 682 025                |
| Bonds issued                                                       | 4.18   | -                      | 332 513                |
| Finance lease liabilities                                          | 4.22   | 47 490                 | 57 573                 |
| Trade and other payables                                           | 4.20   | 1 697 724              | 1 630 999              |
| Income tax liabilities                                             |        | 38 936                 | 5 300                  |
| Provisions                                                         | 4.17   | 84 480                 | 40 820                 |
| <b>Total liabilities</b>                                           |        | <b>5 039 517</b>       | <b>4 604 882</b>       |
| <b>Total liabilities and equity</b>                                |        | <b>6 563 030</b>       | <b>6 578 868</b>       |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# 1. CONSOLIDATED FINANCIAL STATEMENTS



## 1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

for the 12-month period ended 31 December 2018 and 31 December 2017 in CZK thousand.

| Consolidated statement of cash flows                               | Note                 | 2018<br>CZK '000 | 2017<br>CZK '000   |
|--------------------------------------------------------------------|----------------------|------------------|--------------------|
| <b>Cash flows from operating activities</b>                        |                      |                  |                    |
| Profit/(loss) before income tax                                    | 1.1                  | (43 145)         | 266 884            |
| Adjustments for:                                                   |                      |                  |                    |
| Non-cash movements                                                 |                      |                  |                    |
| Depreciation and amortisation                                      | 4.3                  | 567 332          | 565 228            |
| Net interest                                                       | 4.6, 4.7             | 78 346           | 74 425             |
| Share on equity accounted investee result                          | 4.12                 | (22 963)         | (11 846)           |
| Impairment of non-current assets                                   | 4.10.1, 4.11.1, 4.30 | 214 795          | 112 386            |
| Change in the balance of other impairments                         |                      | (12 479)         | (18 785)           |
| Change in the balance of provisions                                | 4.17                 | 11 435           | (57 934)           |
| Derivatives                                                        | 4.6, 4.7             | 4 593            | (20 275)           |
| Realised (gain)/loss on sale of PPE and intangible assets          | 4.4, 4.5             | 141 654          | (55 326)           |
| Net exchange differences                                           |                      | 3 613            | (1 515)            |
| Other                                                              |                      | 7 376            | (3 087)            |
| Cash movements                                                     |                      |                  |                    |
| Income taxes paid                                                  |                      | (71 363)         | (100 052)          |
| Change in operating assets and liabilities                         |                      |                  |                    |
| Change in receivables                                              |                      | (102 393)        | 74 078             |
| Change in inventories                                              |                      | 30 325           | 4 295              |
| Change in payables                                                 |                      | 14 029           | (108 481)          |
| <b>Net cash inflow/(outflow) from operating activities</b>         |                      | <b>821 155</b>   | <b>719 995</b>     |
| <b>Cash flows from investing activities</b>                        |                      |                  |                    |
| Sale of property, plant and equipment                              |                      | 106 705          | 78 583             |
| Acquisition of property, plant and equipment and intangible assets |                      | (395 756)        | (498 916)          |
| Acquisition of subsidiary, net of cash acquired                    | 4.29                 | (116 591)        | (50 831)           |
| Dividends and interest received                                    |                      | 16 212           | 701                |
| Proceeds from repaid loans                                         |                      | -                | 1 500              |
| <b>Net cash inflow/(outflow) from investing activities</b>         |                      | <b>(389 430)</b> | <b>(468 963)</b>   |
| <b>Cash flows from financing activities</b>                        |                      |                  |                    |
| Finance lease payments                                             | 4.26.1               | (55 305)         | (62 345)           |
| Proceeds from loans and bank credits                               | 4.26.1               | 1 324 462        | 2 664 454          |
| Repayment of bonds                                                 | 4.26.1               | (330 000)        | -                  |
| Repayment of loans and bank credits                                | 4.26.1               | (607 441)        | (3 078 898)        |
| Dividends paid to Company's shareholders                           | 4.16.7               | (345 789)        | (311 857)          |
| Interest and bank charges paid                                     |                      | (87 619)         | (73 550)           |
| Purchase of own shares                                             | 4.16.4               | -                | (490 650)          |
| <b>Net cash inflow/(outflow) from financing activities</b>         |                      | <b>(101 692)</b> | <b>(1 352 846)</b> |
| Net increase/(decrease) in cash and cash equivalents               |                      | 330 033          | (1 101 814)        |
| <b>Cash and cash equivalents at the beginning of the period</b>    | 1.3                  | <b>289 594</b>   | <b>1 421 014</b>   |
| Effects of exchange rate changes on cash and cash equivalents      |                      | (327)            | (29 606)           |
| <b>Cash and cash equivalents at the end of the period</b>          | 1.3                  | <b>619 300</b>   | <b>289 594</b>     |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# 1. CONSOLIDATED FINANCIAL STATEMENTS



## 1.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 12-month period ended 31 December 2018 and 31 December 2017 in CZK thousand.

| Consolidated statement of changes in equity                 | Note   | Equity attributable to owners of Kofola ČeskoSlovensko a.s. |                                                  |                  |                                      |                   |                  |                                          |                  | Equity attributable to non-controlling interests | Total equity     |
|-------------------------------------------------------------|--------|-------------------------------------------------------------|--------------------------------------------------|------------------|--------------------------------------|-------------------|------------------|------------------------------------------|------------------|--------------------------------------------------|------------------|
|                                                             |        | Share capital                                               | Share premium and capital reorganisation reserve | Other reserves   | Foreign currency translation reserve | Distribution fund | Own shares       | Retained earnings/ (Accumulated deficit) | Total            |                                                  |                  |
|                                                             |        | CZK'000                                                     | CZK'000                                          | CZK'000          | CZK'000                              | CZK'000           | CZK'000          | CZK'000                                  | CZK'000          |                                                  |                  |
| <b>Balance as at 1 January 2017</b>                         |        | <b>2 229 500</b>                                            | <b>(1 962 871)</b>                               | <b>2 075 994</b> | <b>165 925</b>                       | -                 | <b>(915)</b>     | <b>228 939</b>                           | <b>2 736 572</b> | <b>2 896</b>                                     | <b>2 739 468</b> |
| Profit/(loss) for the period                                | 1.1    | -                                                           | -                                                | -                | -                                    | -                 | -                | 158 775                                  | 158 775          | (6 580)                                          | 152 195          |
| Other comprehensive income/(loss)                           | 1.2    | -                                                           | -                                                | -                | (128 895)                            | -                 | -                | -                                        | (128 895)        | -                                                | (128 895)        |
| <b>Total comprehensive income/(loss) for the period</b>     |        | -                                                           | -                                                | -                | <b>(128 895)</b>                     | -                 | -                | <b>158 775</b>                           | <b>29 880</b>    | <b>(6 580)</b>                                   | <b>23 300</b>    |
| Dividends                                                   | 4.16.7 | -                                                           | -                                                | -                | -                                    | -                 | -                | (300 941)                                | (300 941)        | -                                                | (300 941)        |
| Own shares purchase                                         | 4.16.4 | -                                                           | -                                                | -                | -                                    | -                 | (490 650)        | -                                        | (490 650)        | -                                                | (490 650)        |
| Option scheme                                               | 4.24.3 | -                                                           | -                                                | 2 809            | -                                    | -                 | -                | -                                        | 2 809            | -                                                | 2 809            |
| <b>Transactions with owners in their capacity as owners</b> |        | -                                                           | -                                                | <b>2 809</b>     | -                                    | -                 | <b>(490 650)</b> | <b>(300 941)</b>                         | <b>(788 782)</b> | -                                                | <b>(788 782)</b> |
| Transfers                                                   |        | -                                                           | -                                                | (29 818)         | -                                    | -                 | -                | 29 818                                   | -                | -                                                | -                |
| <b>Balance as at 31 December 2017</b>                       |        | <b>2 229 500</b>                                            | <b>(1 962 871)</b>                               | <b>2 048 985</b> | <b>37 030</b>                        | -                 | <b>(491 565)</b> | <b>116 591</b>                           | <b>1 977 670</b> | <b>(3 684)</b>                                   | <b>1 973 986</b> |
| <b>Balance as at 31 December 2017</b>                       |        | <b>2 229 500</b>                                            | <b>(1 962 871)</b>                               | <b>2 048 985</b> | <b>37 030</b>                        | -                 | <b>(491 565)</b> | <b>116 591</b>                           | <b>1 977 670</b> | <b>(3 684)</b>                                   | <b>1 973 986</b> |
| IFRS 9 adjustment                                           | 3.7    | -                                                           | -                                                | -                | -                                    | -                 | -                | 3 508                                    | 3 508            | -                                                | 3 508            |
| <b>Balance as at 1 January 2018</b>                         |        | <b>2 229 500</b>                                            | <b>(1 962 871)</b>                               | <b>2 048 985</b> | <b>37 030</b>                        | -                 | <b>(491 565)</b> | <b>120 099</b>                           | <b>1 981 178</b> | <b>(3 684)</b>                                   | <b>1 977 494</b> |
| Profit/(loss) for the period                                | 1.1    | -                                                           | -                                                | -                | -                                    | -                 | -                | (88 554)                                 | (88 554)         | (4 472)                                          | (93 026)         |
| Other comprehensive income/(loss)                           | 1.2    | -                                                           | -                                                | 876              | (8 076)                              | -                 | -                | -                                        | (7 200)          | -                                                | (7 200)          |
| <b>Total comprehensive income/(loss) for the period</b>     |        | -                                                           | -                                                | <b>876</b>       | <b>(8 076)</b>                       | -                 | -                | <b>(88 554)</b>                          | <b>(95 754)</b>  | <b>(4 472)</b>                                   | <b>(100 226)</b> |
| Dividends                                                   | 4.16.7 | -                                                           | -                                                | -                | -                                    | -                 | -                | (361 130)                                | (361 130)        | -                                                | (361 130)        |
| Capital restructuring                                       | 1.5    | (1 114 597)                                                 | -                                                | 496 266          | -                                    | 618 331           | -                | -                                        | -                | -                                                | -                |
| Own shares liquidation                                      | 1.5    | (305)                                                       | -                                                | -                | -                                    | -                 | 1 357            | -                                        | 1 052            | -                                                | 1 052            |
| Option scheme                                               | 4.24.3 | -                                                           | -                                                | 6 324            | -                                    | -                 | -                | -                                        | 6 324            | -                                                | 6 324            |
| Rounding                                                    |        | (1)                                                         | -                                                | -                | -                                    | -                 | -                | -                                        | (1)              | -                                                | (1)              |
| <b>Transactions with owners in their capacity as owners</b> |        | <b>(1 114 903)</b>                                          | -                                                | <b>502 590</b>   | -                                    | <b>618 331</b>    | <b>1 357</b>     | <b>(361 130)</b>                         | <b>(353 755)</b> | -                                                | <b>(353 755)</b> |
| Transfer                                                    |        | -                                                           | -                                                | (113 675)        | -                                    | -                 | -                | 113 675                                  | -                | -                                                | -                |
| <b>Balance as at 31 December 2018</b>                       |        | <b>1 114 597</b>                                            | <b>(1 962 871)</b>                               | <b>2 438 776</b> | <b>28 954</b>                        | <b>618 331</b>    | <b>(490 208)</b> | <b>(215 910)</b>                         | <b>1 531 669</b> | <b>(8 156)</b>                                   | <b>1 523 513</b> |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## 1. CONSOLIDATED FINANCIAL STATEMENTS

On 13 August 2018, the general meeting of the Company approved a reduction of the Company's share capital. The reduction was made by cancelling 3 052 own shares with a total nominal value of CZK 305 thousand and by reducing the nominal value of all the other shares of the Company by CZK 50, i.e. from CZK 100 to CZK 50. The decrease has been effective since 20 December 2018, after the registration in the Commercial Register.

The amount corresponding to the reduction of the registered shared capital, i.e. the amount of CZK 1 114 902 thousand was used as follows:

- (i) a part amounting to CZK 496 266 thousand was transferred to the Other reserves of the Company,
- (ii) a part amounting to CZK 618 331 thousand was transferred to the newly created Company's Distribution fund and
- (iii) a part amounting to CZK 305 thousand was recognized in the profit and loss.



## 2. GENERAL INFORMATION



### 2.1. CORPORATE INFORMATION

#### GENERAL INFORMATION

Kofola ČeskoSlovensko a.s. (“the Company”) is a joint-stock company registered on 12 September 2012. Its registered office is Nad Porubkou 2278/31a, Ostrava, 708 00, Czech Republic and the identification number is 24261980. The Company is recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735. The Company’s websites are <http://www.firma.kofola.cz> and the phone number is +420 595 601 030. LEI: 3157005DO9L5OWHBQ359.

Main area of activity of Kofola ČeskoSlovensko a.s. in 2018 was providing certain services for the other companies in Kofola Group, e.g. strategic services, services related to products, shared services and holding of licences and trademarks.

Kofola ČeskoSlovensko a.s. is the parent of the Kofola Group. Besides the traditional markets of the Czech Republic and Slovakia, the Group is also present in Poland, Slovenia and in Croatia with limited activities in Russia. The Group produces drinks in seven production plants (incl. Croatia) and key trademarks include Kofola, Hoop Cola, Jupí, Jupík, Rajec, Radenska, Paola, Semtex and Vinea. On selected markets, the Group distributes among others Rauch, Evian or Badoit products and under the licence produces RC Cola or Orangina.

Based on the information known to the Board of Directors of the Company acting with due care, the Company was for until 31 August 2018 part of the group controlled by KSM Investment S.A. („Group“). Registered office: Rue de Neudorf 560A, L-2220 Luxembourg, Luxembourg. Since 31 August 2018, after the merger of KSM Investment S.A. to AETOS a.s., the ultimate parent of the Company is AETOS a.s. The ownership structure is described in section 4.24.1.

#### STOCK EXCHANGE LISTING

Kofola ČeskoSlovensko a.s. is listed on Prague Stock Exchange (ticker KOFOL).

#### MANAGEMENT

As at 31 December 2018, the composition of the Board of Directors, Supervisory Board and Audit Committee was as follows:

##### *BOARD OF DIRECTORS*

- Janis Samaras – Chairman
- René Musila – Vice-Chair
- Daniel Buryš – Vice-Chair
- Pavel Jakubík
- Jiří Vlasák
- Marián Šefčovič

##### *SUPERVISORY BOARD*

- René Sommer – Chairman
- Tomáš Jendřejek
- Moshe Cohen-Nehemia
- Petr Pravda

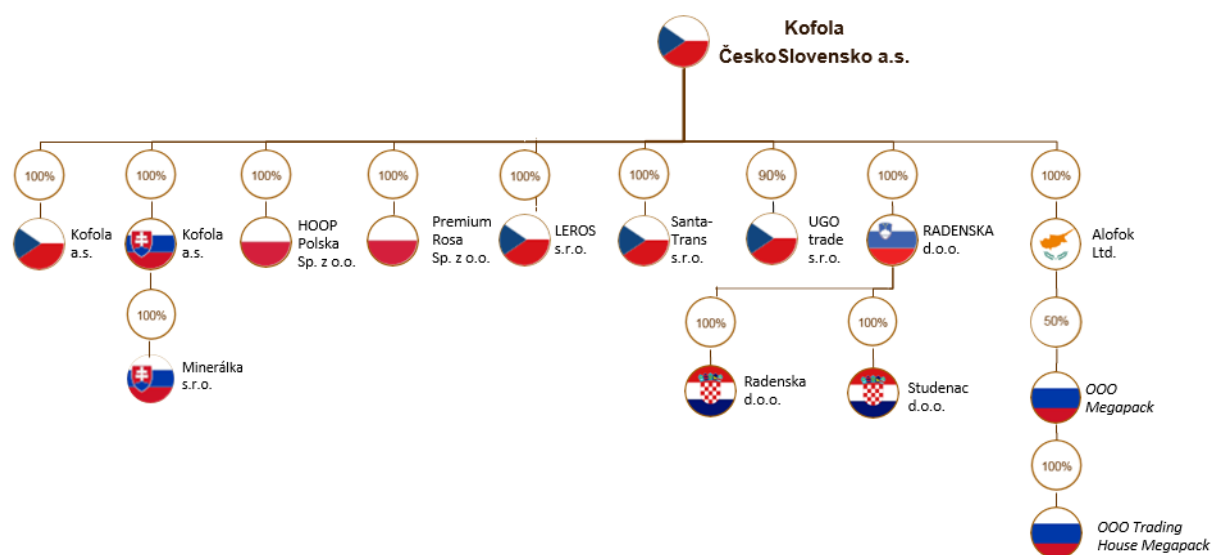
##### *AUDIT COMMITTEE*

- Petr Šobotník – Chairman
- Zuzana Prokopcová
- Lenka Frostová

## 2. GENERAL INFORMATION

### 2.2. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2018



#### DESCRIPTION OF THE GROUP COMPANIES

| Name of entity                | Place of business | Principal activities                                                                   | Ownership interest and voting rights |            |
|-------------------------------|-------------------|----------------------------------------------------------------------------------------|--------------------------------------|------------|
|                               |                   |                                                                                        | 31.12.2018                           | 31.12.2017 |
| <b>Holding companies</b>      |                   |                                                                                        |                                      |            |
| Kofola ČeskoSlovensko a.s.    | Czech Republic    | top holding company                                                                    |                                      |            |
| Alofok Ltd.                   | Cyprus            | holding                                                                                | 100.00%                              | 100.00%    |
| <b>Production and trading</b> |                   |                                                                                        |                                      |            |
| Kofola a.s.                   | Czech Republic    | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Kofola a.s.                   | Slovakia          | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Hoop Polska Sp. z o.o.        | Poland            | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| UGO trade s.r.o.              | Czech Republic    | operation of fresh bars chain, production of salads                                    | 90.00%                               | 90.00%     |
| RADENSKA d.o.o.               | Slovenia          | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Studenac d.o.o.               | Croatia           | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Radenska d.o.o.               | Croatia           | sales support and administration                                                       | 100.00%                              | 100.00%    |
| Radenska Miral d.o.o.*        | Slovenia          | trademark licensing                                                                    | n/a                                  | 100.00%    |
| Premium Rosa Sp. z o.o.       | Poland            | production and distribution of syrups and jams                                         | 100.00%                              | 100.00%    |
| LEROS, s.r.o.                 | Czech Republic    | production and distribution of products from medicinal plants and quality natural teas | 100.00%                              | n/a        |
| Minerálka s.r.o.              | Slovakia          | inactive                                                                               | 100.00%                              | n/a        |
| <b>Transportation</b>         |                   |                                                                                        |                                      |            |
| SANTA-TRANS s.r.o.            | Czech Republic    | road cargo transport                                                                   | 100.00%                              | 100.00%    |
| <b>Associated companies</b>   |                   |                                                                                        |                                      |            |
| OOO Megapack                  | Russia            | production of non-alcoholic and low-alcoholic beverages                                | 50.00%                               | 50.00%     |
| OOO Trading House Megapack    | Russia            | sale and distribution of non-alcoholic and low-alcoholic beverages                     | 50.00%                               | 50.00%     |

\* On 3 August 2018 merged to RADENSKA d.o.o.

### 3.1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

#### BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the laws binding in the Czech Republic and with International Financial Reporting Standards (“IFRS”), as well as the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) adopted by the European Union, published and effective for reporting periods beginning 1 January 2018.

The consolidated financial statements have been prepared on a going concern basis and in accordance with the historical cost method, except for financial assets and liabilities measured at fair value, employee benefits measured at fair value and the assets, liabilities and contingent liabilities of the acquiree which are measured at their acquisition-date fair values as required by IFRS 3.

The consolidated financial statements include the consolidated statement of the financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and explanatory notes.

The Group’s consolidated financial statements cover the period ended 31 December 2018 and contain comparatives for the period ended 31 December 2017.

The consolidated financial statements are presented in Czech crowns (“CZK”), and all values, unless stated otherwise, are presented in CZK thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires that management exercises its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in section 3.6.

#### CHANGES TO EXISTING STANDARDS

The Group has changed its accounting policies as a result of standards and interpretations adopted by the European Union effective for the reporting periods starting from 1 January 2018 (IFRS 15 and IFRS 9), for details refer to section B 3.7. The Group has not early adopted any new standard.

#### STANDARDS ISSUED BUT NOT YET EFFECTIVE

##### IFRS 16 LEASES

The new IFRS 16 standard was issued in January 2016 and will be applied by the Group for the accounting period beginning on 1 January 2019. All leases where the Group is a lessee and which meet the requirements set by the new standard will be recognised on the balance sheet as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use asset (right to use leased item) and a financial liability to pay rentals are recognised. IFRS 16 leads to a replacement of the straight-line operating lease expense with a depreciation charge (operating costs) for right-of-use asset and an interest expense (finance costs) on lease liabilities. Although the depreciation charge is typically even, the interest expense reduces over the life of the lease which leads into a reducing total expense as individual lease matures. New standard doesn’t impact the amount of cash transferred between the lessor and lessee, it however has an impact on the presentation of the consolidated statement of cash flows. Cash outflows connected with the leases previously classified as operating expenses will be presented under financing activities instead of operating activities. The Group has decided to utilize the following practical expedients allowed by the new IFRS 16 standard:

- Leases of low value assets (i.e. those with value lower than 80 000 CZK) are not accounted under the IFRS 16 lease model.
- Leases with a lease term of 12 months or less that do not contain a purchase option (i.e. short-term leases) are not accounted under the IFRS 16 lease model.
- Leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 (leases without extension option or with an option which is not to be used) are not accounted under the IFRS 16 lease model.
- For leases commencing before 1 January 2019 and representing operating leases before that date the Group recognizes the lease liability in the amount equal to the present value of the remaining lease payments, discounted

### 3. SIGNIFICANT ACCOUNTING POLICIES



using lessee's incremental borrowing rate at the date of initial application. Right-of-use asset is recognized in the amount of lease liability (adjusted by the amount of any previously recognized prepaid or accrued lease payments relating to that lease) less impairment provision calculated under IAS 36.

- A single discount rate is applied to a portfolio of leases with reasonably similar characteristics.
- For leases commencing before 1 January 2019 the initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application.
- Hindsight is used, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

The Group has set up a team which has reviewed all lease contracts that could be impacted by a new standard. The standard will affect primarily the accounting for the Group's operating leases. Based on review performed the Group expects the following adjustments to be made as of 1 January 2019 in the consolidated statement of financial position:

- Right-of-use asset: CZK 179 million,
- Lease liabilities – current: CZK 33 million,
- Lease liabilities – non-current: CZK 143 million,
- Retained earnings: CZK 3 million.

The Group expects the following impact on the consolidated statement of profit or loss for the year ending 31 December 2019:

- Profit/(loss) for the period: CZK (3) million.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. The Group doesn't expect any material impact on finance leases.

Application of the IFRS 16 standard is not expected to have any material qualitative impacts on the Group's daily operations and financial reporting process. The Group has established controls for the identification, monitoring and recording of contracts and transactions connected with the new standard.

#### OTHER STANDARDS

Other new standards and amendments are not relevant to the Group or will not have material effect on its financial statements.

### 3.2. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency.

### 3.3. FOREIGN CURRENCY TRANSLATION

The financial statements items of the Group entities are measured using their functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Monetary assets and liabilities expressed as at the balance sheet date in foreign currencies are translated using the closing exchange rate announced by the Czech National Bank for the end of the reporting period, and all foreign exchange gains or losses are recognized in profit or loss under:

- cost of sales – for trading operations,
- finance income and costs – for financial operations.

### 3. SIGNIFICANT ACCOUNTING POLICIES



Non-monetary assets and liabilities carried at historical cost expressed in a foreign currency are stated at the historical exchange rate as at the date of the transaction. Non-monetary assets and liabilities carried at fair value expressed in a foreign currency are translated at the exchange rate as at the date on which they were remeasured to the fair value.

The following exchange rates were used for the preparation of the financial statements:

| Closing exchange rates | 31.12.2018 | 31.12.2017 |
|------------------------|------------|------------|
| CZK/EUR                | 25.725     | 25.540     |
| CZK/PLN                | 5.980      | 6.114      |
| CZK/RUB                | 0.323      | 0.368      |
| CZK/USD                | 22.466     | 21.291     |
| CZK/HRK                | 3.471      | 3.439      |

| Average exchange rates | 1.1.2018 -<br>31.12.2018 | 1.1.2017 -<br>31.12.2017 |
|------------------------|--------------------------|--------------------------|
| CZK/EUR                | 25.643                   | 26.330                   |
| CZK/PLN                | 6.020                    | 6.185                    |
| CZK/RUB                | 0.347                    | 0.401                    |
| CZK/USD                | 21.735                   | 23.382                   |
| CZK/HRK                | 3.457                    | 3.528                    |

The results and financial position of foreign operations are translated into CZK as follows:

- assets and liabilities for each statement of financial position presented at closing exchange rates announced by the Czech National Bank for the balance sheet date,
- income and expense for each statement of profit or loss at average exchange rates announced by the Czech National Bank for the reporting period, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions,
- the resulting exchange differences are recognised in other comprehensive income and accumulated in equity,
- cash-flow statement items at the average exchange rate announced by the Czech National Bank for the reporting period, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions. The resulting foreign exchange differences are recognized under the “Effects of exchange rate changes on cash and cash equivalents” item of the cash-flow statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign exchange gains and losses recognized in profit or loss are offset on individual company level.

### 3.4. CONSOLIDATION METHODS

#### 3.4.1 SUBSIDIARIES

##### GENERAL METHODS

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and initially recognized non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the acquired carrying value of net assets of the subsidiary is recorded in retained earnings. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### DISPOSAL OF SUBSIDIARIES

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value as at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 3.4.2 ASSOCIATES AND EQUITY ACCOUNTED INVESTEEES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Equity accounted investee is an investment where the Group has a joint control over the investment. Investments are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the net assets of the investee after the date of acquisition. The Group's investment in associates and equity accounted investees includes goodwill identified on acquisition.

If the ownership interest is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in profit or loss and its share of post-acquisition movements in other comprehensive income (including the effects of translation of the financial position and results of the investment from its functional to the Group's presentation currency) is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an investment equals or exceeds its interest in the investment, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment.

The foreign investments are retranslated using foreign exchange rate valid at the balance sheet date and any resulting difference is recognised in Other comprehensive income.

The Group determines as at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount adjacent to share of profit/(loss) of investment in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its investments are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the investments. Unrealised gains and losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the investments have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 3.5. ACCOUNTING METHODS

#### 3.5.1 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses. Items acquired in a business combination are measured at their acquisition-date fair values. The costs of non-current assets consist of their acquisition price plus all costs directly associated with the asset's acquisition and adaptation for use. The costs also include the cost of replacing parts of machines and equipment as they are incurred, if the recognition criteria are met. Costs incurred after the asset is given over for use, such as maintenance and repairs, are charged to the income statement as they are incurred.

If circumstances occurred during the preparation of the financial statements indicating that the carrying value of item of property, plant and equipment may not be recoverable, the said asset is tested for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there are indications that impairment might have occurred, and the balance sheet value exceeds the estimated recoverable amount, then the value of those assets or cash generating units to which the assets belong is reduced to the value of the recoverable amount. The recoverable value corresponds to the higher of the following two values: the fair value less costs of disposal, or the value in use. When determining value in use, the estimated future cash flows are discounted to the present value using a post-tax discount rate reflecting the current market assessments of the time value of money and the risk associated with the given asset component. If the asset component does not generate income sufficiently independently, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment write downs are recognised in the income statement under other operating costs or in the separate row if material.

A given tangible non-current asset is derecognised from the balance sheet when it is sold or if no economic benefits are anticipated from its continued use. All profits and losses arising from the derecognition (calculated as the difference between the potential proceeds from the sale and the balance sheet value of a given item) are recognised in the income statement in the period in which the derecognition was performed.

Assets under construction consist of non-current assets that are being constructed or assembled and are stated at acquisition price or cost of production. Non-current assets under construction are not depreciated until the construction is completed and the assets given over for use.

Returnable packages in circulation are recorded within property, plant and equipment at cost net of accumulated depreciation less any impairment loss. Returnable packages allocated at customers are covered by advances received and are further described in section 3.5.6. When the advances received are written-off, the respective returnable packages are derecognized.

The balance sheet value, the useful life and the depreciation method of non-current assets are verified, and, if need to be, adjusted, at the end of each financial year.

Items of income and expense related to sold property, plant and equipment are offset on individual company level.

#### DEPRECIATION

Items of property, plant and equipment, or their significant and separate components, are depreciated using the straight-line method to allocate their costs to their residual values over their economic useful lives. Land is not depreciated. Depreciation of returnable packages is recorded to write them off over the course of their economic life. The Group assumes the following economic useful lives for the following categories of non-current assets:

|                                          | Useful life        |
|------------------------------------------|--------------------|
| Buildings and constructions              | 20 – 40 years      |
| Technical improvement on leased property | 9 years in average |
| Plant and equipment                      | 2 – 15 years       |
| Vehicles                                 | 4 – 6 years        |
| Returnable packages                      | 2 – 10 years       |



## 3. SIGNIFICANT ACCOUNTING POLICIES



### 3.5.2 LEASES

Finance lease agreements that basically transfer to the Group all of the risks and rewards of owning the subject of the lease are recognised in the statement of financial position at the commencement of the lease at the lower of the following two values: the fair value of the non-current asset constituting the subject of the lease or the present value of minimum lease payments. Lease payments are allocated between financial costs and the lease liability so as to achieve a constant rate of interest on the outstanding balance. Financial costs are charged directly to the income statement.

Non-current assets used under finance leases are depreciated using the shorter of the two periods: the asset's estimated useful life or the lease term.

Lease agreements under which the lessor retains significant risks and rewards of owning the subject of the lease are classified as operating leases. Operating lease payments are recognised as expense in the income statement on a straight-line basis over the term of the lease.

### 3.5.3 GOODWILL

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination.

Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Any impairment of goodwill cannot be subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

### 3.5.4 INTANGIBLE ASSETS

Intangible assets acquired in a separate transaction are initially stated at acquisition price. The acquisition price of intangible assets acquired in a business combination is equal to their fair value as at the date of the combination. After their initial recognition, intangible assets are stated at their historical price or production costs less accumulated amortisation and impairment write downs. Expenditures on internal research and development, except for capitalised development costs of identifiable intangible assets, are not capitalised and are recognised in the income statement of the period in which they were incurred.

The Group determines whether the economic useful life of an intangible asset is finite or indefinite. A significant part of the Group's intangible assets constitute trademarks, for most of them the Group has determined that they have an indefinite useful life. The Group companies are the owners of some of the leading trademarks in non-alcoholic beverages in Central Europe. As a result, these trademarks are generating positive cash flows and the Group owns the trademarks for the long term. The Board considered several factors and circumstances in concluding that these trademarks have indefinite useful lives, such as size, diversification and market share of each trademark, the trademark's past performance, long-term development strategy, any laws or other local regulations which may affect the life of the assets and other economic factors, including the impact of competition and market conditions. The Group's management expects that it will hold and promote trademarks for an indefinite period through marketing and promotional support. The trademarks with indefinite useful lives are tested for impairment at least annually.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there are impairment indicators. Useful life and method of amortisation of intangible assets with finite lives are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset. Intangible assets with finite useful lives are assessed for impairment whenever there are impairment indicators.

Intangible assets are amortised using the straight-line method over their useful lives:

|                   | Useful life  |
|-------------------|--------------|
| Software licences | 3 – 16 years |
| Computer software | 3 – 6 years  |
| Other licences    | 5 – 7 years  |
| Valuable rights   | 5 – 10 years |

#### 3.5.5 RECOVERABLE VALUE OF NON-CURRENT ASSETS

The Group evaluates its assets whether indicators of impairment are present as at each balance sheet date. For goodwill and indefinite life intangible assets, the Group performs a formal estimate of the recoverable amount annually, for remaining assets the estimate is performed in case of presence of impairment indicators. If the carrying value of a given asset or cash-generating unit exceeds its recoverable amount, it is considered impaired and written down to its recoverable amount. The recoverable amount corresponds to the higher of the following two values: the fair value less costs of disposal, or the value in use of a given asset or cash generating unit. The impairment loss recognised, except for impairment of goodwill, may be reversed in future periods if the asset's value recovers.

If there is any indication that an asset may be impaired, recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If there isn't any such cash-generating unit, as a CGU is considered the whole entity and any impairment loss is allocated to the particular entity's assets respecting the IFRS requirements on order of the impairment loss allocation.

#### 3.5.6 FINANCIAL INSTRUMENTS

Financial instrument is any formal agreement that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity.

The most significant assets that are subject to the financial instruments accounting policies are:

- derivative instruments (swap contracts),
- other financial receivables,
- trade receivables,
- cash.

Current trade receivables are stated at amortised cost by applying the effective interest rate method, and reduced by impairment write downs, if any.

The most significant liabilities that are subject to the financial instruments accounting policies:

- loan payables, bonds issued,
- derivative instruments (swap contracts),
- trade payables,
- advances received for the returnable packages,
- finance lease liabilities.

Trade payables are stated at amortised cost by applying the effective interest rate method.

The Group's financial assets/liabilities are classified to the following categories:

- measured at amortized costs,
- fair value through other comprehensive income (FVTOCI), and
- fair value through profit and loss (FVTPL).

Classification is based on the nature of the asset/liabilities and management intention. The Group classifies its assets/liabilities at their initial recognition.

#### FINANCIAL ASSETS/LIABILITIES

Financial assets are initially recognised at fair value. Their initial valuation is increased by transaction costs, with the exception of financial assets stated at fair value through profit or loss. The transaction costs payable in case of a possible disposal of

the asset are not deducted from subsequent measurement of financial assets. The asset is recognised in the balance sheet when the Group becomes a party to the agreement (contract), out of which the financial asset arises.

Financial liabilities are initially recognised at fair value. Transaction costs are deducted from the amount at initial recognition, except for financial liabilities at fair value through the profit or loss. The transaction costs payable upon a transfer of a financial liability are not added to the subsequent valuation of financial liabilities. The financial liabilities are recognised in the balance sheet when the Group becomes a party to the agreement, out of which the financial liability arises.

#### FINANCIAL ASSETS/LIABILITIES MEASURED AT AMORTIZED COSTS

Financial assets measured at amortized costs include primarily trade receivables, bank deposits and other cash funds. Depending on their maturity date, they are included in non-current assets (assets due in more than 1 year after the end of the reporting period) or current assets (assets due within 1 year after the end of the reporting period). The assets included in this category are stated at amortised cost using the effective interest method.

Financial liabilities include primarily trade payables, advances received for the returnable packages, leases, bonds and loans. The liabilities included in this category are stated at amortised cost using the effective interest method.

The Group classifies its financial assets/liabilities as at amortised cost only if both of the following criteria are met:

- the asset/liability is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial liabilities include also advances received from customers for the returnable packages (e.g. bottles, crates, pallets, KEGs). These are recognized at the same moment as the sales transactions. Such liabilities are derecognized when the returnable packages are returned to the Group. Liabilities from advances received for the returnable packages are payable on demand and as such are presented within current liabilities undiscounted. Some of returnable packages are never returned to the Group and advances related to these packages are regularly written-off against profit or loss. Amount of write-offs is based on management historical experience with the rate of return of particular types of packages.

#### FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group doesn't have any assets/liabilities measured at fair value through other comprehensive income.

#### DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

This category includes derivative instruments in the Group's balance sheet. The Group holds derivative financial instruments to hedge its interest rate risk exposures. Financial assets/liabilities within this category serve for the hedging of risks associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges) and are presented within other receivables/other payables.

At the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period through other comprehensive income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within finance income/costs.

Amount accumulated in the hedging reserve and the cost of hedging reserve are reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 1 year after the end of the reporting period.

### 3. SIGNIFICANT ACCOUNTING POLICIES



When the financial asset/liability is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

#### FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category in general includes two groups of assets: financial assets held for trading and financial assets designated initially at fair value through profit or loss. A financial asset is included in the held for trading category if it was acquired in order to be sold in the near term, or if it is part of a portfolio in which a pattern or short-term trading exists, or if it is a derivative instrument with a positive fair value and not designated for hedges. Financial assets at FVTPL include primarily derivative instruments in the Group's balance sheet as at 31 December 2017.

Assets classified as financial assets designated at fair value through profit or loss are stated as at each reporting date at fair value, and all gains or losses are recognised as financial income or costs. Derivative financial instruments are stated at fair value as at the balance sheet date and as at the end of each reporting period based on valuations performed by the banks realising the transactions which are accepted by the management. Other financial assets designated at fair value through profit or loss are valued using stock exchange prices, and in their absence, using appropriate valuation techniques, such as: the use of the prices in recent transactions, comparisons with similar instruments, option valuation models. The fair value of debt instruments represents primarily future cash flows discounted at the current market interest rate applicable to similar instruments.

This category includes two groups of liabilities: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss. Financial liabilities held for trading are liabilities that: have been issued primarily to be transferred or repurchased in near term or are a component of a portfolio of financial instruments that are managed together with a purpose of generating a profit from short-term fluctuations in price or trader's margin or constitute derivative instruments.

The Group's financial liabilities at fair value through profit or loss include primarily derivative instruments with a negative fair value. Financial liabilities at fair value through profit or loss are measured at their fair value at the end of each reporting period, and all gains or losses are recognised as finance income or costs. Derivative instruments are measured at fair value at the end of each reporting period based on valuations performed by the banks realising the transactions which are accepted by the management. The fair value of debt instruments represents future cash flows discounted at the current market interest rate applicable to similar instruments.

#### IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortized costs. For trade receivables the Group measures loss allowances at an amount equal to lifetime ECLs. For other financial assets the Group measures loss allowances at amount equal to either 12-month ECL or lifetime ECL (when the credit risk of an asset has increased significantly).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort (mainly historical experience, credit assessment, current and forward-looking information available to the management).

The Group assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Lifetime expected credit losses are those that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses constitute the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade. The Group considers this to be Ba1 or higher per rating of agency Moody's.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

### DERECOGNITION OF FINANCIAL ASSETS/LIABILITIES

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Group derecognises financial liability (or part of a financial liability) when it extinguishes, i.e. when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. However, the offsetting is not possible if it cannot be legally enforced in the normal course of business, in the event of default or in the event of insolvency or bankruptcy of the entity or any of the counterparties.

### 3.5.7 INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventory is written down to bring the carrying value of inventory to the net realisable value. Inventory write downs are recognised in the income statement under the "cost of goods sold" item. Reversals of inventory write downs are recorded as a decrease of the cost of goods sold. The amount of a write down decreases the carrying value of the inventory.

### 3.5.8 TRADE AND OTHER RECEIVABLES

Trade and other financial receivables are carried at amortised cost (i.e. present value discounted using the effective interest rate) net of impairment write downs.

In cases when the effect of the time value of money is significant, the carrying value of a receivable is determined by discounting the expected future cash flows to the present value, using a discounted rate that reflects the current market assessments of the time value of money. Unwinding of the effects of discounting increasing the receivable is recorded as finance income.

An impairment loss is recognised in profit or loss at the difference between an asset's carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. For the measurement of loss allowance for financial assets refer to section 3.5.6.

Non-financial receivables are assessed at each reporting date to determine whether there is an objective evidence of impairment. Such evidence includes:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation,
- default or delinquency by the debtor.

### 3.5.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and in hand, as well as highly liquid investments that can be readily convertible to known amount of cash and are subject to insignificant changes in the value.

The balance of cash and cash equivalents presented in the consolidated statement of cash flows consists of cash at bank and in hand, as well as short-term deposits with original maturity up to 3 months.

### 3.5.10 EQUITY

Equity is classified by category and in accordance with binding legal regulations and the Company's Statute.

Share capital is carried at the amount stated in the Statute and in the National Court Register.

Declared but unpaid capital contributions are recorded as unpaid share capital. Treasury shares and unpaid share capital are deducted from the Company's equity.

Other elements of equity are: Share premium and capital reorganisation reserve, Other reserves, Foreign currency translation reserve, Distribution fund, Own shares, Retained earnings/Accumulated deficit and Non-controlling interest. Balance of the Foreign currency translation reserve is adjusted for exchange differences arising from the translation of financial statements of subsidiaries with functional currency different from Group's presentation currency.

Own shares acquired by the Company for cancellation, in accordance with the provisions of the Business Corporation Act, are recorded at cost as a negative amount as a separate component of equity. Own shares of the Company acquired by RADENSKA d.o.o. are recorded at cost as a negative amount as a separate component of equity.

Retained earnings/Accumulated deficit consist of accumulated profit or uncovered loss from previous years and the profit/loss for the period.

Dividends are recognised as liabilities in the period in which they were approved.

#### NON-CONTROLLING INTEREST

Non-controlling interest is measured:

- based on the share on the acquired net identifiable assets; and
- subsequently increased/decreased by non-controlling interest's share of profit, dividends paid, share in other comprehensive income and effects of changes in ownership.

### 3.5.11 INTEREST-BEARING BANK CREDITS, LOANS AND ISSUED BONDS

At initial recognition, all bank credits, loans and issued bonds are recorded at their fair value, which corresponds to the received cash funds, less the costs of obtaining the credit or loan or emission of bonds.

After their initial recognition, interest bearing credits, loans and issued bonds are stated at amortised cost by applying the effective interest rate method.

Amortised cost is determined by taking into account the costs of obtaining the credit, loan or issuing bond, as well as discounts and bonuses received or settlement fees charged at the settlement of the liability.

### 3.5.12 TRADE LIABILITIES AND OTHER LIABILITIES

Financial liabilities constitute a current obligation arising out of past events, the fulfilment of which is expected to result in an outflow of cash or other financial assets.

Financial liabilities other than financial liabilities stated at fair value through profit or loss are measured at amortised cost (i.e. discounted using the effective interest rate).

Exchange rate differences resulting from the balance sheet remeasurement of trade payables are recognised in cost of sales.

Non-financial current liabilities are measured at amounts due.

### 3.5.13 PROVISIONS

Provisions are created when the Group has a present obligation (legal or constructive) arising out of past events, and when it is likely that the fulfilment of this obligation will result in an outflow of economic benefits, and when the amount of the obligation can be reliably measured. If the Group expects that the costs covered by the provision will be refunded, for example based on an insurance policy, then the refund is recognised as a separate asset, but only if it is virtually certain that the refund will be received. The costs relating to a given provision are presented in the income statement net of any refunds. If the time value of money is material, the carrying amount of the provision is determined by discounting the forecasted future cash flows to their present values using a pre-tax discount rate reflecting the current market assessments of the time value of money and any risks associated with the given obligation. Subsequent increases of the provision due to unwinding of discount are presented as interest expense.

### 3.5.14 EMPLOYEE BENEFITS

#### PENSION OBLIGATIONS

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity or to a state pension plan. Obligations for contributions to defined contribution plans are expensed as the related service is provided. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. The liability recognised in respect of defined benefit pension plans represents the amount of estimated future benefit that employees have earned in the current and prior periods, net of the fair value of any plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the corresponding pension obligation.

Material actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

#### TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 and the restructuring involves the payment of termination benefits.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

#### SHARE BASED PAYMENTS

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

### 3.5.15 PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

Revenue is recognised at the amount of the transaction price (which excludes estimates of variable consideration), and when the amount of revenue can be measured reliably. Revenue is measured excluding value added tax (VAT), excise tax and rebates (discounts, bonuses and other price reductions, i.e. possible price reductions assumed by the management).

The amount of revenue is measured at the fair value of the consideration received or receivable. Revenue is stated at net present value when the effect of the time value of money is material (in case of payment after 360 days, such transactions contain a significant financing component). If revenue is measured at discounted amount, the discount is recognised using the effective interest method as an increase in receivables, and as financial income in profit or loss.

Foreign exchange rate differences resulting from the realisation or the remeasurement of trade receivables are recognised in profit or loss.

Revenue is also recognised in accordance with the criteria specified below.

#### SALE OF GOODS AND PRODUCTS

Revenue is recognised when the performance obligation is satisfied and control passes to the customer, and when the amount of revenue may be measured reliably. The amount of revenue recognised is adjusted for expected discounts, bonuses and other price reductions which are determined based on actual deliveries for the year and the contracted terms.

#### PROVISION OF SERVICES

Revenue from the provision of services (mainly transportation services) is recognised when the service was performed with reference to the percentage of completion of the service obligation.

Franchise fees are recognized on monthly basis based on contracts with franchisants. Variable part of revenue is recognized to extend to which it is probable that the franchisant will meet the contracted turnover.

#### INTEREST

Interest income is recognised gradually using the effective interest method.

### 3.5.16 GOVERNMENT GRANTS

The Group recognises government grants once there is a reasonable assurance that the subsidy will be received and that all of the related conditions will be complied with. Both of the above criteria must be met for a government subsidy to be recognised.

The Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, reducing the income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits.

### 3.5.17 INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by tax authorities.

Deferred income tax is recognised, using the balance sheet liability method, on tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the temporary differences will reverse or the tax loss carry forwards will be utilised.



## 3. SIGNIFICANT ACCOUNTING POLICIES



Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and equity accounted investees, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 3.5.18 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

## 3.6. SIGNIFICANT ESTIMATES AND KEY MANAGEMENT JUDGEMENTS

Since some of the information contained in the consolidated financial statements cannot be measured precisely, the Group's management must perform estimates to prepare the consolidated financial statements. Management verifies the estimates based on changes in the factors considered at their calculation, new information or past experience. For this reason, the estimates made as at 31 December 2018 may be changed in the future. The main estimates pertain to the following matters:

| Estimates                                                            | Type of information                                                                                                                              | Section              |
|----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Impairment of goodwill and individual tangible and intangible assets | Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates.                      | 4.10.1, 4.11.1, 4.30 |
| Impairment of investment in equity accounted investees               | Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates.                      | 4.12                 |
| Useful life of trade marks                                           | The history of the trade mark on the market, market position, useful life of similar products, the stability of the market segment, competition. | 3.5.4                |
| Income tax                                                           | Assumptions used to recognise deferred income tax assets.                                                                                        | 4.8                  |
| Impairment of receivables                                            | Historical experience, credit assessment, current and forward-looking information available to the management                                    | 4.14                 |
| Deferred tax asset from investment incentives and tax losses         | Historical experience, current and forward-looking information available to the management                                                       | 4.8                  |

## 3.7. NEW ACCOUNTING POLICIES

### IFRS 9 — FINANCIAL INSTRUMENTS

In July 2014, the IASB issued IFRS 9 – Financial Instruments which was subsequently endorsed by the EU in November 2016. The standard addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition and hedge accounting. The standard contains three classification categories: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL) and eliminates the existing IAS 39 categories: loans and receivables, held to maturity and available for sale. It is mandatory for the accounting period beginning on 1 January 2018. The Group has decided to apply the modified retrospective approach with the effect of the change accounted in retained earnings as of 1 January 2018, 2017 comparative numbers were not restated. The Group has assessed the impact of IFRS 9 and concluded that it has had an effect on the valuation of impairment to trade receivables. The effect of expected loss model on trade receivables which requires the identification of the credit risk concluded that the loss allowance should be lower with the after-tax effect recorded in equity as of 1 January 2018, as described in section 4.14. On other financial assets adoption of IFRS 9 had no effect.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial assets and financial liabilities. For the classification and measurement of the financial instruments refer to section 3.5.6.

The effect of adopting IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 relates solely to the new impairment requirements. New IFRS 9 standard also changes the requirements set for the hedge accounting. Since the Group

has started to apply hedge accounting during the year ended 31 December 2018, there is no effect on the financial statements as of 1 January 2018. For the accounting methods connected with the Group's hedge accounting refer to section B 3.5.6.

#### IFRS 15 — REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 - Revenue from Contracts with Customers which was subsequently endorsed by the European Union in September 2016. IFRS 15 establishes a framework for determining whether, how much and when revenue is recognised from contracts with customers. IFRS 15 supersedes existing standards and interpretations related to revenue. It defines a new five-step model to recognise revenue from customer contracts. The Group applies the new standard from 1 January 2018, has decided to apply modified retrospective approach and has undertaken a review of the main types of commercial arrangements used with customers. The Group has concluded that the application of IFRS 15 doesn't have a material impact on any of Group's revenue streams and therefore on the consolidated results or financial position. Prior period financial information doesn't need to be restated. The Group has already applied in the past the "trade money concept" when accounting for certain payments to customers, such as bonuses, listing fees and marketing support expenses was recorded as reduction of revenue. Group revenues consist mostly of sales of products/goods for which, based on already applied "trade money concept", the consideration received appropriately reflects the transaction price. As such there are no significant judgements or changes to these judgements made in applying the new standard that affect the determination of the amount and timing of revenue recognition.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services (previously the revenue was recognized when significant risks and rewards of ownership had been transferred to the customer). Determining the timing of the transfer of control – at a point in time or over time – is therefore necessary. However, this change in the revenue recognition concept doesn't have material impact on Group's revenues due to very short delivery time.

The disclosure requirements in IFRS 15 have not been applied to comparative information.

For additional information about the Group's accounting policies relating to revenue recognition, see section 3.5.15.

### 3.8. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the present consolidated financial statements for publication on 25 March 2019.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



### 4.1. SEGMENT INFORMATION

The Board of Directors of Kofola ČeskoSlovensko a.s. is the chief operating decision maker (“CODM”) responsible for operational decision-making and uses segment results to decide on the allocation of resources to the segments and to assess segments’ performance. The Board of Directors examines the Group’s performance from a product and geographic perspective and has identified the following reportable business segments:

#### Geographic segments

- Czech Republic
- Slovakia
- Poland
- Slovenia

Furthermore, CODM monitors revenue, but not a profit measure, from the following product lines:

- Carbonated beverages
- Non-carbonated beverages (incl. UGO fresh bottles)
- Waters
- Syrups
- Fresh bars & Salads
- Other (e.g. energy drinks, isotonic drinks, transportation and other services)

The Group applies the same accounting methods to all segments. These policies are also in line with the accounting methods used in the preparation of these consolidated financial statements. Transactions between segments are eliminated in the consolidation process.

Column Other represents an aggregation of few other countries mainly in Europe with similar economic characteristics and represents a reconciling item to get to the consolidated financial statements.

The Group did not identify any customer in the period ended 31 December 2018 and in the comparative period ended 31 December 2017 that generated more than 10% of the Group’s consolidated revenue.

Presentation of external revenues from services is in line with the requirements of new IFRS 15 standard performed only for the year ended 31 December 2018.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



### GEOGRAPHIC SEGMENTS

| 1.1.2018 – 31.12.2018                                                                                                                                                                           | Czech Republic   | Slovakia         | Poland           | Slovenia         | Other*          | Subtotal         | Consolidation adjustments | Russia        | Total            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|-----------------|------------------|---------------------------|---------------|------------------|
|                                                                                                                                                                                                 | CZK '000         | CZK '000         | CZK '000         | CZK '000         | CZK '000        | CZK '000         | CZK '000                  | CZK '000      | CZK '000         |
| <b>Revenue</b>                                                                                                                                                                                  | 3 413 023        | 2 069 385        | 1 091 165        | 808 759          | 601 310         | 7 983 642        | (864 874)                 | -             | 7 118 768        |
| External revenue - (excl. services)                                                                                                                                                             | 3 067 900        | 1 666 957        | 1 027 282        | 750 410          | 472 203         | 6 984 752        | -                         | -             | 6 984 752        |
| External revenue - services                                                                                                                                                                     | 98 659           | 24 509           | 1 354            | 5 079            | 4 415           | 134 016          | -                         | -             | 134 016          |
| Inter-segment revenue                                                                                                                                                                           | 246 464          | 377 919          | 62 529           | 53 270           | 124 692         | 864 874          | (864 874)                 | -             | -                |
| <b>Operating expenses</b>                                                                                                                                                                       | (3 190 509)      | (1 843 424)      | (1 564 176)      | (690 876)        | (656 962)       | (7 945 947)      | 864 874                   | -             | (7 081 073)      |
| Related to external revenue                                                                                                                                                                     | (2 944 045)      | (1 465 505)      | (1 155 893)      | (637 606)        | (532 270)       | (6 735 319)      | -                         | -             | (6 735 319)      |
| Related to inter-segment revenue                                                                                                                                                                | (246 464)        | (377 919)        | (62 529)         | (53 270)         | (124 692)       | (864 874)        | 864 874                   | -             | -                |
| Impairment                                                                                                                                                                                      | -                | -                | (345 754)        | -                | -               | (345 754)        | -                         | -             | (345 754)        |
| <b>Operating profit/(loss)</b>                                                                                                                                                                  | <b>222 514</b>   | <b>225 961</b>   | <b>(473 011)</b> | <b>117 883</b>   | <b>(55 652)</b> | <b>37 695</b>    | -                         | -             | <b>37 695</b>    |
| Finance income/(costs), net                                                                                                                                                                     | 214 730          | (4 833)          | (14 510)         | 18 791           | 11 870          | 226 048          | (329 851)                 | -             | (103 803)        |
| - within segment                                                                                                                                                                                | (88 972)         | (3 050)          | (11 266)         | (966)            | 451             | (103 803)        | -                         | -             | (103 803)        |
| - between segments                                                                                                                                                                              | 303 702          | (1 783)          | (3 244)          | 19 757           | 11 419          | 329 851          | (329 851)                 | -             | -                |
| Share of profit/(loss) of equity accounted investee                                                                                                                                             | -                | -                | -                | -                | -               | -                | -                         | 22 963        | 22 963           |
| <b>Profit/(loss) before income tax</b>                                                                                                                                                          | <b>437 244</b>   | <b>221 128</b>   | <b>(487 521)</b> | <b>136 674</b>   | <b>(43 782)</b> | <b>263 743</b>   | <b>(329 851)</b>          | <b>22 963</b> | <b>(43 145)</b>  |
| Income tax (expense)/benefit                                                                                                                                                                    | 37 020           | (53 332)         | (16 745)         | (19 854)         | (259)           | (53 170)         | 3 289                     | -             | (49 881)         |
| <b>Profit/(loss) for the period</b>                                                                                                                                                             | <b>474 264</b>   | <b>167 796</b>   | <b>(504 266)</b> | <b>116 820</b>   | <b>(44 041)</b> | <b>210 573</b>   | <b>(326 562)</b>          | <b>22 963</b> | <b>(93 026)</b>  |
| <b>EBITDA**</b>                                                                                                                                                                                 | <b>503 576</b>   | <b>326 866</b>   | <b>(392 587)</b> | <b>182 920</b>   | <b>(15 748)</b> | <b>605 027</b>   | -                         | -             | <b>605 027</b>   |
| One-offs (4.26)                                                                                                                                                                                 | 25 779           | 2 564            | 374 108          | -                | 3 523           | 405 974          | -                         | -             | 405 974          |
| <b>Adjusted EBITDA (4.26)</b>                                                                                                                                                                   | <b>529 355</b>   | <b>329 430</b>   | <b>(18 479)</b>  | <b>182 920</b>   | <b>(12 225)</b> | <b>1 011 001</b> | -                         | -             | <b>1 011 001</b> |
| <b>Assets and liabilities</b>                                                                                                                                                                   |                  |                  |                  |                  |                 |                  |                           |               |                  |
| Segment assets                                                                                                                                                                                  | 5 746 621        | 1 407 534        | 885 706          | 1 328 504        | 381 870         | 9 750 235        | (3 254 099)               | 66 894        | 6 563 030        |
| <b>Total assets</b>                                                                                                                                                                             | <b>5 746 621</b> | <b>1 407 534</b> | <b>885 706</b>   | <b>1 328 504</b> | <b>381 870</b>  | <b>9 750 235</b> | <b>(3 254 099)</b>        | <b>66 894</b> | <b>6 563 030</b> |
| Segment liabilities                                                                                                                                                                             | 3 923 908        | 979 847          | 547 741          | 518 115          | 240 545         | 6 210 156        | (1 170 639)               | -             | 5 039 517        |
| Equity                                                                                                                                                                                          |                  |                  |                  |                  |                 |                  |                           |               | 1 523 513        |
| <b>Total liabilities and equity</b>                                                                                                                                                             |                  |                  |                  |                  |                 |                  |                           |               | <b>6 563 030</b> |
| * Other doesn't represent a separate segment, but reconciling item to the consolidated profit or loss statement. **EBITDA refers to operating profit/(loss) plus depreciation and amortisation. |                  |                  |                  |                  |                 |                  |                           |               |                  |
| <b>Other segment information</b>                                                                                                                                                                |                  |                  |                  |                  |                 |                  |                           |               |                  |
| Additions to PPE and Intangible assets                                                                                                                                                          | 219 219          | 101 525          | 32 726           | 47 940           | 29 449          | 430 859          | (26 488)                  | -             | 404 371          |
| Depreciation and amortisation                                                                                                                                                                   | 281 062          | 100 905          | 80 424           | 65 037           | 39 904          | 567 332          | -                         | -             | 567 332          |
| Other Impairment losses                                                                                                                                                                         | 11 321           | 572              | 357 730          | 692              | 363             | 370 678          | -                         | -             | 370 678          |
| Other Impairment losses reversals                                                                                                                                                               | (16 264)         | (2 405)          | (146 651)        | (5 090)          | (850)           | (171 260)        | -                         | -             | (171 260)        |
| Provisions - Increase due to creation                                                                                                                                                           | 63 743           | 10 679           | 3 612            | 8 971            | 1 128           | 88 133           | -                         | -             | 88 133           |
| Provisions - Decrease due to usage/release                                                                                                                                                      | (11 764)         | (6 526)          | (20 832)         | (36 768)         | (808)           | (76 698)         | -                         | -             | (76 698)         |

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



| 1.1.2017 – 31.12.2017                                                                                                                                                                           | Czech Republic     | Slovakia           | Poland             | Slovenia         | Other*           | Subtotal           | Consolidation adjustments | Russia        | Total              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|------------------|------------------|--------------------|---------------------------|---------------|--------------------|
|                                                                                                                                                                                                 | CZK '000           | CZK '000           | CZK '000           | CZK '000         | CZK '000         | CZK '000           | CZK '000                  | CZK '000      | CZK '000           |
| <b>Revenue</b>                                                                                                                                                                                  | <b>3 138 124</b>   | <b>1 985 276</b>   | <b>1 323 672</b>   | <b>788 629</b>   | <b>545 416</b>   | <b>7 781 117</b>   | <b>(817 839)</b>          | -             | <b>6 963 278</b>   |
| External revenue                                                                                                                                                                                | 2 899 306          | 1 629 287          | 1 248 838          | 735 107          | 450 740          | 6 963 278          | -                         | -             | 6 963 278          |
| Inter-segment revenue                                                                                                                                                                           | 238 818            | 355 989            | 74 834             | 53 522           | 94 676           | 817 839            | (817 839)                 | -             | -                  |
| <b>Operating expenses</b>                                                                                                                                                                       | <b>(3 031 761)</b> | <b>(1 749 184)</b> | <b>(1 472 592)</b> | <b>(654 415)</b> | <b>(581 443)</b> | <b>(7 489 395)</b> | <b>817 839</b>            | -             | <b>(6 671 556)</b> |
| Related to external revenue                                                                                                                                                                     | (2 792 943)        | (1 393 195)        | (1 285 372)        | (600 893)        | (486 767)        | (6 559 170)        | -                         | -             | (6 559 170)        |
| Related to inter-segment revenue                                                                                                                                                                | (238 818)          | (355 989)          | (74 834)           | (53 522)         | (94 676)         | (817 839)          | 817 839                   | -             | -                  |
| Impairment                                                                                                                                                                                      | -                  | -                  | (112 386)          | -                | -                | (112 386)          | -                         | -             | (112 386)          |
| <b>Operating profit/(loss)</b>                                                                                                                                                                  | <b>106 363</b>     | <b>236 092</b>     | <b>(148 920)</b>   | <b>134 214</b>   | <b>(36 027)</b>  | <b>291 722</b>     | -                         | -             | <b>291 722</b>     |
| Finance income/(costs), net                                                                                                                                                                     | 218 262            | (8 369)            | (15 581)           | 40 543           | (1 052)          | 233 803            | (270 487)                 | -             | (36 684)           |
| - within segment                                                                                                                                                                                | (61 431)           | (7 715)            | (7 972)            | 41 468           | (1 034)          | (36 684)           | -                         | -             | (36 684)           |
| - between segments                                                                                                                                                                              | 279 693            | (654)              | (7 609)            | (925)            | (18)             | 270 487            | (270 487)                 | -             | -                  |
| Share of profit/(loss) of equity accounted investee                                                                                                                                             | -                  | -                  | -                  | -                | -                | -                  | -                         | 11 846        | 11 846             |
| <b>Profit/(loss) before income tax</b>                                                                                                                                                          | <b>324 625</b>     | <b>227 723</b>     | <b>(164 501)</b>   | <b>174 757</b>   | <b>(37 079)</b>  | <b>525 525</b>     | <b>(270 487)</b>          | <b>11 846</b> | <b>266 884</b>     |
| Income tax (expense)/benefit                                                                                                                                                                    | (34 092)           | (52 686)           | 1 435              | (24 803)         | (900)            | (111 046)          | (3 643)                   | -             | (114 689)          |
| <b>Profit/(loss) for the period</b>                                                                                                                                                             | <b>290 533</b>     | <b>175 037</b>     | <b>(163 066)</b>   | <b>149 954</b>   | <b>(37 979)</b>  | <b>414 479</b>     | <b>(274 130)</b>          | <b>11 846</b> | <b>152 195</b>     |
| <b>EBITDA**</b>                                                                                                                                                                                 | <b>371 050</b>     | <b>350 291</b>     | <b>(58 303)</b>    | <b>198 907</b>   | <b>(4 995)</b>   | <b>856 950</b>     | -                         | -             | <b>856 950</b>     |
| One-offs (4.26)                                                                                                                                                                                 | 18 936             | -                  | 80 652             | (6 363)          | -                | 93 225             | -                         | -             | 93 225             |
| <b>Adjusted EBITDA (4.26)</b>                                                                                                                                                                   | <b>389 986</b>     | <b>350 291</b>     | <b>22 349</b>      | <b>192 544</b>   | <b>(4 995)</b>   | <b>950 175</b>     | -                         | -             | <b>950 175</b>     |
| <b>Assets and liabilities</b>                                                                                                                                                                   |                    |                    |                    |                  |                  |                    |                           |               |                    |
| Segment assets                                                                                                                                                                                  | 5 862 194          | 1 180 339          | 1 502 109          | 1 254 871        | 319 019          | 10 118 532         | (3 609 924)               | 70 260        | 6 578 868          |
| <b>Total assets</b>                                                                                                                                                                             | <b>5 862 194</b>   | <b>1 180 339</b>   | <b>1 502 109</b>   | <b>1 254 871</b> | <b>319 019</b>   | <b>10 118 532</b>  | <b>(3 609 924)</b>        | <b>70 260</b> | <b>6 578 868</b>   |
| Segment liabilities                                                                                                                                                                             | 3 369 887          | 779 423            | 688 102            | 431 370          | 202 841          | 5 471 623          | (866 741)                 | -             | 4 604 882          |
| Equity                                                                                                                                                                                          |                    |                    |                    |                  |                  |                    |                           |               | 1 973 986          |
| <b>Total liabilities and equity</b>                                                                                                                                                             |                    |                    |                    |                  |                  |                    |                           |               | <b>6 578 868</b>   |
| * Other doesn't represent a separate segment, but reconciling item to the consolidated profit or loss statement. **EBITDA refers to operating profit/(loss) plus depreciation and amortisation. |                    |                    |                    |                  |                  |                    |                           |               |                    |
| <b>Other segment information</b>                                                                                                                                                                |                    |                    |                    |                  |                  |                    |                           |               |                    |
| Additions to PPE and Intangible assets                                                                                                                                                          | 246 818            | 31 017             | 53 921             | 103 846          | 33 188           | 468 790            | -                         | -             | 468 790            |
| Depreciation and amortisation                                                                                                                                                                   | 264 687            | 114 199            | 90 617             | 64 693           | 31 032           | 565 228            | -                         | -             | 565 228            |
| Other Impairment losses                                                                                                                                                                         | 6 593              | 290                | 117 199            | 1 869            | 1 076            | 127 027            | -                         | -             | 127 027            |
| Other Impairment losses reversals                                                                                                                                                               | (6 110)            | (17 115)           | (89 698)           | (211)            | (25)             | (113 159)          | -                         | -             | (113 159)          |
| Provisions - Increase due to creation                                                                                                                                                           | 11 517             | 6 701              | 46 118             | 2 343            | 413              | 67 092             | -                         | -             | 67 092             |
| Provisions - Decrease due to usage/release                                                                                                                                                      | (52 810)           | (16 878)           | (42 548)           | (6 502)          | (441)            | (119 179)          | -                         | -             | (119 179)          |

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



### PRODUCT LINES

| 1.1.2018 - 31.12.2018               | Carbonated beverages<br>CZK '000 | Non-carbonated beverages<br>CZK '000 | Waters<br>CZK '000 | Syrups<br>CZK '000 | Fresh bars & Salads<br>CZK '000 | Other<br>CZK '000 | Total<br>CZK '000 |
|-------------------------------------|----------------------------------|--------------------------------------|--------------------|--------------------|---------------------------------|-------------------|-------------------|
| <b>Revenue</b>                      | <b>3 033 314</b>                 | <b>735 871</b>                       | <b>1 939 056</b>   | <b>630 501</b>     | <b>390 936</b>                  | <b>389 090</b>    | <b>7 118 768</b>  |
| External revenue - (excl. services) | 3 033 314                        | 735 871                              | 1 939 056          | 630 501            | 364 004                         | 282 006           | 6 984 752         |
| External revenue - services         | -                                | -                                    | -                  | -                  | 26 932                          | 107 084           | 134 016           |

| 1.1.2017 - 31.12.2017 | Carbonated beverages<br>CZK '000 | Non-carbonated beverages<br>CZK '000 | Waters<br>CZK '000 | Syrups<br>CZK '000 | Fresh bars & Salads<br>CZK '000 | Other<br>CZK '000 | Total<br>CZK '000 |
|-----------------------|----------------------------------|--------------------------------------|--------------------|--------------------|---------------------------------|-------------------|-------------------|
| <b>Revenue</b>        | <b>2 946 263</b>                 | <b>619 508</b>                       | <b>2 067 777</b>   | <b>671 305</b>     | <b>351 025</b>                  | <b>307 400</b>    | <b>6 963 278</b>  |

### SEASONAL AND CYCLICAL NATURE OF THE OPERATIONS

#### SEASONALITY

Seasonality is associated with periodic deviations in demand and supply and has certain effect on Group's general sales trends. Beverage sales peak appears in the 2nd and 3rd quarter of the year. This is caused by increased drink consumption in the spring and summer months. In the year ended 31 December 2018, about 20% (19% in 2017) of revenue was earned in the 1st quarter, with 28% (29% in 2017), 29% (29% in 2017) and 23% (23% in 2017) of the annual consolidated revenue earned in the 2nd, 3rd and 4th quarters, respectively.

#### CYCLICAL NATURE

The Group's results are to certain extent dependent on economic cycles, in particular on fluctuations in demand and in the prices of raw materials, so-called "commodities".

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.2. REVENUE

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is immaterial as described in section 3.7. The comparative information and disclosures have not been restated.

| Revenue streams, Timing of revenue recognition                                | 2018<br>CZK'000  |
|-------------------------------------------------------------------------------|------------------|
| <b>Revenue from contracts with customers</b>                                  | <b>7 118 768</b> |
| - Sales of finished products/goods/materials (transferred at a point in time) | 6 984 752        |
| - Sales of transportation services (transferred over time)                    | 55 539           |
| - Franchise licences (transferred over time)                                  | 26 650           |
| - Sales of other services (transferred over time)                             | 51 827           |
| <b>Total revenue</b>                                                          | <b>7 118 768</b> |

Revenue from contracts with customers is represented by finished products, goods and materials sold and is recognized at a point of time. For further allocation between particular segments refer to section 4.1.

Impairment on receivables arising from contracts with customers is present in section 4.14.

Group doesn't have any material contract assets, contract liabilities or performance obligations satisfied (or partially satisfied) in previous periods.

### 4.3. EXPENSES BY NATURE

| Expenses by nature                                                                                   | 2018<br>CZK'000  | 2017<br>CZK'000  |
|------------------------------------------------------------------------------------------------------|------------------|------------------|
| Depreciation of Property, plant and equipment and amortisation of Intangible assets                  | 567 332          | 565 228          |
| Employee benefits expenses (i)                                                                       | 1 376 493        | 1 197 846        |
| Consumption of materials and energy                                                                  | 2 787 185        | 3 026 975        |
| Cost of goods and materials sold                                                                     | 506 169          | 485 679          |
| Services                                                                                             | 1 285 336        | 1 126 880        |
| Rental costs                                                                                         | 125 458          | 122 809          |
| Taxes and fees                                                                                       | 70 618           | 76 303           |
| Insurance costs                                                                                      | 13 320           | 14 892           |
| Inventory write-down/(back)                                                                          | (2 558)          | 1 088            |
| Change in allowance to receivables                                                                   | (5 859)          | (17 685)         |
| Other costs                                                                                          | 24 719           | 32 932           |
| <b>Total expenses by nature*</b>                                                                     | <b>6 748 213</b> | <b>6 632 947</b> |
| Change in finished products and work in progress                                                     | (5 460)          | (8 356)          |
| Depreciation recognized in Other operating expenses                                                  | (18 944)         | -                |
| <b>Reconciliation of expenses by nature to expenses by function</b>                                  | <b>6 723 809</b> | <b>6 624 591</b> |
| Selling, marketing and distribution costs                                                            | 2 197 986        | 2 094 727        |
| Administrative costs                                                                                 | 468 901          | 395 783          |
| Costs of products and services sold                                                                  | 3 550 753        | 3 648 402        |
| Cost of goods and materials sold                                                                     | 506 169          | 485 679          |
| <b>Total costs of products sold, merchandise and materials, sales costs and administrative costs</b> | <b>6 723 809</b> | <b>6 624 591</b> |

\* Excluding Other operating income, Other operating expenses (except for depreciation) and Impairment.

#### (i) Employee benefits expenses

| Employee benefits expenses                                               | 2018<br>CZK'000  | 2017<br>CZK'000  |
|--------------------------------------------------------------------------|------------------|------------------|
| Salaries                                                                 | 1 023 986        | 901 853          |
| Social security and other benefit costs (including healthcare insurance) | 203 755          | 164 619          |
| Pension benefit plan expenses                                            | 148 752          | 131 374          |
| <b>Total employee benefits expenses</b>                                  | <b>1 376 493</b> | <b>1 197 846</b> |

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.4. OTHER OPERATING INCOME

| Other operating income                                     | 2018<br>CZK'000 | 2017<br>CZK'000 |
|------------------------------------------------------------|-----------------|-----------------|
| Net gain from the sale of PPE and Intangible assets        | 7 459           | 55 326          |
| Net gain from sale of Bielsk Podlaski production lines     | 4 550           | -               |
| Income from lease of Grodzisk Wielkopolski assets          | 6 146           | -               |
| Reinvoiced payments                                        | 3 708           | 2 170           |
| Received grants                                            | 777             | 334             |
| Compensation claims                                        | 4 149           | 1 729           |
| Penalties and compensation for damages                     | 3 634           | 44 750          |
| Tax return                                                 | 149             | 240             |
| Release/usage of provisions                                | 22 099          | 9 406           |
| Write-off of advances received for the returnable packages | 10 293          | 10 676          |
| Release of accruals                                        | 3 910           | -               |
| Other                                                      | 6 008           | 2 904           |
| <b>Total other operating income</b>                        | <b>72 882</b>   | <b>127 535</b>  |

### 4.5. OTHER OPERATING EXPENSES

| Other operating expenses                                             | 2018<br>CZK'000 | 2017<br>CZK'000 |
|----------------------------------------------------------------------|-----------------|-----------------|
| Net loss from disposal of PPE and Intangible assets                  | 1 184           | -               |
| Net loss from sale of Bielsk Podlaski plant                          | 17 724*         | -               |
| Plant closure in Poland                                              | -               | 47 670**        |
| Costs connected with inactive plants in Poland                       | 34 485***       | -               |
| Loss from liquidation of PPE and Intangible assets                   | -               | 215             |
| Impairment of PPE                                                    | 7 470           | -               |
| Provided donations, sponsorship                                      | 8 917           | 8 383           |
| Penalties and damages                                                | 6 284           | 446             |
| Return of grants                                                     | -               | 6               |
| Other tax expenses                                                   | 5               | 79              |
| Creation of provisions                                               | 67              | 164             |
| Creation of allowances to receivables related to compensation claims | -               | 215             |
| Other                                                                | 8 256           | 4 936           |
| <b>Total other operating expenses</b>                                | <b>84 392</b>   | <b>62 114</b>   |

\* Including release of impairment to PPE in Bielsk Podlaski of CZK 138 431 thousand and other related costs.

\*\* Mainly severance payments and dismantling costs.

\*\*\* Mainly depreciation expense, property taxes, consumption of energy.

### 4.6. FINANCE INCOME

| Finance income              | 2018<br>CZK'000 | 2017<br>CZK'000 |
|-----------------------------|-----------------|-----------------|
| Interest from:              |                 |                 |
| – bank deposits             | 193             | 707             |
| – credits and loans granted | -               | 14              |
| – purchased bonds           | 6 591           | -               |
| Exchange gains              | 3 863           | 49 720          |
| Derivatives                 | -               | 20 275          |
| Other                       | 819             | 991             |
| <b>Total finance income</b> | <b>11 466</b>   | <b>71 707</b>   |

### 4.7. FINANCE COSTS

| Finance costs                                     | 2018<br>CZK'000 | 2017<br>CZK'000 |
|---------------------------------------------------|-----------------|-----------------|
| Interest from:                                    |                 |                 |
| – bank loans and credits, finance lease and bonds | 85 130          | 75 146          |
| Exchange losses                                   | 9 845           | 15 550          |
| Bank costs and charges                            | 15 071          | 16 354          |
| Derivatives                                       | 4 593           | 953             |
| Other                                             | 630             | 388             |
| <b>Total finance costs</b>                        | <b>115 269</b>  | <b>108 391</b>  |



## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.8. INCOME TAX

#### 4.8.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

Main income tax elements for the twelve-month period ended 31 December 2018 and 31 December 2017 were as follows:

| Income tax                                                | 2018<br>CZK'000 | 2017<br>CZK'000 |
|-----------------------------------------------------------|-----------------|-----------------|
| <b>Current income tax</b>                                 | <b>117 870</b>  | <b>78 912</b>   |
| Current income tax on profits for the year                | 117 831         | 78 915          |
| Adjustments for current income tax of prior periods       | 39              | (3)             |
| <b>Deferred income tax/(benefit)*</b>                     | <b>(67 989)</b> | <b>35 777</b>   |
| Related to arising and reversing of temporary differences | (92 668)        | 1 183           |
| Related to tax losses                                     | 24 679          | 34 594          |
| <b>Income tax expense</b>                                 | <b>49 881</b>   | <b>114 689</b>  |

\* Deferred tax recognized in the profit or loss statement doesn't reconcile to the difference between the values recognized in the statement of financial position which is caused mainly by the deferred tax arising on the business combination and foreign exchange differences arising on consolidation of foreign subsidiaries.

The income tax rate applicable to the majority of the Group's 2018 and 2017 income is 19%.

#### 4.8.2 INCOME TAX RECOGNISED DIRECTLY IN EQUITY

Income tax elements for the twelve-month period ended 31 December 2018 and 31 December 2017 were as follows:

| Income tax recognised directly in equity             | 2018<br>CZK'000 | 2017<br>CZK'000 |
|------------------------------------------------------|-----------------|-----------------|
| <b>Deferred income tax</b>                           | <b>1 062</b>    | -               |
| Tax from Cash flow hedges                            | 206             | -               |
| Receivables allowance adjustment arising from IFRS 9 | 856             | -               |
| <b>Income tax recognised directly in equity</b>      | <b>1 062</b>    | -               |

#### 4.8.3 EFFECTIVE TAX RECONCILIATION

| Effective tax                                                            | 2018<br>CZK'000  | 2017<br>CZK'000  |
|--------------------------------------------------------------------------|------------------|------------------|
| <b>Profit/(loss) before income tax</b>                                   | <b>(43 145)</b>  | <b>266 884</b>   |
| Tax at the rate of 19% valid in the Czech Republic                       | 8 198            | (50 708)         |
| <i>Tax effect of:</i>                                                    |                  |                  |
| Share of profit/(loss) of equity accounted investee                      | 4 363            | 2 251            |
| Non-deductible expenses                                                  | (37 741)         | (2 464)          |
| Impairment related to Hoop Polska                                        | (65 693)*        | (21 353)**       |
| Non-recognition of deferred tax assets                                   | (47 330)         | (24 321)         |
| Investment incentives                                                    | 88 202           | (3 214)          |
| Non-taxable income                                                       | 9 722            | 1 703            |
| Current tax of prior periods                                             | 116              | 208              |
| Deferred tax adjustments relating to prior periods                       | 5 656            | 14 189           |
| Derecognition of deferred tax recognized in prior periods                | (15 453)         | (25 798)         |
| Difference in tax rates of subsidiaries operating in other jurisdictions | (4 422)          | (5 317)          |
| Other                                                                    | 4 501            | 135              |
| <b>Income tax expense</b>                                                | <b>(49 881)</b>  | <b>(114 689)</b> |
| <b>Effective tax rate</b>                                                | <b>(115.61)%</b> | <b>42.97%</b>    |

\* Refer to section 4.30. \*\* Refer to section 4.11.1.

The deferred tax asset was not recognized on tax losses for which the utilisation in future periods is not probable according to the tax planning of the Group. In the determination of the deferred tax asset from investment incentives, the management estimated the probability of the utilization based on past experience with the utilization of previous tax incentives.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.8.4 DEFERRED TAX ASSETS AND LIABILITIES

| Deferred tax assets and liabilities                 | 31.12.2018          |                          |                 |
|-----------------------------------------------------|---------------------|--------------------------|-----------------|
|                                                     | Deferred tax assets | Deferred tax liabilities | Net amount      |
|                                                     | CZK' 000            | CZK' 000                 | CZK' 000        |
| <b>Temporary differences attributable to:</b>       |                     |                          |                 |
| Property, plant and equipment and Intangible assets | -                   | (243 131)                | (243 131)       |
| Inventories                                         | 1 576               | -                        | 1 576           |
| Receivables                                         | 7 069               | -                        | 7 069           |
| Tax losses                                          | 84 277              | -                        | 84 277          |
| Trade and other liabilities and provisions          | 44 705              | -                        | 44 705          |
| Investment incentives                               | 50 762              | -                        | 50 762          |
| Other                                               | 1 174               | -                        | 1 174           |
| <b>Deferred tax assets/(liabilities)</b>            | <b>189 563</b>      | <b>(243 131)</b>         | <b>(53 568)</b> |
| Presentation offsetting                             | (136 789)           | 136 789                  | -               |
| <b>Deferred tax assets/(liabilities)</b>            | <b>52 774</b>       | <b>(106 342)</b>         | <b>(53 568)</b> |

| Deferred tax assets and liabilities                 | 31.12.2017          |                          |                 |
|-----------------------------------------------------|---------------------|--------------------------|-----------------|
|                                                     | Deferred tax assets | Deferred tax liabilities | Net amount      |
|                                                     | CZK' 000            | CZK' 000                 | CZK' 000        |
| <b>Temporary differences attributable to:</b>       |                     |                          |                 |
| Property, plant and equipment and Intangible assets | 3 466               | (260 972)                | (257 506)       |
| Inventories                                         | 4 692               | -                        | 4 692           |
| Receivables                                         | 5 191               | -                        | 5 191           |
| Tax losses                                          | 108 658             | -                        | 108 658         |
| Trade and other liabilities and provisions          | 37 893              | -                        | 37 893          |
| Other                                               | 5 789               | -                        | 5 789           |
| <b>Deferred tax assets/(liabilities)</b>            | <b>165 689</b>      | <b>(260 972)</b>         | <b>(95 283)</b> |
| Presentation offsetting                             | (84 158)            | 84 158                   | -               |
| <b>Deferred tax assets/(liabilities)</b>            | <b>81 531</b>       | <b>(176 814)</b>         | <b>(95 283)</b> |

Deferred tax asset of Hoop Polska Sp. z o.o. of CZK 32 343 thousand as of 31 December 2018 wasn't recognized as the Group will be no longer entitled to utilize these tax losses due to the sale transaction described in section 4.30. In the Group's financial statements, a deferred tax liability of CZK 2 037 thousand related to the Grodzisk Wielkopolski plant was kept as this plant remains in the Group.

Based on management assessment and tax projections, the Group didn't recognize as of 31 December 2018 the deferred tax asset from tax losses of CZK 35 106 thousand and deferred tax asset from tax incentives in the amount of CZK 62 038 thousand. Tax losses can be utilized up to 2023, tax incentive can be utilized up to 2025.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.9. EARNINGS PER SHARE

The basic earnings per share ratio is calculated by dividing the profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s. by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share ratio is calculated by dividing the profit/(loss) for the period attributable to ordinary shareholders (after deducting the interest on redeemable preferred shares convertible to ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted by the effect of diluting options and own shares not subject to dividends). The diluted earnings per share ratio is not applicable to the Company because it didn't issue any of above-mentioned financial instruments.

Data relating to the profits and shares used to calculate basic earnings per share are presented below:

|                                                                                          | 2018            | 2017           |
|------------------------------------------------------------------------------------------|-----------------|----------------|
|                                                                                          | CZK'000         | CZK'000        |
| <b>Profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s.</b> | <b>(88 554)</b> | <b>158 775</b> |

|                                                                                              | 2018              | 2017              |
|----------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                              | Pcs               | Pcs               |
| Weighted average number of ordinary shares for EPS calculation                               | 22 294 908        | 22 295 000        |
| Effect of own shares                                                                         | (2 960)           | (2 708)           |
| <b>Weighted average number of ordinary shares used to calculate basic earnings per share</b> | <b>22 291 948</b> | <b>22 292 292</b> |

Based on the above information, the basic earnings per share amounts to:

| Basic earnings per share (CZK/share)                                                        | 2018            | 2017           |
|---------------------------------------------------------------------------------------------|-----------------|----------------|
|                                                                                             | CZK'000         | CZK'000        |
| <b>Profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s.</b>    | <b>(88 554)</b> | <b>158 775</b> |
| Weighted average number of ordinary shares used to calculate basic earnings per share (pcs) | 22 291 948      | 22 292 292     |
| <b>Basic earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK)</b>  | <b>(3.97)</b>   | <b>7.12</b>    |

### 4.10. PROPERTY, PLANT AND EQUIPMENT

The additions to Property, plant and equipment were of CZK 438 484 thousand in the year ended 31 December 2018 (including the net book value of assets in acquired subsidiaries and finance lease). Sold and disposed assets of CZK 259 485 thousand (excluding impairment allowance) in net book value were influenced mainly by the sale of Bielsk Podlaski production plant (net book value of CZK 228 708 thousand – excluding impairment allowance CZK 138 431 thousand). The selling price of the plant Bielsk Podlaski was CZK 80 668 thousand.

The investment projects realised by the Group in 2018 comprise primarily additions to production machinery, mainly in Czechia and Slovenia, assets from acquisition of LEROS, s.r.o., Minerálka s.r.o. and sales support equipment in Czechoslovakia.

The investment projects realised by the Group in 2017 comprise primarily additions to a production line in Slovenia, assets from Titbit, acquisition of Premium Rosa Sp. z o.o. and sales support equipment in Czechoslovakia.

The Group has revised the classification of particular items of property, plant and equipment and for 2018 is presenting the new structure of the movement table which is presented below. To ensure the comparability of the information presented, the movement table for the year ended 31 December 2017 was adjusted as well.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



### 1.1.2018 - 31.12.2018

| Movements in Property, plant and equipment (PPE)     | Land<br>CZK'000 | Buildings and constructions<br>CZK'000 | Plant and equipment<br>CZK'000 | Vehicles<br>CZK'000 | Leasehold improvement<br>CZK'000 | Returnable packages<br>CZK'000 | Other non-current assets<br>CZK'000 | Non-current assets under construction<br>CZK'000 | Total<br>CZK'000   |
|------------------------------------------------------|-----------------|----------------------------------------|--------------------------------|---------------------|----------------------------------|--------------------------------|-------------------------------------|--------------------------------------------------|--------------------|
| <b>Cost - opening</b>                                | <b>237 004</b>  | <b>2 477 685</b>                       | <b>4 696 411</b>               | <b>479 016</b>      | <b>78 348</b>                    | <b>763 100</b>                 | <b>4 195</b>                        | <b>101 233</b>                                   | <b>8 836 992</b>   |
| Acquisition of subsidiaries                          | 9 112           | 69 538                                 | 35 149                         | -                   | -                                | -                              | -                                   | -                                                | 113 799            |
| Additions                                            | 170             | 28 129                                 | 202 326                        | 37 446              | 2 389                            | 39 931                         | 397                                 | 55 626                                           | 366 414            |
| Transfers from non-current assets under construction | -               | 4 013                                  | 47 974                         | 149                 | 483                              | -                              | -                                   | (52 619)                                         | -                  |
| Finance lease additions                              | -               | -                                      | 14 635                         | 1 077               | -                                | -                              | -                                   | -                                                | 15 712             |
| Other increases                                      | -               | -                                      | 922                            | -                   | -                                | 302                            | 322                                 | -                                                | 1 546              |
| Sale                                                 | (11 820)        | (304 471)                              | (180 141)                      | (48 777)            | (2 431)                          | (4 787)                        | (197)                               | -                                                | (552 624)          |
| Disposal                                             | -               | (6 680)                                | (103 956)                      | (10 012)            | (383)                            | (87 051)                       | (21)                                | -                                                | (208 103)          |
| Reclassification to other categories                 | -               | -                                      | 96                             | -                   | -                                | -                              | (96)                                | -                                                | -                  |
| Other decreases                                      | -               | -                                      | (114)                          | (869)               | -                                | (165)                          | -                                   | -                                                | (1 148)            |
| Exchange difference                                  | 248             | (10 984)                               | (5 941)                        | (533)               | 11                               | 2 120                          | (6)                                 | 3 750                                            | (11 335)           |
| <b>Cost - closing</b>                                | <b>234 714</b>  | <b>2 257 230</b>                       | <b>4 707 361</b>               | <b>457 497</b>      | <b>78 417</b>                    | <b>713 450</b>                 | <b>4 594</b>                        | <b>107 990</b>                                   | <b>8 561 253</b>   |
| <b>Accumulated depreciation - opening</b>            | <b>(1 527)</b>  | <b>(658 371)</b>                       | <b>(3 612 396)</b>             | <b>(345 360)</b>    | <b>(24 121)</b>                  | <b>(585 873)</b>               | <b>(2 977)</b>                      | <b>-</b>                                         | <b>(5 230 625)</b> |
| Acquisition of subsidiaries                          | -               | (26 559)                               | (30 882)                       | -                   | -                                | -                              | -                                   | -                                                | (57 441)           |
| Depreciation charge                                  | (56)            | (67 889)                               | (307 211)                      | (57 554)            | (8 756)                          | (67 715)                       | (563)                               | -                                                | (509 744)          |
| Sale                                                 | 1 560           | 93 128                                 | 153 084                        | 48 659              | 778                              | 4 557                          | 111                                 | -                                                | 301 877            |
| Disposal                                             | -               | 6 680                                  | 103 581                        | 8 046               | 359                              | 87 049                         | 21                                  | -                                                | 205 736            |
| Reclassification to other categories                 | -               | -                                      | (96)                           | -                   | -                                | -                              | 96                                  | -                                                | -                  |
| Other movements                                      | -               | -                                      | (17)                           | 470                 | -                                | 96                             | -                                   | -                                                | 549                |
| Exchange difference                                  | 23              | 2 072                                  | (2 845)                        | 411                 | -                                | (1 693)                        | 75                                  | -                                                | (1 957)            |
| <b>Accumulated depreciation - closing</b>            | <b>-</b>        | <b>(650 939)</b>                       | <b>(3 696 782)</b>             | <b>(345 328)</b>    | <b>(31 740)</b>                  | <b>(563 579)</b>               | <b>(3 237)</b>                      | <b>-</b>                                         | <b>(5 291 605)</b> |
| <b>Impairment allowance - opening</b>                | <b>-</b>        | <b>(203 943)</b>                       | <b>(17 532)</b>                | <b>-</b>            | <b>-</b>                         | <b>-</b>                       | <b>-</b>                            | <b>-</b>                                         | <b>(221 475)</b>   |
| Impairment loss                                      | (10 617)        | (126 658)                              | (77 845)                       | (2 710)             | -                                | (1 093)                        | (7 015)                             | (4 715)                                          | (230 653)          |
| Sale                                                 | -               | 132 441                                | 5 990                          | -                   | -                                | -                              | -                                   | -                                                | 138 431            |
| Exchange difference                                  | 3               | 3 632                                  | 343                            | -                   | -                                | -                              | -                                   | 25                                               | 4 003              |
| <b>Impairment allowance - closing</b>                | <b>(10 614)</b> | <b>(194 528)</b>                       | <b>(89 044)</b>                | <b>(2 710)</b>      | <b>-</b>                         | <b>(1 093)</b>                 | <b>(7 015)</b>                      | <b>(4 690)</b>                                   | <b>(309 694)</b>   |
| <b>Net book value - opening</b>                      | <b>235 477</b>  | <b>1 615 371</b>                       | <b>1 066 483</b>               | <b>133 656</b>      | <b>54 227</b>                    | <b>177 227</b>                 | <b>1 218</b>                        | <b>101 233</b>                                   | <b>3 384 892</b>   |
| <b>Net book value - closing</b>                      | <b>224 100</b>  | <b>1 411 763</b>                       | <b>921 535</b>                 | <b>109 459</b>      | <b>46 677</b>                    | <b>148 778</b>                 | <b>(5 658)</b>                      | <b>103 300</b>                                   | <b>2 959 954</b>   |

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



### 1.1.2017 - 31.12.2017

| Movements in Property, plant and equipment (PPE)     | Land<br>CZK'000 | Buildings and constructions<br>CZK'000 | Plant and equipment<br>CZK'000 | Vehicles<br>CZK'000 | Leasehold improvement<br>CZK'000 | Returnable packages<br>CZK'000 | Other non-current assets<br>CZK'000 | Non-current assets under construction<br>CZK'000 | Total<br>CZK'000   |
|------------------------------------------------------|-----------------|----------------------------------------|--------------------------------|---------------------|----------------------------------|--------------------------------|-------------------------------------|--------------------------------------------------|--------------------|
| <b>Cost - opening</b>                                | <b>243 353</b>  | <b>2 438 781</b>                       | <b>4 654 793</b>               | <b>457 326</b>      | -                                | -                              | <b>1 066 255</b>                    | <b>97 346</b>                                    | <b>8 957 854</b>   |
| Reclassification to other categories                 | -               | 980                                    | 235 361                        | 28 871              | 63 694                           | 721 424                        | (1 050 330)                         | -                                                | -                  |
| Acquisition of subsidiary                            | 1 655           | 14 870                                 | 4 668                          | 12                  | -                                | -                              | 880                                 | 632                                              | <b>22 717</b>      |
| Additions                                            | 1 099           | 24 962                                 | 260 564                        | 4 436               | 25 098                           | 18 658                         | 106                                 | 69 765                                           | <b>404 688</b>     |
| Transfers from non-current assets under construction | -               | 23 995                                 | 39 323                         | -                   | 1 428                            | -                              | -                                   | (64 746)                                         | -                  |
| Finance lease additions                              | -               | -                                      | 750                            | 15 816              | -                                | -                              | -                                   | -                                                | <b>16 566</b>      |
| Other increases                                      | 342             | 3 212                                  | 715                            | -                   | -                                | 65 107*                        | 257                                 | -                                                | <b>69 633</b>      |
| Sale                                                 | -               | (247)                                  | (215 447)                      | (6 866)             | -                                | (3 398)                        | -                                   | -                                                | <b>(225 958)</b>   |
| Disposal                                             | -               | -                                      | (156 165)                      | (11 915)            | (11 852)                         | (17 105)                       | (426)                               | (129)                                            | <b>(197 592)</b>   |
| Other decreases                                      | -               | -                                      | (3 210)                        | (6 340)             | -                                | (211)                          | (7 372)                             | -                                                | <b>(17 133)</b>    |
| Exchange difference                                  | (9 445)         | (28 868)                               | (124 941)                      | (2 324)             | (20)                             | (21 375)                       | (5 175)                             | (1 635)                                          | <b>(193 783)</b>   |
| <b>Cost - closing</b>                                | <b>237 004</b>  | <b>2 477 685</b>                       | <b>4 696 411</b>               | <b>479 016</b>      | <b>78 348</b>                    | <b>763 100</b>                 | <b>4 195</b>                        | <b>101 233</b>                                   | <b>8 836 992</b>   |
| <b>Accumulated depreciation - opening</b>            | <b>(1 444)</b>  | <b>(571 804)</b>                       | <b>(3 572 894)</b>             | <b>(279 160)</b>    | -                                | -                              | <b>(756 187)</b>                    | -                                                | <b>(5 181 489)</b> |
| Reclassification to other categories                 | -               | (980)                                  | (177 791)                      | (26 286)            | (22 915)                         | (516 761)                      | 744 733                             | -                                                | -                  |
| Acquisition of subsidiary                            | -               | (1 723)                                | (2 238)                        | (12)                | -                                | -                              | (583)                               | -                                                | <b>(4 556)</b>     |
| Depreciation charge                                  | (87)            | (71 493)                               | (309 889)                      | (60 917)            | (13 531)                         | (60 904)                       | (317)                               | -                                                | <b>(517 138)</b>   |
| Sale                                                 | -               | 86                                     | 190 510                        | 5 886               | -                                | 3 398                          | -                                   | -                                                | <b>199 880</b>     |
| Disposal                                             | -               | -                                      | 153 976                        | 8 897               | 11 843                           | 15 751                         | 377                                 | -                                                | <b>190 844</b>     |
| Other movements                                      | -               | (27 410)                               | 1 735                          | 5 032               | -                                | (44 276)*                      | 4 818                               | -                                                | <b>(60 101)</b>    |
| Exchange difference                                  | 4               | 14 953                                 | 104 195                        | 1 200               | 482                              | 16 919                         | 4 182                               | -                                                | <b>141 935</b>     |
| <b>Accumulated depreciation - closing</b>            | <b>(1 527)</b>  | <b>(658 371)</b>                       | <b>(3 612 396)</b>             | <b>(345 360)</b>    | <b>(24 121)</b>                  | <b>(585 873)</b>               | <b>(2 977)</b>                      | -                                                | <b>(5 230 625)</b> |
| <b>Impairment allowance - opening</b>                | -               | <b>(204 323)</b>                       | <b>(17 564)</b>                | -                   | -                                | -                              | <b>(139)</b>                        | -                                                | <b>(222 026)</b>   |
| Reclassification to other categories                 | -               | -                                      | (128)                          | -                   | -                                | -                              | 128                                 | -                                                | -                  |
| Disposal                                             | -               | -                                      | 132                            | -                   | -                                | -                              | -                                   | -                                                | <b>132</b>         |
| Exchange difference                                  | -               | 380                                    | 28                             | -                   | -                                | -                              | 11                                  | -                                                | <b>419</b>         |
| <b>Impairment allowance - closing</b>                | -               | <b>(203 943)</b>                       | <b>(17 532)</b>                | -                   | -                                | -                              | -                                   | -                                                | <b>(221 475)</b>   |
| <b>Net book value - opening</b>                      | <b>241 909</b>  | <b>1 662 654</b>                       | <b>1 064 335</b>               | <b>178 166</b>      | -                                | -                              | <b>309 929</b>                      | <b>97 346</b>                                    | <b>3 554 339</b>   |
| <b>Net book value - closing</b>                      | <b>235 477</b>  | <b>1 615 371</b>                       | <b>1 066 483</b>               | <b>133 656</b>      | <b>54 227</b>                    | <b>177 227</b>                 | <b>1 218</b>                        | <b>101 233</b>                                   | <b>3 384 892</b>   |
| <i>Of which:</i>                                     |                 |                                        |                                |                     |                                  |                                |                                     |                                                  |                    |
| Assets classified as held for sale                   |                 |                                        |                                |                     |                                  |                                |                                     |                                                  | -                  |
| Property, plant and equipment                        |                 |                                        |                                |                     |                                  |                                |                                     |                                                  | 3 384 892          |

\* Reclassification of returnable packages in Croatia from inventory to Property, plant and equipment.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1.1.2017 - 31.12.2017

| Movements in Assets classified as held for sale (AHS) | Land<br>CZK'000 | Buildings and constructions<br>CZK'000 | Plant and equipment<br>CZK'000 | Vehicles<br>CZK'000 | Other non-current assets<br>CZK'000 | Non-current assets under construction<br>CZK'000 | Total<br>CZK'000 |
|-------------------------------------------------------|-----------------|----------------------------------------|--------------------------------|---------------------|-------------------------------------|--------------------------------------------------|------------------|
| <b>Cost - opening</b>                                 | <b>11 527</b>   | <b>308 307</b>                         | <b>191 285</b>                 | -                   | <b>29</b>                           | -                                                | <b>511 148</b>   |
| Sale                                                  | -               | (3 417)                                | (70 460)                       | -                   | -                                   | -                                                | <b>(73 877)</b>  |
| Reclassification to PPE                               | (11 640)        | (307 728)                              | (122 667)                      | -                   | (25)                                | -                                                | <b>(442 060)</b> |
| Exchange difference                                   | 113             | 2 838                                  | 1 842                          | -                   | (4)                                 | -                                                | <b>4 789</b>     |
| <b>Cost - closing</b>                                 | -               | -                                      | -                              | -                   | -                                   | -                                                | -                |
| <b>Accumulated depreciation - opening</b>             | <b>(1 444)</b>  | <b>(78 159)</b>                        | <b>(178 931)</b>               | -                   | <b>(30)</b>                         | -                                                | <b>(258 564)</b> |
| Sale                                                  | -               | -                                      | 68 604                         | -                   | -                                   | -                                                | <b>68 604</b>    |
| Reclassification to PPE                               | 1 460           | 78 914                                 | 112 054                        | -                   | 25                                  | -                                                | <b>192 453</b>   |
| Exchange difference                                   | (16)            | (755)                                  | (1 727)                        | -                   | 5                                   | -                                                | <b>(2 493)</b>   |
| <b>Accumulated depreciation - closing</b>             | -               | -                                      | -                              | -                   | -                                   | -                                                | -                |
| <b>Impairment allowance - opening</b>                 | -               | <b>(134 772)</b>                       | <b>(6 097)</b>                 | -                   | -                                   | -                                                | <b>(140 869)</b> |
| Reclassification to PPE                               | -               | 136 070                                | 6 154                          | -                   | -                                   | -                                                | <b>142 224</b>   |
| Exchange difference                                   | -               | (1 298)                                | (57)                           | -                   | -                                   | -                                                | <b>(1 355)</b>   |
| <b>Impairment allowance - closing</b>                 | -               | -                                      | -                              | -                   | -                                   | -                                                | -                |
| <b>Net book value - opening</b>                       | <b>10 083</b>   | <b>95 376</b>                          | <b>6 257</b>                   | -                   | <b>(1)</b>                          | -                                                | <b>111 715</b>   |
| <b>Net book value - closing</b>                       | -               | -                                      | -                              | -                   | -                                   | -                                                | -                |

In 2017, assets from closed production plant in Bielsk Podlaski were reclassified to PPE (the planned sale has not been finalized within a year).

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.10.1 IMPAIRMENT TESTING

In 2018, the impairment of CZK 138 431 thousand was released due to sale of plant in Bielsk Podlaski (Polish operation). In addition, a new impairment in the amount of CZK 223 181 thousand was charged (on pro rata basis) in relation to the sale of Hoop Polska Sp. z o.o. (refer to section 4.30). The recoverable amount in relation to this impairment was determined as fair value less costs of disposal.

In 2017, no impairment was allocated to the Property, plant and equipment. An impairment test was performed in the Polish operation with the recoverable amount of the cash generating unit (calculated as value in use) above the carrying value. The sensitivity analysis was performed, the break-even level for the indication of an impairment would be the increase of annual WACC by 0.3 p.p. or decrease of average EBITDA margin by 0.28 p.p.

The assumptions of the impairment test model in 2017 were as follows:

- WACC: 9.7%
- Perpetuity growth rate: 2.0%

### 4.11. INTANGIBLE ASSETS

| Movements in Intangible assets (IA) 2018  | Goodwill      | Patents, licenses | Software         | Trademarks and other rights | IA under development | Total            |
|-------------------------------------------|---------------|-------------------|------------------|-----------------------------|----------------------|------------------|
|                                           | CZK '000      | CZK '000          | CZK '000         | CZK '000                    | CZK '000             | CZK '000         |
| <b>Cost - opening</b>                     | <b>86 302</b> | <b>23 009</b>     | <b>219 773</b>   | <b>1 649 286</b>            | <b>8 447</b>         | <b>1 986 817</b> |
| Acquisition of subsidiary                 | 7 215         | -                 | 2 970            | 126 373                     | -                    | 136 558          |
| Additions                                 | -             | 102               | 15 679           | 96                          | 6 368                | 22 245           |
| Transfer from IA under development        | -             | -                 | 5 728            | -                           | (5 728)              | -                |
| Sale                                      | -             | -                 | (25)             | -                           | -                    | (25)             |
| Disposal                                  | -             | -                 | (9 518)          | -                           | -                    | (9 518)          |
| Reclassification to other categories      | -             | (4 770)           | 4 856            | -                           | (86)                 | -                |
| Exchange difference                       | (50)          | (311)             | (30)             | (15 165)                    | 6                    | (15 550)         |
| <b>Cost - closing</b>                     | <b>93 467</b> | <b>18 030</b>     | <b>239 433</b>   | <b>1 760 590</b>            | <b>9 007</b>         | <b>2 120 527</b> |
| <b>Accumulated amortisation - opening</b> | <b>-</b>      | <b>(22 163)</b>   | <b>(197 351)</b> | <b>(90 062)</b>             | <b>-</b>             | <b>(309 576)</b> |
| Acquisition of subsidiary                 | -             | -                 | (2 866)          | -                           | -                    | (2 866)          |
| Amortisation charge                       | -             | (192)             | (12 401)         | (44 995)                    | -                    | (57 588)         |
| Sale                                      | -             | -                 | 18               | -                           | -                    | 18               |
| Disposal                                  | -             | -                 | 9 504            | -                           | -                    | 9 504            |
| Reclassification to other categories      | -             | 4 641             | (4 641)          | -                           | -                    | -                |
| Exchange difference                       | -             | 313               | (282)            | 35                          | -                    | 66               |
| <b>Accumulated amortisation - closing</b> | <b>-</b>      | <b>(17 401)</b>   | <b>(208 019)</b> | <b>(135 022)</b>            | <b>-</b>             | <b>(360 442)</b> |
| <b>Impairment allowance - opening</b>     | <b>-</b>      | <b>-</b>          | <b>-</b>         | <b>(500 749)</b>            | <b>-</b>             | <b>(500 749)</b> |
| Impairment loss                           | -             | (85)              | (135)            | (122 338)                   | (15)                 | (122 573)        |
| Exchange difference                       | -             | -                 | -                | 11 228                      | -                    | 11 228           |
| <b>Impairment allowance - closing</b>     | <b>-</b>      | <b>(85)</b>       | <b>(135)</b>     | <b>(611 859)</b>            | <b>(15)</b>          | <b>(612 094)</b> |
| <b>Net book value - opening</b>           | <b>86 302</b> | <b>846</b>        | <b>22 422</b>    | <b>1 058 475</b>            | <b>8 447</b>         | <b>1 176 492</b> |
| <b>Net book value - closing</b>           | <b>93 467</b> | <b>544</b>        | <b>31 279</b>    | <b>1 013 709</b>            | <b>8 992</b>         | <b>1 147 991</b> |
| <i>Of which:</i>                          |               |                   |                  |                             |                      |                  |
| Goodwill                                  |               |                   |                  |                             |                      | 93 467           |
| Intangible assets                         |               |                   |                  |                             |                      | 1 054 524        |

The Goodwill consists of the goodwill from acquisition of PINELLI spol. s r.o. acquired in April 2011, goodwill from acquisition of production part of Klimo s.r.o. by Kofola a.s. (Czech Republic) in 2006, goodwill from acquisition of LEROS s.r.o. acquired in March 2018 and goodwill from acquisition of Minerálka s.r.o. acquired in June 2018.

Amortisation of trademarks with finite useful lives is charged to Selling, marketing and distribution costs. The main trademarks are not amortized – such trademarks with indefinite useful lives are tested for impairment.

The value of trademarks includes, among others, the value of such trademarks as: Kofola, Vinea, Radenska, Hoop Cola, Paola, Citrocola, Semtex, Erektus and UGO.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In the year ended 31 December 2018, the additions to intangible assets were of CZK 155 937 thousand (including the net book value of assets in acquired subsidiaries). The most significant additions were connected with acquisition of LEROS, s.r.o., acquisition of Minerálka s.r.o., investment to SAP in Kofola ČeskoSlovensko a.s. and cash register system in UGO trade s.r.o.

In the reporting period ended 31 December 2017, the additions to intangible assets were of CZK 107 102 thousand (including the net book value of assets in acquired subsidiary). The most significant additions were connected with acquisitions of Premium Rosa Sp. z o.o. and Titbit.

| Movements in Intangible assets (IA) 2017  | Goodwill      | Patents, licenses | Software         | Trademarks and other rights | IA under development | Total            |
|-------------------------------------------|---------------|-------------------|------------------|-----------------------------|----------------------|------------------|
|                                           | CZK '000      | CZK '000          | CZK '000         | CZK '000                    | CZK '000             | CZK '000         |
| <b>Cost – opening</b>                     | <b>86 302</b> | <b>23 242</b>     | <b>228 164</b>   | <b>1 565 551</b>            | <b>16 504</b>        | <b>1 919 763</b> |
| Acquisition of subsidiary                 | -             | 112               | 3 290            | 57 849                      | -                    | 61 251           |
| Additions                                 | -             | 103               | 7 645            | 34 162                      | 5 626                | 47 536           |
| Transfer from IA under development        | -             | -                 | 1 439            | 13 513                      | (14 952)             | -                |
| Disposal                                  | -             | -                 | (15 428)         | -                           | -                    | (15 428)         |
| Exchange difference                       | -             | (448)             | (5 337)          | (21 789)                    | 1 269                | (26 305)         |
| <b>Cost – closing</b>                     | <b>86 302</b> | <b>23 009</b>     | <b>219 773</b>   | <b>1 649 286</b>            | <b>8 447</b>         | <b>1 986 817</b> |
| <b>Accumulated amortisation – opening</b> | <b>-</b>      | <b>(22 295)</b>   | <b>(193 817)</b> | <b>(63 098)</b>             | <b>-</b>             | <b>(279 210)</b> |
| Acquisition of subsidiary                 | -             | (105)             | (1 537)          | (43)                        | -                    | (1 685)          |
| Amortisation charge                       | -             | (165)             | (21 004)         | (26 921)                    | -                    | (48 090)         |
| Disposal                                  | -             | -                 | 15 428           | -                           | -                    | 15 428           |
| Exchange difference                       | -             | 402               | 3 579            | -                           | -                    | 3 981            |
| <b>Accumulated amortisation - closing</b> | <b>-</b>      | <b>(22 163)</b>   | <b>(197 351)</b> | <b>(90 062)</b>             | <b>-</b>             | <b>(309 576)</b> |
| <b>Impairment allowance – opening</b>     | <b>-</b>      | <b>-</b>          | <b>-</b>         | <b>(390 159)</b>            | <b>-</b>             | <b>(390 159)</b> |
| Impairment loss                           | -             | -                 | -                | (112 386)                   | -                    | (112 386)        |
| Exchange difference                       | -             | -                 | -                | 1 796                       | -                    | 1 796            |
| <b>Impairment allowance – closing</b>     | <b>-</b>      | <b>-</b>          | <b>-</b>         | <b>(500 749)</b>            | <b>-</b>             | <b>(500 749)</b> |
| <b>Net book value – opening</b>           | <b>86 302</b> | <b>947</b>        | <b>34 347</b>    | <b>1 112 294</b>            | <b>16 504</b>        | <b>1 250 394</b> |
| <b>Net book value - closing</b>           | <b>86 302</b> | <b>846</b>        | <b>22 422</b>    | <b>1 058 475</b>            | <b>8 447</b>         | <b>1 176 492</b> |
| <i>Of which:</i>                          |               |                   |                  |                             |                      |                  |
| Goodwill                                  |               |                   |                  |                             |                      | 86 302           |
| Intangible assets                         |               |                   |                  |                             |                      | 1 090 190        |

### 4.11.1 IMPAIRMENT TESTING

In the impairment testing of trademarks and goodwill, management of the Group has decided to use value in use method, except for the Polish segment impairment related to the sale of Hoop Polska Sp. z o.o. (refer to section 4.30) in which case the fair value less costs of disposal method was utilized. For the purpose of market valuation, the trademark royalty's method was used (value in use method). Due to the fact that management is not aware of comparable market transactions, the calculation of value in use for trademarks and goodwill is based on discounted free cash flows and estimated cash-flow projections based on financial plans approved by management of the Group for the period until 2023.

Impairment in the amount of CZK 122 573 thousand was charged (on pro rata basis) to intangible assets in relation to the sale of Hoop Polska Sp. z o.o. (refer to section 4.30). The recoverable amount in relation to this impairment was determined as fair value less costs of disposal.

Main assumptions used in financial plans and cash-flow projections:

#### TRADEMARKS

THE MAIN TRADEMARKS WITH INDEFINITE USEFUL LIVE

| 2018                        | Kofola       | Vinea           | Hoop Cola     | Paola         | Radenska        |
|-----------------------------|--------------|-----------------|---------------|---------------|-----------------|
| <b>Country of trademark</b> | <b>Czech</b> | <b>Slovakia</b> | <b>Poland</b> | <b>Poland</b> | <b>Slovenia</b> |
| Royalty rate                | 6.0%         | 6.0%            | n/a*          | n/a*          | 6.0%            |
| Perpetuity growth rate      | 2.0%         | 2.0%            | n/a*          | n/a*          | 2.0%            |
| Discount rate post-tax      | 7.4%         | 6.4%            | n/a*          | n/a*          | 6.1%            |

\* Fair value less costs of disposal method utilized in 2018.



## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



| 2017                        | Kofola       | Vinea           | Hoop Cola     | Paola         | Radenska        |
|-----------------------------|--------------|-----------------|---------------|---------------|-----------------|
| <b>Country of trademark</b> | <b>Czech</b> | <b>Slovakia</b> | <b>Poland</b> | <b>Poland</b> | <b>Slovenia</b> |
| Royalty rate                | 6.0%         | 6.0%            | 5.0%          | 5.0%          | 6.0%            |
| Perpetuity growth rate      | 2.0%         | 2.0%            | 2.0%          | 2.0%          | 2.0%            |
| Discount rate post-tax      | 9.1%         | 8.2%            | 10.7%         | 10.7%         | 8.3%            |

### CARRYING VALUE OF ALL TRADEMARKS PER COUNTRY

|                  | Czech Republic | Slovakia | Poland  | Slovenia | Total          |
|------------------|----------------|----------|---------|----------|----------------|
|                  | CZK'000        | CZK'000  | CZK'000 | CZK'000  | CZK'000        |
| 31 December 2017 | 358 294        | 213 489  | 292 624 | 128 597  | <b>993 004</b> |
| 31 December 2018 | 458 054        | 215 035  | 157 547 | 129 529  | <b>960 165</b> |

As of 31 December 2018, an impairment of CZK 76 097 thousand was allocated to Hoop Cola trademark and an impairment of CZK 46 241 thousand was allocated to Paola trademark. Values of impairments allocated to particular trademarks represent a pro-rata basis allocation of total impairment related to sale of Hoop Polska Sp. z o.o. (refer to section 4.30).

As of 31 December 2017, an impairment of CZK 85 316 thousand was allocated to Hoop Cola trademark and an impairment of CZK 27 070 thousand was allocated to Paola trademark as their carrying amount exceeded their value in use. The key reason for the impairment recognition was decreased estimate of future revenues allocated to above mentioned trademarks. The impairment of Paola trademark could hypothetically be reversed by the decrease of annual WACC by 1.9 p.p. The impairment of Hoop Cola trademark could hypothetically be reversed by the decrease of annual WACC by 2.95 p.p.

Cumulated balance of impairment to trademarks and other rights as at 31 December 2018 and 31 December 2017 related solely to trademarks present in the Polish operations.

Additional impairment indicators were identified by management only in case of cash generating units UGO trade s.r.o. and Studenac d.o.o., as other cash generating units within the Group are generating sufficient profits. However, current results of these cash generating units are expected to reverse in the projected explicit period (the next 5 years) and the total recoverable amounts determined as value in use as of 31 December 2018 exceed the carrying amounts of respective assets. Therefore, no additional impairment was recognized in the financial statements of the Group.

### GOODWILL

The Goodwill arose on acquisition of PINELLI spol. s r.o., Klímo s.r.o., LEROS, s.r.o. and Minerálka s.r.o. Table below summarizes the key inputs for impairment testing in relations to the most significant parts of Goodwill.

| PINELLI, Klímo                                                      | 2018         | 2017         |
|---------------------------------------------------------------------|--------------|--------------|
|                                                                     | CZK'000/%    | CZK'000/%    |
| Carrying value                                                      | 86 302       | 86 302       |
| Average EBITDA margin (PINELLI, Klímo); 2019-2023 (resp. 2018-2022) | 27.3%; 16.6% | 24.6%; 13.8% |
| Perpetuity growth rate                                              | 2.0%         | 2.0%         |
| Discount rate post-tax                                              | 6.5%         | 8.1%         |

Main assumptions adopted by the management are based on past experience and expectations as for the future market development. Interest rates used are in line with those used when preparing the Group's results assumptions. Discount rates are post-tax and include risk related to respective operating segments and trademarks.

The Group's management believes that the main assumptions used in impairment tests of cash generating units as at 31 December 2018 and 31 December 2017 are rational and based on the past experience, the Group's development strategy and on market forecasts. The Group's forecasts of future financial results are based on series of assumptions, where those relating to macroeconomic factors and actions taken by the competition, such as foreign exchange rates, prices of raw materials and interest rates are beyond the Group's control.

### SENSITIVITY ANALYSIS

Management believes that, in relation to value in use for trademarks Kofola, Vinea, Radenska and cash generating units related to Klímo s.r.o., PINELLI spol. s r.o., LEROS s.r.o. and Minerálka s.r.o. no reasonable change in the above-adopted assumptions would result in their recoverable amounts being lower than their carrying amounts.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.12. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

#### 4.12.1 000 MEGAPACK

000 MEGAPACK is an equity accounted investee of the Group as Group doesn't have the power over the investee and the control over the investee is shared (Group can not direct the activities of an investee on its own due to expiration of the deciding vote in choosing the general director of the 000 MEGAPACK on 31 December 2012). The main activities of the Megapack Group are the provision of beverage bottling services to third parties, production of own beverages, as well as their distribution on the territory of the Russian Federation.

| Investment in equity accounted investee          | 2018          | 2017          |
|--------------------------------------------------|---------------|---------------|
|                                                  | CZK'000       | CZK'000       |
| <b>Opening balance</b>                           | <b>70 260</b> | <b>67 782</b> |
| Share of profit/(loss) attributable to the Group | 22 963        | 11 845        |
| Dividends                                        | (16 023)      | -             |
| Exchange difference                              | (10 306)      | (9 367)       |
| <b>Closing balance</b>                           | <b>66 894</b> | <b>70 260</b> |

| Reconciliation of net assets to carrying amounts | 2018           | 2017           |
|--------------------------------------------------|----------------|----------------|
|                                                  | RUB'000        | RUB'000        |
| <b>As at 1 January</b>                           | <b>612 993</b> | <b>553 913</b> |
| Profit/(loss) for the period                     | 132 354        | 59 080         |
| Dividends                                        | (100 000)      | -              |
| <b>At the 31 December</b>                        | <b>645 347</b> | <b>612 993</b> |
| Group's share on net assets                      | 558 168        | 491 991        |
| Impairment                                       | (301 066)      | (301 066)      |
| Group's share on dividends paid                  | (50 000)       | -              |
| <b>Carrying amount in RUB ths.</b>               | <b>207 102</b> | <b>190 925</b> |
| FX rate as at 31 December                        | 0.323          | 0.368          |
| <b>Carrying amount in CZK ths.</b>               | <b>66 894</b>  | <b>70 260</b>  |

| Statement of financial position | 31.12.2018     | 31.12.2017     |
|---------------------------------|----------------|----------------|
|                                 | CZK'000        | CZK'000        |
| Current assets                  | 282 283        | 255 469        |
| Non-current assets              | 127 500        | 135 688        |
| Current liabilities             | (174 758)      | (150 335)      |
| Non-current liabilities         | (27 001)       | (15 723)       |
| <b>Net assets</b>               | <b>208 024</b> | <b>225 099</b> |

| Statement of profit or loss                                               | 2018*         | 2017*         | 2017<br>presented |
|---------------------------------------------------------------------------|---------------|---------------|-------------------|
|                                                                           | CZK'000       | CZK'000       | CZK'000           |
| Revenue                                                                   | 419 433       | 395 285       | 742 705           |
| Profit/(loss) for the period                                              | 45 926        | 23 690        | 23 690            |
| <b>Share of profit/(loss) attributable to Kofola ČeskoSlovensko group</b> | <b>22 963</b> | <b>11 845</b> | <b>11 845</b>     |

\* Due to IFRS 15 requirements, for selected revenue streams (where the company acts as an agent) is presented only margin.

| Statement of cash flows              | 2018           | 2017          |
|--------------------------------------|----------------|---------------|
|                                      | CZK'000        | CZK'000       |
| Cash flows from operating activities | 37 230         | 77 924        |
| Cash flows from investing activities | (4 271)        | 2 016         |
| Cash flows from financing activities | (39 399)       | (243)         |
| <b>Cash inflow/(outflow)</b>         | <b>(6 440)</b> | <b>79 697</b> |

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The carrying amount of the investment in equity accounted investee has been subject to impairment testing. The assumptions of the impairment test model are as follows:

- WACC: 12.4% (2017: 13.8%)
- Perpetuity growth rate: 2.0% (2017: 2.0%)
- Average projected EBITDA for period 2019 – 2023 (resp. 2018 – 2022): RUB 78 998 thousand (RUB 98 123 thousand)

Changes in these assumptions may affect the Group's financial position, including the results of non-current asset impairment tests, and in consequence, may change the Group's financial position and financial result in future years.

### SENSITIVITY ANALYSIS OF THE IMPAIRMENT TEST AS AT 31 DECEMBER 2018

The impairment test based on above mentioned assumptions resulted in no additional impairment charge. We performed sensitivity analysis - WACC increased by 1.7 p.p., average EBITDA lower by 12.0%, both did not lead to any impairment result. When calculated the sensitivity analysis, only 1 parameter is changed.

### SENSITIVITY ANALYSIS OF THE IMPAIRMENT TEST AS AT 31 DECEMBER 2017

The impairment test based on above mentioned assumptions resulted in no additional impairment charge. We performed sensitivity analysis - WACC increased by 2.0 p.p., expected EBITDA growth by 90.0% lower, both did not lead to any impairment result. When calculated the sensitivity analysis, only 1 parameter is changed.

## 4.13. INVENTORIES

| Inventories                         | 31.12.2018      | 31.12.2017      |
|-------------------------------------|-----------------|-----------------|
|                                     | CZK'000         | CZK'000         |
| <b>Inventories not written-down</b> | <b>494 224</b>  | <b>494 218</b>  |
| Material                            | 223 289         | 218 685         |
| Goods                               | 65 429          | 56 626          |
| Work in progress                    | 26 012          | 4 242           |
| Finished products                   | 179 494         | 214 665         |
| <b>Written-down inventories</b>     | <b>18 428</b>   | <b>13 265</b>   |
| Material                            | 13 839          | 9 885           |
| Goods                               | 3 211           | 1 660           |
| Work in progress                    | 228             | -               |
| Finished products                   | 1 150           | 1 720           |
| <b>Inventories write-down</b>       | <b>(16 549)</b> | <b>(12 975)</b> |
| <b>Inventories total</b>            | <b>496 103</b>  | <b>494 508</b>  |

| Inventories write-down movement table | 2018          | 2017          |
|---------------------------------------|---------------|---------------|
|                                       | CZK'000       | CZK'000       |
| <b>As at 1 January</b>                | <b>12 975</b> | <b>11 933</b> |
| Acquired through business combination | 6 233         | -             |
| Increase due to write-down            | 11 514        | 8 359         |
| Decrease due to usage/(write-back)    | (14 072)      | (7 271)       |
| Exchange differences                  | (101)         | (46)          |
| <b>As at 31 December</b>              | <b>16 549</b> | <b>12 975</b> |

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.14. TRADE AND OTHER RECEIVABLES

| Trade receivables and other receivables                                    | 31.12.2018         |                        | 31.12.2017         |                        |
|----------------------------------------------------------------------------|--------------------|------------------------|--------------------|------------------------|
|                                                                            | Current<br>CZK'000 | Non-current<br>CZK'000 | Current<br>CZK'000 | Non-current<br>CZK'000 |
| <b>Financial assets within Trade receivables and other receivables</b>     |                    |                        |                    |                        |
| Trade receivables                                                          | 924 904            | 2 455                  | 839 272            | 388                    |
| Loss allowance for trade receivables                                       | (44 127)           | -                      | (53 219)           | -                      |
| Other receivables                                                          | 76 163*            | 85 220**               | 55 906*            | 60 931**               |
| Loss allowance for other receivables                                       | (10 950)           | (6 856)                | (484)              | (6 856)                |
| Derivatives (i)                                                            | 1 566              | -                      | -                  | 4 620                  |
| <b>Total</b>                                                               | <b>947 556</b>     | <b>80 819</b>          | <b>841 475</b>     | <b>59 083</b>          |
| <b>Non-financial assets within Trade receivables and other receivables</b> |                    |                        |                    |                        |
| VAT receivable                                                             | 37 134             | -                      | 24 939             | -                      |
| Deferred expenses                                                          | 55 708             | 3 405                  | 73 315             | 4 156                  |
| Prepayments                                                                | 49 040             | 34 735                 | 49 276             | 7 464                  |
| Other                                                                      | 5 597              | -                      | 9 212              | -                      |
| Loss allowance for other non-financial receivables                         | -                  | -                      | (4 062)            | -                      |
| <b>Total</b>                                                               | <b>147 479</b>     | <b>38 140</b>          | <b>152 680</b>     | <b>11 620</b>          |
| <b>Trade receivables and other receivables total</b>                       | <b>1 095 035</b>   | <b>118 959</b>         | <b>994 155</b>     | <b>70 703</b>          |

\* Mainly paid principals.

\*\* Mainly purchased bonds.

#### (i) Derivatives

The Group has concluded interest rate swaps and commodity swap for diesel price (which ended in December 2017). In 2017, the derivatives were classified as held for trading and accounted for at fair value through profit or loss. In 2018, the Group concluded new IRS contract and established a hedge accounting and revaluation of derivatives in relation to the effective portion of the hedging relationship is accounted through OCI (refer to section 3.5 for more details).

| Loss allowance for trade and other receivables | 2018                            |                                           | 2017                            |                                           |
|------------------------------------------------|---------------------------------|-------------------------------------------|---------------------------------|-------------------------------------------|
|                                                | Trade<br>receivables<br>CZK'000 | Other financial<br>receivables<br>CZK'000 | Trade<br>receivables<br>CZK'000 | Other financial<br>receivables<br>CZK'000 |
| <b>As at 1 January</b>                         | <b>53 219</b>                   | <b>7 340</b>                              | <b>73 493</b>                   | <b>90 023</b>                             |
| IFRS 9 adjustment                              | (4 365)                         | -                                         | -                               | -                                         |
| <b>As at 1 January adjusted</b>                | <b>48 854</b>                   | <b>7 340</b>                              | <b>73 493</b>                   | <b>90 023</b>                             |
| Exchange differences                           | (1 764)                         | 79                                        | (2 252)                         | 796                                       |
| Acquired through business combination          | 12                              | -                                         | 31                              | -                                         |
| Increase due to creation                       | 2 394                           | 11 464                                    | -                               | -                                         |
| Decrease due to usage/release                  | (5 369)                         | (1 077)                                   | (18 053)                        | (83 479)                                  |
| <b>As at 31 December</b>                       | <b>44 127</b>                   | <b>17 806</b>                             | <b>53 219</b>                   | <b>7 340</b>                              |

Further information on transactions with related parties is presented in section 4.24.

Trade receivables are not interest bearing and are usually payable within 30-60 days of recognition.

The risks associated with trade and other receivables, as well as the Group's policy relating to managing such risks, are described in section 4.25.

Information on liens established on receivables to secure credits and loans is presented in section 4.19.

In connection with the IFRS 9 standard which is effective as of 1 January 2018, the Group has adopted new accounting policy which reflects the requirements set by this standard. Application of the expected credit loss model for the calculation of loss allowance for receivables led into decrease of total loss allowance as of 1 January 2018 by CZK 4 365 thousand.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.15. CASH AND CASH EQUIVALENTS

| Cash and cash equivalents              | 31.12.2018     | 31.12.2017     |
|----------------------------------------|----------------|----------------|
|                                        | CZK'000        | CZK'000        |
| Cash in bank and in hand               | 619 219        | 289 273        |
| Other                                  | 81             | 321            |
| <b>Total cash and cash equivalents</b> | <b>619 300</b> | <b>289 594</b> |

Free funds are held at bank and invested in the form of term and overnight deposits, primarily with variable interest rates.

| Split by currency                      | 31.12.2018     | 31.12.2017     |
|----------------------------------------|----------------|----------------|
|                                        | CZK'000        | CZK'000        |
| in CZK                                 | 320 021        | 112 584        |
| in EUR                                 | 250 989        | 88 234         |
| in PLN                                 | 35 071         | 69 502         |
| in HRK                                 | 11 365         | 18 457         |
| in USD                                 | 1 591          | -              |
| other                                  | 263            | 817            |
| <b>Total cash and cash equivalents</b> | <b>619 300</b> | <b>289 594</b> |

### 4.16. EQUITY

#### 4.16.1 SHARE CAPITAL

##### SHARE CAPITAL STRUCTURE

| Share capital structure<br>Type of shares     | 2018              |                      | 2017              |                      |
|-----------------------------------------------|-------------------|----------------------|-------------------|----------------------|
|                                               | Shares<br>pcs     | Par value<br>CZK'000 | Shares<br>pcs     | Par value<br>CZK'000 |
| Ordinary shares of Kofola ČeskoSlovensko a.s. | 22 291 948        | 1 114 597            | 22 295 000        | 2 229 500            |
| <b>Total</b>                                  | <b>22 291 948</b> | <b>1 114 597</b>     | <b>22 295 000</b> | <b>2 229 500</b>     |

Ordinary shares of Kofola ČeskoSlovensko a.s. have a par value of CZK 50 (as of 31 December 2017 value of CZK 100). Decrease of the nominal value of the shares is described in section 1.5. Each share ranks pari passu in all respects with all other shares. The same rights are incorporated into all shares including the right to attend the General Meeting, to require and receive explanations of matters concerning the Company that are part of the agenda of the General Meeting, to submit proposals and counterproposals, and to receive a dividend and share in the liquidation surplus. In compliance with the relevant legal provisions, the voting rights attached to the shares owned by RADENSKA d.o.o. cannot be exercised.

All of the issued shares have been fully paid up.

#### 4.16.2 OTHER RESERVES

Other reserves are created based on statutory requirements (in accordance with binding legal regulations) or voluntarily (in accordance with the entity's by-laws) using funds from generated profits, share premium and contributions made by the shareholders. It is used to cover losses, refund capital contributions, and redeem shares. The main source of the capital presented in this category was settlement of the merger with Hoop Group.

#### 4.16.3 FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve comprises the exchange differences arising out of the currency translation of the financial statements of subsidiaries and equity accounted investees with different functional currencies than is the presentation currency. This reserve is not distributed.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.16.4 OWN SHARES

After the liquidation of own shares in 2018, the Company doesn't have any own shares as of 31 December 2018 (as of 31 December 2017: 3 052 own shares which represented 0.0002% of the Company's share capital). Total value of own shares as of 31 December 2017 was CZK 1 357 thousand.

RADENSKA d.o.o. as at 31 December 2018 owns 1 114 109 (as at 31 December 2017: 1 114 109) shares of the Company (which represents 5.0% of the Company's share capital) in total value of CZK 490 208 thousand (treasury shares).

There were no purchases of own shares in financial year 2018.

Shares of the value CZK 442 thousand acquired by the Company in 2017 represented purchase of 1 096 shares (which represented 0.0001% of the Company's share capital) traded on the Warsaw Stock Exchange before the Company's delisting from WSE. The shares had nominal value of CZK 100.

RADENSKA d.o.o. purchased in 2017 in a public tender offer 1 114 109 shares of the Company (which represented 5.0% of the Company's share capital) in the total value of CZK 490 208 thousand (CZK 440 per share). The shares had nominal value of CZK 100.

Own shares acquired by the Company in 2017 of CZK 442 thousand were purchased on the stock market, the remaining own shares of CZK 490 208 thousand were purchased from CED GROUP S.à r.l.

### 4.16.5 RETAINED EARNINGS/(ACCUMULATED DEFICIT)

| Retained earnings/(Accumulated deficit)                                           | 31.12.2018       | 31.12.2017     |
|-----------------------------------------------------------------------------------|------------------|----------------|
|                                                                                   | CZK'000          | CZK'000        |
| Retained earnings/(accumulated deficit) excluding profit/(loss) for the period    | (127 356)        | (42 184)       |
| Profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s. | (88 554)         | 158 775        |
| <b>Retained earnings/(accumulated deficit)</b>                                    | <b>(215 910)</b> | <b>116 591</b> |

### 4.16.6 NON-CONTROLLING INTERESTS

| Non-controlling interests (NCI)       | 2018           | 2017           |
|---------------------------------------|----------------|----------------|
|                                       | CZK'000        | CZK'000        |
| <b>As at 1 January</b>                | <b>(3 684)</b> | <b>2 896</b>   |
| NCI share of profit/(loss) for period | (4 472)        | (6 580)        |
| <b>As at 31 December</b>              | <b>(8 156)</b> | <b>(3 684)</b> |

### 4.16.7 DIVIDENDS

| Dividends                          | 2018    | 2017    |
|------------------------------------|---------|---------|
|                                    | CZK'000 | CZK'000 |
| Dividends*                         | 361 130 | 300 941 |
| Dividends per share (CZK/share) ** | 16.2    | 13.5    |

\* Net of dividend to own shares owned by the Company.

\*\* Declared dividends divided by the number of shares outstanding as of dividend record date.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.17. PROVISIONS

| Movements in provisions               | Pension benefits | Provisions for litigation, fines, court cases, damages | Provision for personnel expenses (bonuses) | Other provisions | Total          |
|---------------------------------------|------------------|--------------------------------------------------------|--------------------------------------------|------------------|----------------|
|                                       | CZK'000          | CZK'000                                                | CZK'000                                    | CZK'000          | CZK'000        |
| <b>Balance as at 1 January 2018</b>   | <b>20 049</b>    | <b>34 224</b>                                          | <b>19 841</b>                              | <b>52 189</b>    | <b>126 303</b> |
| Increase due to creation              | 3 532            | -                                                      | 82 306                                     | 2 295            | 88 133         |
| Decrease due to usage/release         | (1 646)          | (34 362)                                               | (20 013)                                   | (20 677)         | (76 698)       |
| Reclassification to liabilities       | 1 392            | -                                                      | -                                          | (20 976)         | (19 584)       |
| Exchange differences                  | 155              | 138                                                    | 197                                        | (101)            | 389            |
| <b>Balance as at 31 December 2018</b> | <b>23 482</b>    | <b>-</b>                                               | <b>82 331</b>                              | <b>12 730</b>    | <b>118 543</b> |
| <i>Of which:</i>                      |                  |                                                        |                                            |                  |                |
| Current part                          | -                | -                                                      | 82 331                                     | 2 149            | 84 480         |
| Non-current part                      | 23 482           | -                                                      | -                                          | 10 581           | 34 063         |
| <b>Balance as at 31 December 2018</b> | <b>23 482</b>    | <b>-</b>                                               | <b>82 331</b>                              | <b>12 730</b>    | <b>118 543</b> |

The reclassification to liabilities represents the transfer of part of the provision for water concession in RADENSKA d.o.o. for which the company obtained a formal decision from tax authorities, in which case the amount is no longer uncertain.

For further information about contingent liabilities refer to section 4.23.

### 4.18. BONDS

On 4 October 2013, according to the resolution of the Board of Directors from 12 August 2013, amended on 25 September 2013, KOFOLA S.A. issued 110 pieces of bonds denominated in Czech crowns with total nominal value of CZK 330 000 thousand.

Bonds issued:

- were not subject to public offering,
- were offered in private placements through underwriters, i.e. Česká spořitelna, a.s. and PPF banka a.s., based on a subscription agreement from 3 October 2013,
- nominal value of one bond was CZK 3 000 000,
- issue price of one bond represented 99.0% of the nominal value,
- maturity of bonds was 60 months from the date of issue, i.e. 4 October 2018,
- interest was calculated annually, the end of the first interest period was planned for 4 October 2014,
- interest rate – 12M PRIBOR plus a margin of 415 basis points,
- purpose of the bond issue was to obtain funds which were used primarily to diversify the sources of financing and refinance part of the existing debt of the Kofola Group.

Bonds issued have been put on the regulated market of the Prague Stock Exchange, the first listing took place on 7 October 2013.

| Own bonds issued           | Currency | 31.12.2018 | 31.12.2017     | Interest terms      | Maturity date |
|----------------------------|----------|------------|----------------|---------------------|---------------|
|                            |          | CZK'000    | CZK'000        |                     |               |
| Bonds issued KOFOLA VAR/18 | CZK      | -          | 332 513        | 12M PRIBOR + margin | 10/2018       |
| <b>Bonds issued total</b>  |          | <b>-</b>   | <b>332 513</b> |                     |               |

Bonds were repaid on their maturity date – on 4 October 2018.

#### INDEBTEDNESS OF THE COMPANY FROM ISSUED BONDS

As at 31 December 2017, the Group had a liability from issued bonds in the total amount of CZK 332 513 thousand. Liabilities from interests and bonds maturing in October 2018 were presented in current liabilities. In 2018, the bonds were refinanced by a bank loan.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



### 4.19. BANK CREDITS AND LOANS

#### INDEBTEDNESS OF THE GROUP FROM THE CREDITS AND LOANS

As at 31 December 2018, the Group's total bank loans and credits amounted to CZK 2 913 724 thousand (as at 31 December 2017: CZK 2 162 513 thousand) and increased by CZK 751 211 thousand.

The Facility loan agreement (which refinanced current loans and a loan for financing RADENSKA d.o.o. acquisition) with carrying amount of CZK 1 644 571 thousand as at 31 December 2017 was a main component of Group's liabilities as at 31 December 2017. The reason for the execution of the Facility loan agreement was a consolidation of Group financing to ensure strategic development, taking advantage of the favourable conditions of financial market and reduction of total financial cost.

In 2018, the Group has drawn from Česká spořitelna, a.s. and Československá obchodní banka, a. s. („ČSOB, a.s.") additional CZK 1 314 928 thousand.

#### CREDIT TERMS AND TERMS AND CONDITIONS

Based on credit agreements, the Company is required to meet specified covenants. In accordance with the requirements of IAS 1, a breach of credit terms that may potentially limit unconditional access to credits in the nearest year makes it necessary to classify such liabilities as current.

All bank loan covenants were met.



## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31.12.2018

| Financing entity                    | Credit currency | Credit/limit amount<br>FCY'000 | Face value<br>CZK'000 | Carrying amount*<br>CZK'000 | Interest terms       | Maturity date | Collateral                                                                  | Undrawn credit line<br>CZK'000 |
|-------------------------------------|-----------------|--------------------------------|-----------------------|-----------------------------|----------------------|---------------|-----------------------------------------------------------------------------|--------------------------------|
| Česká spořitelna, a.s.              | CZK             | 500 000                        | -                     | -                           | n/a                  | 8/2020        | n/a                                                                         | 500 000                        |
| Česká spořitelna, a.s.              | CZK             | 500 000                        | 235 082               | 235 082                     | 1M PRIBOR + margin   | 8/2020        | buildings, receivables, movable assets                                      | 264 918                        |
| ČSOB, a.s. + Česká spořitelna, a.s. | CZK             | 500 000                        | -                     | -                           | n/a                  | 8/2020        | n/a                                                                         | 500 000                        |
| ČSOB Leasing, a.s. (5pcs.)          | CZK             | 29 492                         | 22 586                | 22 586                      | margin               | 2/2022        | funded property                                                             | -                              |
| ČSOB, a.s. + Česká spořitelna, a.s. | CZK             | 3 761 000                      | 2 655 232             | 2 640 987                   | 3M PRIBOR** + margin | 8/2024        | buildings, receivables, movable assets, shares, bill of exchange, inventory | -                              |
| mBank S.A.                          | PLN             | 10 991                         | 5 495                 | 5 495                       | margin               | 6/2021        | blank bill of exchange, mortgage on properties                              | -                              |
| s Autoleasing, a.s.                 | CZK             | 43                             | 43                    | 43                          | margin               | 8/2019        | funded property                                                             | -                              |
| s Autoleasing, a.s. (11pcs.)        | CZK             | 3 427                          | 481                   | 481                         | margin               | 8/2019        | funded property                                                             | -                              |
| s Autoleasing, a.s. (2pcs.)         | CZK             | 1 398                          | 293                   | 293                         | margin               | 12/2019       | funded property                                                             | -                              |
| s Autoleasing, a.s. (3pcs.)         | CZK             | 909                            | 191                   | 191                         | margin               | 12/2019       | funded property                                                             | -                              |
| s Autoleasing, a.s. (5pcs.)         | CZK             | 5 343                          | 1 121                 | 1 121                       | margin               | 12/2019       | funded property                                                             | -                              |
| s Autoleasing, a.s. (8pcs.)         | CZK             | 5 169                          | 635                   | 635                         | margin               | 7/2019        | funded property                                                             | -                              |
| SG Equipment Finance CR s.r.o.      | CZK             | 12 382                         | 4 957                 | 4 957                       | margin               | 11/2020       | funded property                                                             | -                              |
| SG Equipment Finance CR s.r.o.      | CZK             | 5 223                          | 1 853                 | 1 853                       | margin               | 7/2020        | funded property                                                             | -                              |
| <b>Total</b>                        |                 |                                | <b>2 927 969</b>      | <b>2 913 724</b>            |                      |               |                                                                             | <b>1 264 918</b>               |
| Out of it non-current               |                 |                                |                       | 2 308 429                   |                      |               |                                                                             |                                |
| Out of it current                   |                 |                                |                       | 605 295                     |                      |               |                                                                             |                                |

\* Carrying amount of borrowings on variable interest rate approximates fair value. \*\* For part of the face value the interest rate swap was concluded (refer to section 4.25.1).

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31.12.2017

| Financing entity                                 | Credit currency | Credit/limit amount<br>FCY'000 | Face value<br>CZK'000 | Carrying amount*<br>CZK'000 | Interest terms     | Maturity date | Collateral                                                                  | Undrawn credit line<br>CZK'000 |
|--------------------------------------------------|-----------------|--------------------------------|-----------------------|-----------------------------|--------------------|---------------|-----------------------------------------------------------------------------|--------------------------------|
| Česká spořitelna, a.s.                           | CZK             | 500 000                        | -                     | -                           | n/a                | 8/2020        | n/a                                                                         | 500 000                        |
| Česká spořitelna, a.s.                           | CZK             | 500 000                        | 345 923               | 345 923                     | 1M PRIBOR + margin | 8/2020        | buildings, receivables, movable assets                                      | 154 077                        |
| ČSOB, a.s. + Česká spořitelna, a.s.              | CZK             | 500 000                        | -                     | -                           | n/a                | 8/2020        | n/a                                                                         | 500 000                        |
| ČSOB Leasing, a.s. (5pcs.)                       | CZK             | 29 492                         | 29 492                | 29 492                      | margin             | 2/2022        | funded property                                                             | -                              |
| ČSOB, a.s. + Česká spořitelna, a.s.              | CZK             | 1 662 905                      | 1 662 905             | 1 644 571                   | 3M PRIBOR + margin | 8/2024        | buildings, receivables, movable assets, shares, bill of exchange, inventory | -                              |
| mBank S.A.                                       | PLN             | 1 838                          | 7 866                 | 7 866                       | margin             | 6/2021        | blank bill of exchange, mortgage on properties                              | -                              |
| mBank S.A.                                       | PLN             | 1 000                          | 6 112                 | 6 112                       | margin             | 6/2018        | blank bill of exchange, mortgage on properties                              | 2                              |
| mBank S.A.                                       | PLN             | 500                            | 2 878                 | 2 878                       | margin             | 6/2018        | blank bill of exchange, mortgage on properties                              | 179                            |
| s Autoleasing, a.s.                              | CZK             | 199                            | 199                   | 199                         | margin             | 6/2019        | funded property                                                             | -                              |
| s Autoleasing, a.s.                              | CZK             | 105                            | 105                   | 105                         | margin             | 8/2019        | funded property                                                             | -                              |
| s Autoleasing, a.s. (12pcs.)                     | CZK             | 3 730                          | 1 188                 | 1 188                       | margin             | 8/2019        | funded property                                                             | -                              |
| s Autoleasing, a.s. (2pcs.)                      | CZK             | 1 398                          | 579                   | 579                         | margin             | 12/2019       | funded property                                                             | -                              |
| s Autoleasing, a.s. (3pcs.)                      | CZK             | 909                            | 376                   | 376                         | margin             | 12/2019       | funded property                                                             | -                              |
| s Autoleasing, a.s. (5pcs.)                      | CZK             | 5 343                          | 2 213                 | 2 213                       | margin             | 12/2019       | funded property                                                             | -                              |
| s Autoleasing, a.s. (8pcs.)                      | CZK             | 5 169                          | 1 704                 | 1 704                       | margin             | 7/2019        | funded property                                                             | -                              |
| SG Equipment Finance CR s.r.o.                   | CZK             | 12 382                         | 7 475                 | 7 475                       | margin             | 11/2020       | funded property                                                             | -                              |
| SG Equipment Finance CR s.r.o.                   | CZK             | 5 223                          | 2 996                 | 2 996                       | margin             | 7/2020        | funded property                                                             | -                              |
| UniCredit Bank Czech Republic and Slovakia, a.s. | EUR             | 5 500                          | 19 771                | 19 771                      | 1M EURIBOR +margin | 4/2018        | blank bill of exchange, agreement of the right of lien on receivables       | 120 699                        |
| Všeobecná úverová banka, a.s.                    | EUR             | 4 000                          | 89 065                | 89 065                      | 1M EURIBOR +margin | 4/2018        | blank bill of exchange, agreement of the right of lien on receivables       | 13 095                         |
| <b>Total</b>                                     |                 |                                | <b>2 180 847</b>      | <b>2 162 513</b>            |                    |               |                                                                             | <b>1 288 052</b>               |
| Out of it non-current                            |                 |                                |                       | 1 480 488                   |                    |               |                                                                             |                                |
| Out of it current                                |                 |                                |                       | 682 025                     |                    |               |                                                                             |                                |

\* Carrying amount of borrowings on variable interest rate approximates fair value.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### PLEDGES OF THE GROUP

| Pledges of the Group           | 31.12.2018       |                  | 31.12.2017       |                  |
|--------------------------------|------------------|------------------|------------------|------------------|
|                                | Cost             | Net book value   | Cost             | Net book value   |
|                                | CZK'000          | CZK'000          | CZK'000          | CZK'000          |
| Property, plant and equipment  | 3 543 594        | 1 267 451        | 1 487 665        | 836 361          |
| Intangible assets (trademarks) | 76 042           | 4 173            | 603 965          | 346 407          |
| Inventories                    | 448 714          | 448 714          | 480 092          | 480 092          |
| Receivables                    | 414 614          | 414 614          | 369 815          | 369 815          |
| Cash in bank                   | 61 540           | 61 540           | 92 128           | 92 128           |
| <b>Total</b>                   | <b>4 544 504</b> | <b>2 196 492</b> | <b>3 033 665</b> | <b>2 124 803</b> |

### 4.20. TRADE AND OTHER PAYABLES

| Trade and other payables                                                     | 31.12.2018       |               | 31.12.2017       |             |
|------------------------------------------------------------------------------|------------------|---------------|------------------|-------------|
|                                                                              | Current          | Non-current   | Current          | Non-current |
|                                                                              | CZK'000          | CZK'000       | CZK'000          | CZK'000     |
| <b>Financial liabilities within Trade payables and other liabilities</b>     |                  |               |                  |             |
| Trade payables                                                               | 1 058 913        | -             | 1 050 200        | -           |
| Liabilities for purchased PPE                                                | 82 816           | -             | 53 175           | -           |
| Liabilities for purchased Intangible assets                                  | 254              | -             | 69               | -           |
| Dividends payable                                                            | 184              | -             | 183              | -           |
| Derivatives (i)                                                              | -                | 484           | -                | -           |
| Advances received**                                                          | 217 835          | -             | 203 257          | -           |
| Accrued liabilities, other creditors and other liabilities                   | 138 927          | 27 225        | 165 958          | -           |
| <b>Total</b>                                                                 | <b>1 498 929</b> | <b>27 709</b> | <b>1 472 842</b> | <b>-</b>    |
| <b>Non-financial liabilities within Trade payables and other liabilities</b> |                  |               |                  |             |
| VAT                                                                          | 26 143           | -             | 17 955           | -           |
| Payables to employees                                                        | 86 807           | -             | 86 689           | -           |
| Deferred revenue                                                             | 4 013            | -             | 3 440            | -           |
| Other                                                                        | 81 832*          | 761           | 50 073           | -           |
| <b>Total</b>                                                                 | <b>198 795</b>   | <b>761</b>    | <b>158 157</b>   | <b>-</b>    |
| <b>Trade and other payables and other liabilities total</b>                  | <b>1 697 724</b> | <b>28 470</b> | <b>1 630 999</b> | <b>-</b>    |

\* Mainly payables to state authorities.

\*\* Mainly advances received for the returnable packages.

Trade payables are not interest bearing and are usually paid within 30-90 days of recognition.

Other payables are not interest bearing and are payable on average within 1 month.

#### (i) Derivatives

The Group has concluded interest rate swaps and commodity swap for diesel price (which ended in December 2017). In 2017, the derivatives were classified as held for trading and accounted for at fair value through profit or loss. In 2018, the Group concluded new IRS contract and established a hedge accounting and revaluation of derivatives in relation to the effective portion of the hedging relationship is accounted through OCI (refer to section 3.5 for more details).

### 4.21. FUTURE COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2018 the Group companies provided the following guarantees for third party entities:

| Entity providing guarantees                     | Entity receiving guarantees | Currency | Guarantee amount | Guarantee amount | Guarantee period | Guarantees provided for | Relationship |
|-------------------------------------------------|-----------------------------|----------|------------------|------------------|------------------|-------------------------|--------------|
|                                                 |                             |          | FCY'000          | CZK'000          |                  |                         |              |
| Kofola ČeskoSlovensko a.s.                      | Unicredit Bank a.s.         | EUR      | 3 030            | 77 936           | 12/2022          | SANTA-TRANS.SK, s.r.o.  | third party* |
| <b>Total guarantees issued as at 31.12.2018</b> |                             |          |                  | <b>77 936</b>    |                  |                         |              |

\* The fair value of the guarantees is close to zero (fair valuation in level 3).

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2017 the Group companies provided the following guarantees for third party entities:

| Entity providing guarantees                     | Entity receiving guarantees | Currency | Guarantee amount<br>FCY'000 | Guarantee amount<br>CZK'000 | Guarantee period | Guarantees provided for | Relationship |
|-------------------------------------------------|-----------------------------|----------|-----------------------------|-----------------------------|------------------|-------------------------|--------------|
| Kofola ČeskoSlovensko a.s.                      | Unicredit Bank a.s.         | EUR      | 3 787                       | 96 720                      | 12/2022          | SANTA-TRANS.SK, s.r.o.  | third party* |
| <b>Total guarantees issued as at 31.12.2017</b> |                             |          |                             | <b>96 720</b>               |                  |                         |              |

\* The fair value of the guarantees is close to zero (fair valuation in level 3).

### 4.21.1 COMMITMENTS FROM OPERATING LEASES – GROUP AS A LESSEE

The future minimum payments arising out of non-revocable operating lease agreements (lease of equipment and premises) are as follows:

| Commitments from operating leases - Group as a lessee | 31.12.2018<br>CZK'000 | 31.12.2017<br>CZK'000 |
|-------------------------------------------------------|-----------------------|-----------------------|
| In one year period                                    | 43 755                | 52 067                |
| In period from one to five years                      | 126 828               | 125 797               |
| Over five years                                       | 25 397                | 56 995                |
| <b>Total</b>                                          | <b>195 980</b>        | <b>234 859</b>        |

### 4.22. FINANCE LEASE

The Group uses items of property, plant and equipment (mainly vehicles and various types of machines and equipment) based on finance lease agreements.

| Net book value of finance lease assets | Leased assets with purchase option<br>CZK'000 | Leased assets without purchase option<br>CZK'000 | Total<br>CZK'000 |
|----------------------------------------|-----------------------------------------------|--------------------------------------------------|------------------|
| As at 31 December 2018                 | 27 568                                        | 103 042                                          | 130 610          |
| As at 31 December 2017                 | 24 321                                        | 136 546                                          | 160 867          |

The net carrying amount at the end of the reporting period by classes of assets is provided below:

| Net carrying amount by classes of assets | 31.12.2018<br>CZK'000 | 31.12.2017<br>CZK'000 |
|------------------------------------------|-----------------------|-----------------------|
| Plant and equipment                      | 90 233                | 93 049                |
| Vehicles                                 | 40 377                | 67 818                |
| <b>Total</b>                             | <b>130 610</b>        | <b>160 867</b>        |

Future minimum lease payments on these agreements and present value of minimum net lease payments are:

| Future minimum lease payments                                         | 31.12.2018<br>CZK'000 | 31.12.2017<br>CZK'000 |
|-----------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Nominal value of minimum lease payment</b>                         |                       |                       |
| In one-year period                                                    | 49 346                | 59 319                |
| In period from one to five years                                      | 89 701                | 121 037               |
| Over five years                                                       | 2 038                 | -                     |
| <b>Total finance lease liabilities - total minimum lease payments</b> | <b>141 085</b>        | <b>180 356</b>        |
| Finance costs of finance lease                                        | 5 307                 | 9 916                 |
| <b>Present value of minimum lease payments</b>                        |                       |                       |
| In one-year period                                                    | 47 490                | 57 573                |
| In period from one to five years                                      | 86 327                | 112 867               |
| Over five years                                                       | 1 961                 | -                     |
| <b>Total present value of minimum lease payments</b>                  | <b>135 778</b>        | <b>170 440</b>        |

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



### 4.23. LEGAL AND ARBITRATION PROCEEDINGS

#### DENATIONALISATION PROCEEDINGS AGAINST RADENSKA

There are pending denationalisation proceedings with respect to denationalisation claims of the legal successors of the former owners of RADENSKA d.o.o. – Wilhelmina Höhn Šarič and Ante Šarič. Although the denationalisation claims have been in the process of being decided on for many years (some for more than two decades), the competent authorities have not ruled. Although the current decisions are favourable for RADENSKA d.o.o., there is a possible risk that they are ill-founded and could therefore be reversed as there is no relevant case law. Therefore, the legal outcome of these proceedings remains highly unclear and uncertain. If the denationalisation beneficiaries were to eventually succeed with their claims on an in-kind return, RADENSKA's enterprise would need to be returned to the beneficiaries together with significant compensation payments. The value of net assets in RADENSKA d.o.o. as of 31 December 2018 is CZK 1 190 million (after exclusion of Kofola shares owned by RADENSKA d.o.o.).

#### OTHER PROCEEDINGS

Some of the Group companies are routinely involved in legal proceedings which arise in the ordinary course of the Group's business but which are not material to the Group. The Company is not involved in any judicial, administrative or arbitration proceedings and has not conducted such proceedings in the past.

Apart from the above denationalisation proceedings, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Company and/or Group is aware, including any claims against the directors of the Company) which may have, or have had during the 12 months prior to the date of these financial statements, an effect on the financial position or profitability of the Company and/or the Group.

### 4.24. RELATED PARTY TRANSACTIONS

#### 4.24.1 SHAREHOLDERS STRUCTURE

| Share capital structure | 31.12.2018        |                  |                    | 31.12.2017         |                  |                    |
|-------------------------|-------------------|------------------|--------------------|--------------------|------------------|--------------------|
|                         | Name of entity    | Number of shares | % in share capital | % in voting rights | Number of shares | % in share capital |
| AETOS a.s.              | 15 159 204        | 68.00            | 71.58              | 15 159 204         | 68.00            | 71.58              |
| CED GROUP S.à r.l.      | -                 | -                | -                  | 4 673 445          | 20.96            | 22.07              |
| RADENSKA d.o.o.         | 1 114 109         | 5.00             | -                  | 1 114 109          | 5.00             | -                  |
| Others                  | 6 018 635         | 27.00            | 28.42              | 1 348 242          | 6.04             | 6.35               |
| <b>Total</b>            | <b>22 291 948</b> | <b>100.00</b>    | <b>100.00</b>      | <b>22 295 000</b>  | <b>100.00</b>    | <b>100.00</b>      |

In 2017, KSM Investment S.A. ("KSM"), René Musila and Tomáš Jendřejek restructured their shareholdings in Kofola ČeskoSlovensko a.s. ("Kofola") and transferred their shares in Kofola to AETOS a.s., a wholly owned subsidiary of KSM. René Musila and Tomáš Jendřejek became shareholders of AETOS a.s. KSM merged into AETOS a.s. on 31 August 2018. As of 31 December 2018, AETOS a.s. is the ultimate parent of the Company.

As of 10 August 2017, AETOS a.s. purchased 2 675 400 shares of Kofola representing 12.00% of Kofola's share capital from CED GROUP S.à r.l. ("CED Group").

RADENSKA d.o.o. purchased in 2017 from CED Group in a public tender offer 1 114 109 shares of the Company (which represented 5.00% of the Company's share capital) in the total value of CZK 490 208 thousand (CZK 440 per share). In compliance with the relevant legal provisions, the voting rights attached to the shares owned by the Company (own shares liquidated in 2018) and by RADENSKA d.o.o. cannot be exercised.

On 20 June 2018, CED Group sold 1 905 000 shares of the Company, corresponding to 8.54% of the Company's share capital as of the transaction date, at a price per share of CZK 270. On 20 September 2018, CED Group sold its remaining stake in the Company (2 768 445 shares representing 12.42% of the Company's share capital as of that date), at a price per share of CZK 255. The free float increased to 27.00%.

#### 4.24.2 EQUITY ACCOUNTED INVESTEE

Interest in equity accounted investee is set out in sections 2.2 and 4.12.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.24.3 REMUNERATION OF THE GROUP'S KEY MANAGEMENT PERSONNEL

Presented below is the structure of the remuneration paid out to persons with executive authority in 2018 and 2017.

| Remuneration of the Group's key management personnel 2018       |               | Members of the Company's Board of Directors | Members of the Company's Supervisory Board | Members of the Company's Audit Committee | Other key management personnel of the Group | Total   |
|-----------------------------------------------------------------|---------------|---------------------------------------------|--------------------------------------------|------------------------------------------|---------------------------------------------|---------|
| compensation                                                    |               | CZK'000                                     | CZK'000                                    | CZK'000                                  | CZK'000                                     | CZK'000 |
| Amounts paid for activities in the Company's Board of Directors | Financial     | 17 029                                      | -                                          | -                                        | -                                           | 17 029  |
|                                                                 | Non-financial | 940                                         | -                                          | -                                        | -                                           | 940     |
| Amounts paid for activities in the Company's Supervisory Board  | Financial     | -                                           | 1 028                                      | -                                        | -                                           | 1 028   |
|                                                                 | Non-financial | -                                           | -                                          | -                                        | -                                           | -       |
| Amounts paid for activities in the Company's Audit Committee    | Financial     | -                                           | -                                          | 156                                      | -                                           | 156     |
|                                                                 | Non-financial | -                                           | -                                          | -                                        | -                                           | -       |
| Amounts paid for other activities within the Group              | Financial     | 7 259                                       | 4 268                                      | 93                                       | 10 559                                      | 22 179  |
|                                                                 | Non-financial | -                                           | 445                                        | 4                                        | 350                                         | 799     |
| Total expense from equity settled transactions (Option scheme)  | Option scheme | 3 819                                       | 551                                        | -                                        | 1 954                                       | 6 324   |
| Cumulated expense from equity settled transactions              | Option scheme | 5 574                                       | 762                                        | -                                        | 2 797                                       | 9 133   |
| Cumulated number of Pair shares granted on 31.12.2018 [pcs.]    | Option scheme | 26 677                                      | 3 729                                      | -                                        | 13 191                                      | 43 597  |

| Remuneration of the Group's key management personnel 2017       |               | Members of the Company's Board of Directors | Members of the Company's Supervisory board | Members of the Company's Audit Committee | Other key management personnel of the Group | Total   |
|-----------------------------------------------------------------|---------------|---------------------------------------------|--------------------------------------------|------------------------------------------|---------------------------------------------|---------|
| compensation                                                    |               | CZK'000                                     | CZK'000                                    | CZK'000                                  | CZK'000                                     | CZK'000 |
| Amounts paid for activities in the Company's Board of Directors | Financial     | 6 822                                       | -                                          | -                                        | -                                           | 6 822   |
|                                                                 | Non-financial | 471                                         | -                                          | -                                        | -                                           | 471     |
| Amounts paid for activities in the Company's Supervisory Board  | Financial     | -                                           | 1 195                                      | -                                        | -                                           | 1 195   |
|                                                                 | Non-financial | -                                           | -                                          | -                                        | -                                           | -       |
| Amounts paid for activities in the Company's Audit Committee    | Financial     | -                                           | -                                          | 177                                      | -                                           | 177     |
|                                                                 | Non-financial | -                                           | -                                          | -                                        | -                                           | -       |
| Amounts paid for other activities within the Group              | Financial     | 17 934                                      | 6 269                                      | -                                        | 19 176                                      | 43 379  |
|                                                                 | Non-financial | 544                                         | 420                                        | -                                        | 282                                         | 1 246   |
| Expense from equity settled transactions (Option scheme)        | Option scheme | 1 755                                       | 211                                        | -                                        | 843                                         | 2 809   |
| Cumulated number of Pair shares granted on 31.12.2017 [pcs.]    | Option scheme | 12 244                                      | 1 430                                      | -                                        | 5 706                                       | 19 380  |

### 4.24.4 OTHER RELATED PARTY TRANSACTIONS

There were no transactions concluded with the Group's related parties in 2018 and 2017.

## 4.25. FINANCIAL RISK MANAGEMENT

The Group's primary financial instruments consist of bank credits, lease payables, derivatives, cash and cash equivalents, deposits and loans. The main goal of holding such financial instruments is to obtain funds for business operations, or to invest the Group's available funds. In addition, the Group has other financial instruments, such as trade receivables and payables that arise as part of its operations. The accounting methods relating to those instruments are described above (section 3.5).

It is the Group's policy – now and throughout the reporting periods presented in these financial statements – not to keep the financial instruments for trading purposes.

The Group's activities are exposed to several types of financial risk: market risk (including foreign exchange risk, and cash-flow risk relating to changes in interest rates), credit risk and liquidity risk. In addition, the Group monitors the market prices risk relating to all of its financial instruments. Risks are managed by the Group's management, which recognises and assesses the above financial risks. The general risk management process is focused on the unpredictability of financial markets, and the Group tries to minimise any potential adverse effects on its financial results. The Group uses derivative financial instruments to hedge against certain types of risk, providing that the hedging instruments are considered to be cost effective. Management verifies and agrees the risk management methods with regard to every type of risk. A short description of these methods is presented below.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.25.1 INTEREST RATE RISK

Interest rate risk is a risk that the fair value or future cash flows from a financial instrument will change due to changes in interest rates. The interest-bearing financial liabilities of the Group are mainly bank credits and bonds (repaid in October 2018). The Group has credit payables with variable interest rates, which give rise to a risk of an increase in those rates compared to the rates applied at contract conclusion. In addition, the Group places its free funds on variable interest rate deposits, which would bring the profits down if the interest rates fall. The Group also uses fixed interest rate instruments, with regard to which interest rate movements have no effect on interest costs or interest income. Trade and other receivables and payables are not interest bearing and have due dates of up to one year.

Management of the Group monitors its exposure to interest rate risk and interest rate forecasts. In order to protect against changes in interest rates, the Group has fixed the interest rate on part of the loan for financing RADENSKA acquisition. The balance of the loan which is covered by interest rate swaps as of 31 December 2018 is CZK 727 862 thousand. Average fixed interest rate is 3.1% p.a. Hedge accounting is established by the Group for these derivative instruments. There is no ineffective portion of the hedging relationship for the year ended 31 December 2018.

| Interest rate swaps                   | Net exposure<br>CZK' 000 |
|---------------------------------------|--------------------------|
| In period from one to six months      | 51 795                   |
| In period from six to twelve months   | 51 795                   |
| Over one year (till 31 December 2024) | 624 272                  |
| <b>Total</b>                          | <b>727 862</b>           |

If interest rates at the balance sheet date had been 100 basis points lower with all other variables held constant, profit/(loss) for the period for the year 2018 would have been increased by CZK 15 105 thousand (2017: CZK 6 164 thousand), mainly as a result of lower interest expense on variable interest for financial liabilities. If interest rates had been 100 basis points higher with all other variables held constant, profit/(loss) for the period for 2018 would have been decreased by CZK 15 105 thousand (2017: CZK 6 164 thousand), mainly as a result of higher interest expense on variable interest financial liabilities.

### 4.25.2 CURRENCY RISK

The Group is exposed to the risk of changes in foreign exchange rates due to a volume of sales of finished products in local currencies of individual entities (CZK, EUR, PLN) and the fact that more than half of the costs of purchased raw materials are incurred in foreign currencies (mainly EUR). The currency risk relates primarily to the PLN and EUR exchange rates in relation to CZK. The Group's currency risk associated with other currencies is immaterial.

The effect of currency risk on the Group's position is presented in the table (sensitivity analysis) below. The sensitivity analysis is based on a reasonable change in the assumed foreign exchange rate while the other assumptions remain unchanged. In practice this is not very likely, and changes in certain assumptions may be correlated, e.g. a change in interest rate and in the foreign exchange rate. The Group manages currency risk as a whole. The sensitivity analysis prepared by management for currency risk illustrates after-tax profit or loss effect of changes in the exchange rate of the EUR, PLN and USD to CZK.

| Currency risk impact on profit or loss | 31.12.2018<br>CZK' 000 | 31.12.2017<br>CZK' 000 |
|----------------------------------------|------------------------|------------------------|
| EUR strengthening by 3%                | (3 079)                | (578)                  |
| EUR weakening by 3%                    | 3 079                  | 578                    |
| PLN strengthening by 3%                | (9)                    | (11)                   |
| PLN weakening by 3%                    | 9                      | 11                     |
| USD strengthening by 10%               | 255                    | (189)                  |
| USD weakening by 10%                   | (255)                  | 189                    |

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



### 4.25.3 CREDIT RISK

Credit risk arises from cash deposits in banks along with other short-term deposits, as well as from trade and other financial receivables.

The Group undertakes activities aimed at limiting credit risk, consisting of checking the creditworthiness of its customers, setting credit limits, insuring selected receivables and monitoring the customers' financial position. An analysis of ageing structure of trade and other financial receivables assists with the credit risk management.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

#### TRADE AND OTHER FINANCIAL RECEIVABLES

The Group is exposed to credit risk, defined as a risk that its debtors will not meet their obligations and thus cause the Group to incur losses.

Presented below is the ageing structure of receivables:

| Credit risk                    | 31.12.2018        |                             | 31.12.2017        |                             |
|--------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
|                                | Trade receivables | Other financial receivables | Trade receivables | Other financial receivables |
|                                | CZK'000           | CZK'000                     | CZK'000           | CZK'000                     |
| <b>Total due</b>               | <b>660 209</b>    | <b>144 803</b>              | <b>516 974</b>    | <b>112 683</b>              |
| <b>Past due</b>                |                   |                             |                   |                             |
| - less than 30 days overdue    | 138 521           | 30                          | 166 172           | 1 880                       |
| - 30 to 90 days overdue        | 48 378            | 10                          | 43 707            | -                           |
| - 91 to 180 days overdue       | 20 676            | 312                         | 41 425            | -                           |
| - 181 to 360 days overdue      | 14 295            | 412                         | 18 697            | -                           |
| - over 360 days overdue        | 45 280            | 17 382                      | 52 685            | 6 894                       |
| <b>Total past due</b>          | <b>267 150</b>    | <b>18 146</b>               | <b>322 686</b>    | <b>8 774</b>                |
| <b>Less loss allowance (-)</b> | <b>(44 127)</b>   | <b>(17 806)</b>             | <b>(53 219)</b>   | <b>(7 340)</b>              |
| <b>Total</b>                   | <b>883 232</b>    | <b>145 143</b>              | <b>786 441</b>    | <b>114 117</b>              |

Subject to the above, management believes that the credit risk has been accounted for in the financial statements through the creation of appropriate allowances.

#### CASH AND CASH EQUIVALENTS

With regard to the Group's other financial assets, such as cash and cash equivalents, credit risk arises as a result of the other party's inability to pay, and the maximum amount of the Group's exposure to this risk is equal to the balance sheet value of these amounts.

The credit risk associated with bank deposits, derivative instruments and other investments is considered to be immaterial, as the Group has concluded transactions with institutions that have a sound financial position.

| Credit quality of cash in bank and in hand | 31.12.2018     | 31.12.2017     |
|--------------------------------------------|----------------|----------------|
| Credit rating                              | CZK'000        | CZK'000        |
| A1                                         | 368 315        | 1 086          |
| A2                                         | 27 634         | 142 314        |
| A3                                         | 1 284          | 1 093          |
| Baa1                                       | 153 705        | 28 054         |
| Baa2                                       | 60 098         | -              |
| Baa3                                       | -              | 44 914         |
| Ba1                                        | -              | 61 269         |
| B3                                         | 31             | -              |
| Caa1                                       | -              | 34             |
| Not on watch *                             | 1 228          | 1 099          |
| Cash in hand                               | 7 005          | 9 731          |
| <b>Total cash in bank and in hand</b>      | <b>619 300</b> | <b>289 594</b> |

\* Mainly Zagrebačka banka d.d.



## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.25.4 LIQUIDITY RISK

The risk for the Group arises from a potential restriction in access to financial markets or from a change in the attitude of banks in the area of granting credits, which may result in an inability to obtain new financing or refinancing of debts.

Management of the Group monitors the risk of insufficient funds by adjusting the structure of financing to prediction of future cash flows (planned investments included), diversifying of sources of financing and by keeping sufficient level of available credit lines.

It is the Group's objective to maintain a balance between financing continuity and flexibility, by using various financing sources, such as credits, bonds, loans and finance lease agreements. The Group controls its financial liabilities so that in each given period the amount of liabilities due within the next 12 months does not pose a threat for the Group's ability to meet its financial obligations. Despite the excess of current liabilities over current assets the Group's management believes that the value of cash and cash equivalents as at the balance sheet date, the available credit lines as at 31 December 2018 of CZK 1 264 918 thousand (as at 31 December 2017: CZK 1 288 052 thousand) and the Group's financial position are such that the risk of losing liquidity is assessed as not significant.

Analysis of financial liabilities is presented below. The amounts represent undiscounted cash flows, which represent the Group's maximum exposure to liquidity risk.

Future cash outflows related to financial liabilities:

| Contractual cashflows of financial liabilities as at 31 December 2018 | Less than 3 months | Between 3-12 months | Between 1-2 years | Between 2-5 years | Over 5 years   | Total contractual cash-flows | Total carrying amount |
|-----------------------------------------------------------------------|--------------------|---------------------|-------------------|-------------------|----------------|------------------------------|-----------------------|
|                                                                       | CZK'000            | CZK'000             | CZK'000           | CZK'000           | CZK'000        | CZK'000                      | CZK'000               |
| Trade payables                                                        | 1 053 680          | 5 233               | -                 | -                 | -              | 1 058 913                    | 1 058 913             |
| Bank credits and loans                                                | 125 439            | 615 424             | 413 205           | 1 183 976         | 868 531        | 3 206 575                    | 2 913 724             |
| Finance lease liabilities                                             | 13 194             | 37 564              | 38 228            | 52 196            | 2 178          | 143 360                      | 135 778               |
| Advances received                                                     | 213 899            | 3 936               | -                 | -                 | -              | 217 835                      | 217 835               |
| Other liabilities                                                     | 203 606            | 19 935              | 4 775             | 9 184             | 14 508         | 252 008                      | 249 890               |
| <b>Total</b>                                                          | <b>1 609 818</b>   | <b>682 092</b>      | <b>456 208</b>    | <b>1 245 356</b>  | <b>885 217</b> | <b>4 878 691</b>             | <b>4 576 140</b>      |

| Contractual cashflows of financial liabilities as at 31 December 2017 | Less than 3 months | Between 3-12 months | Between 1-2 years | Between 2-5 years | Over 5 years   | Total contractual cash-flows | Total carrying amount |
|-----------------------------------------------------------------------|--------------------|---------------------|-------------------|-------------------|----------------|------------------------------|-----------------------|
|                                                                       | CZK'000            | CZK'000             | CZK'000           | CZK'000           | CZK'000        | CZK'000                      | CZK'000               |
| Trade payables                                                        | 1 046 322          | 3 878               | -                 | -                 | -              | 1 050 200                    | 1 050 200             |
| Bank credits and loans                                                | 183 199            | 560 569             | 255 418           | 759 613           | 696 984        | 2 455 783                    | 2 162 513             |
| Bonds issued                                                          | -                  | 345 840             | -                 | -                 | -              | 345 840                      | 332 513               |
| Finance lease liabilities                                             | 15 248             | 44 071              | 68 311            | 52 726            | -              | 180 356                      | 170 440               |
| Advances received                                                     | 201 520            | 1 737               | -                 | -                 | -              | 203 257                      | 203 257               |
| Other liabilities                                                     | 218 773            | 612                 | -                 | -                 | -              | 219 385                      | 219 385               |
| <b>Total</b>                                                          | <b>1 665 062</b>   | <b>956 707</b>      | <b>323 729</b>    | <b>812 339</b>    | <b>696 984</b> | <b>4 454 821</b>             | <b>4 138 308</b>      |

The cash outflows schedules above do not include financial guarantees, where the fair value was determined to be close to zero and which are listed in section 4.20.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.26. CAPITAL MANAGEMENT

The Group manages capital by having a balanced financial policy with the objective of supplying the necessary funds to grow the business and, at the same time, secure an appropriate capital structure and financial liquidity and meet all the externally imposed capital requirements.

The Group manages net debt and monitors the net debt/adjusted EBITDA ratio.

The net debt is defined as the total value of liabilities arising out of credits, loans, bonds and leases, less cash and cash equivalents. Adjusted EBITDA is operating profit/(loss) plus depreciation and amortisation adjusted by all one-off events (all non-recurring or exceptional items not arising out of ordinary operations, such as impairment write downs, costs of relocation, extraordinary sale of non-current assets or group layoffs).

| Net debt/Adjusted EBITDA calculation                         | 2018             | 2017             |
|--------------------------------------------------------------|------------------|------------------|
|                                                              | CZK'000          | CZK'000          |
| Bank credits and loans                                       | 2 913 724        | 2 162 513        |
| Bonds issued                                                 | -                | 332 513          |
| Finance lease liabilities                                    | 135 778          | 170 440          |
| Cash and cash equivalents                                    | (619 300)        | (289 594)        |
| <b>Net debt</b>                                              | <b>2 430 202</b> | <b>2 375 872</b> |
| Operating profit/(loss)                                      | 37 695           | 291 722          |
| <i>Adjusted for:</i>                                         |                  |                  |
| Severance costs (i)                                          | 5 366            | -                |
| Sale of the Bielsk Podlaski plant and maintenance costs (ii) | 23 773           | -                |
| Profit on sale of production lines (iii)                     | (4 550)          | -                |
| Cost connected with closed Grodzisk Wielkopolski plant (iv)  | 1 746            | -                |
| Acquisition advisory costs (v)                               | 26 500           | -                |
| Impairment costs (vi)                                        | 353 139          | -                |
| One off's 2017 (vii)                                         | -                | 93 225           |
| Depreciation and amortisation                                | 567 332          | 565 228          |
| <b>Adjusted EBITDA</b>                                       | <b>1 011 001</b> | <b>950 175</b>   |
| <b>Net debt/Adjusted EBITDA</b>                              | <b>2.40</b>      | <b>2.50</b>      |

- (i) Severance costs of CZK 3 523 thousand arising from the change in the Trade Union agreement (in Croatian operation), severance costs related to the acquisition of CZK 1 513 thousand in LEROS, s.r.o. (Czech operation) and loss of CZK 330 thousand from the sale of fixed assets (in Czech operation).
- (ii) Costs of CZK 23 773 thousand connected with sale of Bielsk Podlaski plant and maintenance costs in Poland.
- (iii) Profit on sale of production lines of CZK (4 550) thousand (in Polish segment).
- (iv) Net costs connected with the maintenance of closed Grodzisk Wielkopolski plant, release of provision and other restructuring costs of CZK 1 746 thousand (in Polish segment).
- (v) Acquisition advisory costs of CZK 23 936 thousand (in Czech segment) and CZK 2 564 thousand (in Slovak segment).
- (vi) Impairment costs of CZK 353 139 thousand (in Polish segment).
- (vii) One off's 2017:
- Profit on sale of buildings of CZK (14 514) thousand (in Slovenian segment).
  - Costs connected with SAP implementation of CZK 6 319 thousand (in Slovenian segment).
  - Costs of liquidation of Sichelborfer of CZK 1 832 thousand (in Slovenian segment).
  - Profit on sale of production lines of CZK (37 816) thousand (in Polish segment).
  - Costs of CZK 4 409 thousand connected with closure of Na Grillu operation in Ugo (in Czech segment).
  - Cost of CZK 47 670 thousand connected with restructuring in Poland.
  - Revenue of CZK (41 588) thousand connected with prior years qualitative product complaints (in Polish segment).
  - Acquisition advisory costs of CZK 14 527 thousand (in Czech segment).
  - Impairment costs of CZK 112 386 thousand (in Polish segment).

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.26.1 CASH AND NON-CASH FINANCING ACTIVITIES

| Net debt reconciliation                       | Liabilities from financing activities |                |                   | Cash and cash equivalents | Net debt         |
|-----------------------------------------------|---------------------------------------|----------------|-------------------|---------------------------|------------------|
|                                               | Bank credits and loans                | Bonds          | Financial Leasing |                           |                  |
| <b>As at 1.1.2018</b>                         | <b>2 162 513</b>                      | <b>332 513</b> | <b>170 440</b>    | <b>(289 594)</b>          | <b>2 375 872</b> |
| Proceeds from loans and bank credits received | 1 324 462                             | -              | -                 | -                         | 1 324 462        |
| Repayment of loans and bank credits           | (607 441)                             | -              | -                 | -                         | (607 441)        |
| Change in amortized costs                     | 4 089                                 | -              | -                 | -                         | 4 089            |
| Repayment of financial leasing liabilities    | -                                     | -              | (55 305)          | -                         | (55 305)         |
| Financial leasing additions                   | -                                     | -              | 22 083            | -                         | 22 083           |
| Foreign exchange adjustments                  | 30 101                                | -              | (1 440)           | 327                       | 28 661           |
| Bonds interest paid                           | -                                     | (15 840)       | -                 | -                         | (15 840)         |
| Bonds interest accrued                        | -                                     | 13 327         | -                 | -                         | 13 327           |
| Bonds repayment                               | -                                     | (330 000)      | -                 | -                         | (330 000)        |
| Cash flows                                    | -                                     | -              | -                 | (330 033)                 | (329 706)        |
| <b>As at 31.12.2018</b>                       | <b>2 913 724</b>                      | <b>-</b>       | <b>135 778</b>    | <b>(619 300)</b>          | <b>2 430 202</b> |

| Net debt reconciliation                       | Liabilities from financing activities |                |                   | Cash and cash equivalents | Net debt         |
|-----------------------------------------------|---------------------------------------|----------------|-------------------|---------------------------|------------------|
|                                               | Bank credits and loans                | Bonds          | Financial Leasing |                           |                  |
| <b>As at 1.1.2017</b>                         | <b>2 553 041</b>                      | <b>330 740</b> | <b>225 898</b>    | <b>(1 421 014)</b>        | <b>1 688 665</b> |
| Proceeds from loans and bank credits received | 2 664 454                             | -              | -                 | -                         | 2 664 454        |
| Repayment of loans and bank credits           | (3 078 898)                           | -              | -                 | -                         | (3 078 898)      |
| Change in amortized costs                     | (13 580)                              | -              | -                 | -                         | (13 580)         |
| Repayment of financial leasing liabilities    | -                                     | -              | (62 345)          | -                         | (62 345)         |
| Financial leasing additions                   | -                                     | -              | 16 566            | -                         | 16 566           |
| Foreign exchange adjustments                  | 37 496                                | -              | (9 679)           | 29 606                    | 57 423           |
| Bonds interest paid                           | -                                     | (15 180)       | -                 | -                         | (15 180)         |
| Bonds interest accrued                        | -                                     | 16 953         | -                 | -                         | 16 953           |
| Cash flows                                    | -                                     | -              | -                 | 1 101 814                 | 1 101 814        |
| <b>As at 31.12.2017</b>                       | <b>2 162 513</b>                      | <b>332 513</b> | <b>170 440</b>    | <b>(289 594)</b>          | <b>2 375 872</b> |

## 4.27. FINANCIAL INSTRUMENTS

### 4.27.1 FINANCIAL INSTRUMENTS CATEGORIES

Fair value of Trade receivables, other financial receivables, Cash and cash equivalents, Trade liabilities and other financial liabilities is close to carrying amounts since the interest payable on them is either close to market rates or they are short-term.

| 31.12.2018                  | Financial assets at amortised cost<br>CZK'000 | Derivatives at fair value through OCI<br>CZK'000 | Financial liabilities at amortised cost<br>CZK'000 | Total<br>CZK'000   |
|-----------------------------|-----------------------------------------------|--------------------------------------------------|----------------------------------------------------|--------------------|
| Trade and other receivables | 1 026 809                                     | -                                                | -                                                  | 1 026 809          |
| Cash and cash equivalents   | 619 300                                       | -                                                | -                                                  | 619 300            |
| Derivatives (i)             | -                                             | 1 082                                            | -                                                  | 1 082              |
| Bank credits and loans      | -                                             | -                                                | (2 913 724)                                        | (2 913 724)        |
| Finance lease liabilities   | -                                             | -                                                | (135 778)                                          | (135 778)          |
| Trade and other payables    | -                                             | -                                                | (1 526 154)                                        | (1 526 154)        |
| <b>Total</b>                | <b>1 646 109</b>                              | <b>1 082</b>                                     | <b>(4 575 656)</b>                                 | <b>(2 928 465)</b> |

#### (i) Fair value of derivatives

The Group has concluded interest rate swaps and commodity swap for diesel price (which ended in December 2017). In 2017, the derivatives were classified as held for trading and accounted for at fair value through profit or loss. In 2018, the Group

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

concluded new IRS contract and established a hedge accounting and revaluation of derivatives in relation to the effective portion of the hedging relationship is accounted through OCI (refer to section 3.5 for more details).

Measured derivatives are not traded in active markets, however all significant inputs required for fair value measurement are observable and as such the Group has included this instrument in Level 2 of fair value hierarchy levels.

| 31.12.2017                  | Financial assets at amortised cost | Derivatives at fair value through profit or loss | Financial liabilities at amortised cost | Total              |
|-----------------------------|------------------------------------|--------------------------------------------------|-----------------------------------------|--------------------|
|                             | CZK'000                            | CZK'000                                          | CZK'000                                 | CZK'000            |
| Trade and other receivables | 895 938                            | -                                                | -                                       | 895 938            |
| Cash and cash equivalents   | 289 594                            | -                                                | -                                       | 289 594            |
| Derivatives (ii)            | -                                  | 4 620                                            | -                                       | 4 620              |
| Bank credits and loans      | -                                  | -                                                | (2 162 513)                             | (2 162 513)        |
| Bonds issued                | -                                  | -                                                | (332 513)                               | (332 513)          |
| Finance lease liabilities   | -                                  | -                                                | (170 440)                               | (170 440)          |
| Trade and other payables    | -                                  | -                                                | (1 472 842)                             | (1 472 842)        |
| <b>Total</b>                | <b>1 185 532</b>                   | <b>4 620</b>                                     | <b>(4 138 308)</b>                      | <b>(2 948 156)</b> |

### (ii) Fair value of derivatives

The Group had concluded interest rate swaps and commodity swap for diesel price (which ended in December 2017). These derivatives were classified as held for trading and accounted for at fair value through profit or loss.

Measured derivatives were not traded in active markets, however all significant inputs required for fair value measurement were observable and as such the Group had included this instrument in Level 2 of fair value hierarchy levels.

## 4.28. HEADCOUNT

The average headcount in the Group was as follows:

| Average headcount                        | 2018         | 2017         |
|------------------------------------------|--------------|--------------|
| Management Board of the Company          | 6            | 6            |
| Management Boards of the Group entities  | 13           | 10           |
| Administration                           | 213          | 207          |
| Sales, Marketing and Logistic department | 1 136        | 1 123        |
| Production division                      | 806          | 792          |
| Other                                    | 24           | 44           |
| <b>Total</b>                             | <b>2 198</b> | <b>2 182</b> |

Total number of employees as of 31 December 2018 was 2 194 persons (as of 31 December 2017: 2 091 persons).

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.29. ACQUISITION OF SUBSIDIARIES

#### ACQUISITION OF SUBSIDIARY LEROS

On March 13, 2018, the Company concluded an agreement to purchase a 100% stake in LEROS, s.r.o., producer of high-quality products from medicinal plants and quality natural teas.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

| Fair value of assets and liabilities          | Book value   | Fair value adjustments | Fair value     |
|-----------------------------------------------|--------------|------------------------|----------------|
|                                               | CZK'000      | CZK'000                | CZK'000        |
| Property, plant and equipment                 | 27 416       | -                      | 27 416         |
| Intangible assets                             | 104          | 126 373                | 126 477        |
| Inventories                                   | 27 477       | -                      | 27 477         |
| Trade receivables and other receivables       | 32 844       | -                      | 32 844         |
| Cash and cash equivalents                     | 3 595        | -                      | 3 595          |
| Other non-current liabilities                 | (8 356)      | -                      | (8 356)        |
| Bank credits and loans                        | (39 500)     | -                      | (39 500)       |
| Deferred tax liability                        | -            | (20 177)               | (20 177)       |
| Trade liabilities and other liabilities       | (38 665)     | -                      | (38 665)       |
| <b>Total identifiable net assets acquired</b> | <b>4 915</b> | <b>106 196</b>         | <b>111 111</b> |

The following table summarizes the consideration transferred, net assets acquired and goodwill.

| Goodwill calculation      | CZK'000      |
|---------------------------|--------------|
| Consideration transferred | 113 976      |
| Net assets acquired       | 111 111      |
| <b>Goodwill</b>           | <b>2 865</b> |

The table below contains revenue and profit or loss of LEROS, s.r.o. for the period since the acquisition till the end of 2018 and for the full year 2018 (as if the company was a part of the Group since 1 January 2018):

| Revenue and profit/(loss) of acquired subsidiary | 13.3.2018 -<br>31.12.2018 | 1.1.2018 -<br>31.12.2018 |
|--------------------------------------------------|---------------------------|--------------------------|
|                                                  | CZK'000                   | CZK'000                  |
| Revenue                                          | 94 679                    | 121 278                  |
| Profit/(loss) for the period                     | 4 015                     | (754)                    |

#### ACQUISITION OF SUBSIDIARY MINERÁLKA

On June 13, 2018, Kofola a.s. (SK) concluded an agreement to purchase a 100% stake in Minerálka s.r.o., a producer of mineral water.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

| Fair value of assets and liabilities          | CZK'000        |
|-----------------------------------------------|----------------|
| Property, plant and equipment                 | 28 942         |
| Trade receivables and other receivables       | 48             |
| Non-current liabilities                       | (31 224)       |
| Trade liabilities and other liabilities       | (1 986)        |
| <b>Total identifiable net assets acquired</b> | <b>(4 220)</b> |

The following table summarizes the consideration transferred, net assets acquired and goodwill.

| Goodwill calculation      | CZK'000      |
|---------------------------|--------------|
| Consideration transferred | 130          |
| Net assets acquired       | (4 220)      |
| <b>Goodwill</b>           | <b>4 350</b> |

The valuation of net assets was prepared on the provisional basis due to the timing of the transaction. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Revenue and profit or loss for the period since the acquisition till the end of 2018 and for the full year 2018 are not presented because transactions for the respective periods are immaterial.

### ACQUISITION OF SUBSIDIARY PREMIUM ROSA

Kofola ČeskoSlovensko a.s. acquired on 10 July 2017 a 100% business share in the company Premium Rosa Sp. z o.o. based in Złotokłos, Poland. The company operates in the premium segment and produces high quality natural products such as syrups, juices and jams.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

| Fair value of assets and liabilities          | Book value   | Fair value adjustments | Fair value    |
|-----------------------------------------------|--------------|------------------------|---------------|
|                                               | CZK'000      | CZK'000                | CZK'000       |
| Property, plant and equipment                 | 18 161       | -                      | 18 161        |
| Intangible assets                             | 1 909        | 57 657                 | 59 566        |
| Other financial assets                        | 127          | -                      | 127           |
| Inventories                                   | 24 678       | -                      | 24 678        |
| Trade receivables and other receivables       | 13 989       | -                      | 13 989        |
| Cash and cash equivalents                     | 4 951        | -                      | 4 951         |
| Bank credits and loans                        | (13 192)     | -                      | (13 192)      |
| Trade liabilities and other liabilities       | (13 507)     | -                      | (13 507)      |
| Other financial liabilities                   | (32 793)     | -                      | (32 793)      |
| <b>Total identifiable net assets acquired</b> | <b>4 323</b> | <b>57 657</b>          | <b>61 980</b> |

The following table summarizes the consideration transferred, net assets acquired and goodwill.

| Goodwill calculation      | CZK'000  |
|---------------------------|----------|
| Consideration transferred | 61 980   |
| Net assets acquired       | 61 980   |
| <b>Goodwill</b>           | <b>-</b> |

### 4.30. IMPAIRMENT RELATED TO THE SALE OF HOOP POLSKA SP. Z O.O.

The impairment of the cash-generating unit Hoop Polska Sp. z o.o. was determined as a fair value less costs of disposal and amounted to CZK 345 754 thousand as at 31 December 2018. The impairment is a result of the difference between the carrying amount of standalone Hoop Polska Sp. z o.o.'s net assets as at 31 December 2018 before impairment for 2018 and the transaction value. The transaction value is determined in the share purchase agreement between Kofola ČeskoSlovensko a.s. and ZMB Capital Sp. z o.o. and is reduced by the value of loans from Kofola ČeskoSlovensko a.s. to Hoop Polska Sp. z o.o. as at transaction date and Group's trade receivables from Hoop Polska Sp. z o.o. which were as at transaction date more than 180 days past due.

The above described impairment calculation is summarized in the table below.

| Impairment related to the sale of Hoop Polska Sp. z o.o.                                            | CZK'000        |
|-----------------------------------------------------------------------------------------------------|----------------|
| <b>Hoop Polska Sp. z o.o.'s standalone net assets as at 31 December 2018 before impairment 2018</b> | <b>547 926</b> |
| Transaction price                                                                                   | 353 719        |
| Provided loans and overdue trade receivables as at transaction date                                 | (151 547)      |
| <b>Adjusted transaction price</b>                                                                   | <b>202 172</b> |
| <b>Impairment</b>                                                                                   | <b>345 754</b> |

The impairment charge was allocated to the Hoop Polska Sp. z o.o.'s non-current assets (except for the assets related to the Grodzisk Wielkopolski plant) on a pro rata basis. Refer to sections 4.10.1 and 4.11.1 for more details. Current assets of Hoop Polska Sp. z o.o. weren't impaired because they were already presented in their recoverable amounts.

## 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



### 4.31. SUBSEQUENT EVENTS

On 18 March 2019, a share purchase agreement ("SPA") concluded between the Company and ZMB Capital Sp. z o.o. came into the force as all the legal steps and requirements set within the SPA were met as of this date. As a result, the entity Hoop Polska Sp. z o.o. was sold and no longer represents a part of the Group. Revenue, costs, assets and liabilities of Hoop Polska Sp. z o.o. were presented under the segment Poland in section 4.1. All guarantees and pledges issued by Hoop Polska Sp. z o.o. in relation to the loan financing provided by Československá obchodní banka, a.s. and Česká spořitelna, a.s. to the Company were terminated. The requirements set by the IFRS 5 Non-current Assets Held for Sale and Discontinued Operations were met after the reporting period because before the end of the reporting period the sale transaction couldn't be considered as highly probable. As a result, the disposal group is not presented as a discontinued operation for the year ended 31 December 2018. SPA was approved by a General Meeting on 11 March 2019.

The plant in Grodzisk Wielkopolski wasn't a part of the above-mentioned SPA. Before the SPA, it was sold to our subsidiary Premium Rosa Sp. z o.o. and will be further offered for sale.

No other events have occurred after the end of the reporting period that would require adjusting the amounts recognised and disclosures made in the consolidated financial statements.

|                  |                         |                                             |                                                                                       |
|------------------|-------------------------|---------------------------------------------|---------------------------------------------------------------------------------------|
| <b>25.3.2019</b> | <b>Janis Samaras</b>    | <b>Chairman of the Board of Directors</b>   |    |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |
| <b>25.3.2019</b> | <b>René Musila</b>      | <b>Vice-Chair of the Board of Directors</b> |    |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |
| <b>25.3.2019</b> | <b>Daniel Buryš</b>     | <b>Vice-Chair of the Board of Directors</b> |    |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |
| <b>25.3.2019</b> | <b>Pavel Jakubík</b>    | <b>Member of the Board of Directors</b>     |    |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |
| <b>25.3.2019</b> | <b>Jiří Vlasák</b>      | <b>Member of the Board of Directors</b>     |   |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |
| <b>25.3.2019</b> | <b>Marián Šefčovič</b>  | <b>Member of the Board of Directors</b>     |  |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |





# SEPARATE FINANCIAL STATEMENTS 2018

KOFOLA ČESKOSLOVENSKO A.S.

# 1. SEPARATE FINANCIAL STATEMENTS



## 1.1. SEPARATE STATEMENT OF PROFIT OR LOSS

for the 12-month period ended 31 December 2018 and 31 December 2017 in CZK thousand.

| Separate statement of profit or loss                    | Note         | 2018             | 2017            |
|---------------------------------------------------------|--------------|------------------|-----------------|
|                                                         |              | CZK'000          | CZK'000         |
| Revenue from the sale of finished products and services | 4.2          | 413 481          | 407 546         |
| Revenue from the sale of goods and materials            | 4.2          | 146              | 58              |
| <b>Revenue</b>                                          |              | <b>413 627</b>   | <b>407 604</b>  |
| Cost of products and services sold                      | 4.3          | (44 869)         | (36 998)        |
| <b>Cost of sales</b>                                    |              | <b>(44 869)</b>  | <b>(36 998)</b> |
| <b>Gross profit</b>                                     |              | <b>368 758</b>   | <b>370 606</b>  |
| Selling, marketing and distribution costs               | 4.3          | (196 523)        | (196 577)       |
| Administrative costs                                    | 4.3          | (246 710)        | (206 769)       |
| Dividends                                               | 4.15.5       | 433 057          | 616 978         |
| Other operating income                                  | 4.4          | 601              | 2 133           |
| Other operating expenses                                | 4.5          | (2 804)          | (3 278)         |
| Impairment                                              | 4.10.1, 4.27 | (622 127)        | (195 365)       |
| <b>Operating profit/(loss)</b>                          |              | <b>(265 748)</b> | <b>387 728</b>  |
| Finance income                                          | 4.6          | 19 603           | 32 589          |
| Finance costs                                           | 4.7          | (91 425)         | (68 852)        |
| <b>Profit/(loss) before income tax</b>                  |              | <b>(337 570)</b> | <b>351 465</b>  |
| Income tax (expense)/benefit                            | 4.8          | 8 451            | (798)           |
| <b>Profit/(loss) for the period</b>                     |              | <b>(329 119)</b> | <b>350 667</b>  |
| <b>Earnings/(loss) per share (in CZK)</b>               |              |                  |                 |
| Basic earnings/(loss) per share                         | 4.9          | (14.76)          | 15.73           |

The above separate statement of profit or loss should be read in conjunction with the accompanying notes.

## 1.2. SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

for the 12-month period ended 31 December 2018 and 31 December 2017 in CZK thousand.

| Separate statement of other comprehensive income        | Note   | 2018             | 2017           |
|---------------------------------------------------------|--------|------------------|----------------|
|                                                         |        | CZK'000          | CZK'000        |
| <b>Profit/(loss) for the period</b>                     |        | <b>(329 119)</b> | <b>350 667</b> |
| <b>Other comprehensive income</b>                       |        |                  |                |
| Derivatives - Cash flow hedges                          | 4.22.1 | 1 084            | -              |
| Deferred tax from cash flow hedging                     | 4.8    | (206)            | -              |
| <b>Other comprehensive income/(loss) for the period</b> |        | <b>878</b>       | <b>-</b>       |
| <b>Total comprehensive income/(loss) for the period</b> |        | <b>(328 241)</b> | <b>350 667</b> |

The above separate statement of other comprehensive income should be read in conjunction with the accompanying notes.

# 1. SEPARATE FINANCIAL STATEMENTS



## 1.3. SEPARATE STATEMENT OF FINANCIAL POSITION

as at 31 December 2018 and 31 December 2017 in CZK thousand.

| Assets                            | Note            | 31.12.2018<br>CZK' 000 | 31.12.2017<br>CZK' 000 |
|-----------------------------------|-----------------|------------------------|------------------------|
| <b>Non-current assets</b>         |                 | <b>3 983 902</b>       | <b>4 283 072</b>       |
| Property, plant and equipment     | 4.11            | 78 012                 | 60 193                 |
| Goodwill                          | 4.12            | 30 675                 | 30 675                 |
| Intangible assets                 | 4.12            | 342 481                | 350 158                |
| Investments in subsidiaries       | 4.10            | 2 293 680              | 2 745 452              |
| Other receivables                 | 4.13            | 48 350                 | 47 388                 |
| Loans provided to related parties | 4.13,<br>4.24.4 | 1 190 504              | 1 049 006              |
| Other assets                      |                 | 200                    | 200                    |
| <b>Current assets</b>             |                 | <b>535 868</b>         | <b>306 200</b>         |
| Trade and other receivables       | 4.13            | 504 147                | 292 263                |
| Income tax receivables            |                 | 2 943                  | 1 172                  |
| Cash and cash equivalents         | 4.14            | 28 778                 | 12 765                 |
| <b>Total assets</b>               |                 | <b>4 519 770</b>       | <b>4 589 272</b>       |

| Liabilities and equity                  | Note | 31.12.2018<br>CZK' 000 | 31.12.2017<br>CZK' 000 |
|-----------------------------------------|------|------------------------|------------------------|
| <b>Total equity</b>                     |      | <b>1 448 094</b>       | <b>2 130 090</b>       |
| Share capital                           | 1.5  | 1 114 597              | 2 229 500              |
| Other reserves                          | 1.5  | 10 012                 | (493 456)              |
| Distribution fund                       | 1.5  | 618 331                | -                      |
| Own shares                              | 1.5  | -                      | (1 357)                |
| Retained earnings/(Accumulated deficit) | 1.5  | (294 846)              | 395 403                |
| <b>Non-current liabilities</b>          |      | <b>2 339 304</b>       | <b>1 489 890</b>       |
| Bank credits and loans                  | 4.18 | 2 286 478              | 1 444 883              |
| Finance lease liabilities               | 4.21 | 14 054                 | 5 907                  |
| Other liabilities                       | 4.19 | 7 918                  | -                      |
| Deferred tax liabilities                | 4.8  | 30 854                 | 39 100                 |
| <b>Current liabilities</b>              |      | <b>732 372</b>         | <b>969 292</b>         |
| Bank credits and loans                  | 4.18 | 591 828                | 550 716                |
| Bonds issued                            | 4.17 | -                      | 332 513                |
| Finance lease liabilities               | 4.21 | 5 931                  | 3 664                  |
| Trade and other payables                | 4.19 | 86 515                 | 75 454                 |
| Provisions                              | 4.16 | 48 098                 | 6 945                  |
| <b>Total liabilities</b>                |      | <b>3 071 676</b>       | <b>2 459 182</b>       |
| <b>Total liabilities and equity</b>     |      | <b>4 519 770</b>       | <b>4 589 272</b>       |

The above separate statement of financial position should be read in conjunction with the accompanying notes.

# 1. SEPARATE FINANCIAL STATEMENTS



## 1.4. SEPARATE STATEMENT OF CASH FLOWS

for the 12-month period ended 31 December 2018 and 31 December 2017 in CZK thousand.

| Separate statement of cash flows                                   | Note            | 2018<br>CZK '000 | 2017<br>CZK '000 |
|--------------------------------------------------------------------|-----------------|------------------|------------------|
| <b>Cash flows from operating activities</b>                        |                 |                  |                  |
| Profit/(loss) before income tax                                    | 1.1             | (337 570)        | 351 465          |
| Adjustments for:                                                   |                 |                  |                  |
| Non-cash movements                                                 |                 |                  |                  |
| Depreciation and amortisation                                      | 4.3             | 40 181           | 53 222           |
| Net interest                                                       | 4.6, 4.7        | 57 682           | 43 017           |
| Dividends                                                          | 4.15.5          | (433 057)        | (616 978)        |
| Change in the balance of provisions                                | 4.16            | 41 153           | (29 032)         |
| Impairment of HOOP Polska Sp. z o.o.                               | 4.27            | 622 127          | 195 365          |
| Derivatives                                                        | 4.6, 4.7 4.22.1 | 4 593            | (20 275)         |
| Realised (gain)//loss on sale of PPE and intangible assets         | 4.4, 4.5        | (251)            | (195)            |
| Net exchange differences                                           |                 | 1 680            | 7 559            |
| Other                                                              |                 | 3 645            | (2 345)          |
| Cash movements                                                     |                 |                  |                  |
| Income tax                                                         |                 | -                | 1 623            |
| Change in operating assets and liabilities                         |                 |                  |                  |
| Change in receivables                                              |                 | (65 626)         | (107 407)        |
| Change in payables                                                 |                 | 12 403           | 184 255          |
| <b>Net cash inflow/(outflow) from operating activities</b>         |                 | <b>(53 040)</b>  | <b>60 274</b>    |
| <b>Cash flows from investing activities</b>                        |                 |                  |                  |
| Sale of property, plant and equipment                              |                 | 195              | 464              |
| Acquisition of property, plant and equipment and intangible assets |                 | (31 307)         | (29 813)         |
| Acquisition of subsidiary                                          | 4.26            | (120 056)        | (61 962)         |
| Dividends and interest received                                    |                 | 241 445          | 502 398          |
| Proceeds from loans                                                |                 | 766              | 43 093           |
| Loans granted                                                      |                 | (197 895)        | (890 950)        |
| Decrease of share capital in RADENSKA d.o.o.                       |                 | 61 713           | 474 915          |
| <b>Net cash inflow/(outflow) from investing activities</b>         |                 | <b>(45 139)</b>  | <b>38 145</b>    |
| <b>Cash flows from financing activities</b>                        |                 |                  |                  |
| Finance lease payments                                             | 4.25            | (3 705)          | (5 051)          |
| Proceeds from loans and bank credits                               | 4.25            | 1 324 462        | 2 579 482        |
| Repayment of bonds                                                 | 4.25            | (330 000)        | -                |
| Repayment of loans and bank credits                                | 4.25            | (436 310)        | (2 323 589)      |
| Dividends paid to the shareholders of the Company                  |                 | (361 130)        | (311 857)        |
| Interest and bank charges paid                                     |                 | (79 152)         | (51 946)         |
| Purchase of own shares                                             | 4.15.3          | -                | (442)            |
| Other                                                              |                 | 27               | -                |
| <b>Net cash inflow/(outflow) from financing activities</b>         |                 | <b>114 192</b>   | <b>(113 403)</b> |
| Net increase/(decrease) in cash and cash equivalents               |                 | 16 013           | (14 984)         |
| <b>Cash and cash equivalents at the beginning of the period</b>    | 1.3             | <b>12 765</b>    | <b>27 749</b>    |
| <b>Cash and cash equivalents at the end of the period</b>          | 1.3             | <b>28 778</b>    | <b>12 765</b>    |

*The above separate statement of cash flows should be read in conjunction with the accompanying notes.*

# 1. SEPARATE FINANCIAL STATEMENTS



## 1.5. SEPARATE STATEMENT OF CHANGES IN EQUITY

for the 12-month period ended 31 December 2018 and 31 December 2017 in CZK thousand.

| Separate statement of changes in equity                     | Note   | Share capital      | Other reserves   | Distribution fund | Own shares     | Retained earnings/(Accumulated deficit) | Total equity     |
|-------------------------------------------------------------|--------|--------------------|------------------|-------------------|----------------|-----------------------------------------|------------------|
|                                                             |        | CZK'000            | CZK'000          | CZK'000           | CZK'000        | CZK'000                                 | CZK'000          |
| <b>Balance as at 1 January 2017</b>                         |        | <b>2 229 500</b>   | <b>(496 266)</b> | <b>-</b>          | <b>(915)</b>   | <b>345 677</b>                          | <b>2 077 996</b> |
| Profit/(loss) for the period                                | 1.1    | -                  | -                | -                 | -              | 350 667                                 | 350 667          |
| <b>Total comprehensive income/(loss) for the period</b>     |        | <b>-</b>           | <b>-</b>         | <b>-</b>          | <b>-</b>       | <b>350 667</b>                          | <b>350 667</b>   |
| Own shares purchase                                         | 4.15.3 | -                  | -                | -                 | (442)          | -                                       | (442)            |
| Dividends                                                   | 4.15.5 | -                  | -                | -                 | -              | (300 941)                               | (300 941)        |
| Option scheme                                               | 4.24.3 | -                  | 2 810            | -                 | -              | -                                       | 2 810            |
| <b>Transactions with owners in their capacity as owners</b> |        | <b>-</b>           | <b>2 810</b>     | <b>-</b>          | <b>(442)</b>   | <b>(300 941)</b>                        | <b>(298 573)</b> |
| <b>Balance as at 31 December 2017</b>                       |        | <b>2 229 500</b>   | <b>(493 456)</b> | <b>-</b>          | <b>(1 357)</b> | <b>395 403</b>                          | <b>2 130 090</b> |
| <b>Balance as at 1 January 2018</b>                         |        | <b>2 229 500</b>   | <b>(493 456)</b> | <b>-</b>          | <b>(1 357)</b> | <b>395 403</b>                          | <b>2 130 090</b> |
| Profit/(loss) for the period                                | 1.1    | -                  | -                | -                 | -              | (329 119)                               | (329 119)        |
| Other comprehensive income/(loss)                           | 1.2    | -                  | 878              | -                 | -              | -                                       | 878              |
| <b>Total comprehensive income/(loss) for the period</b>     |        | <b>-</b>           | <b>878</b>       | <b>-</b>          | <b>-</b>       | <b>(329 119)</b>                        | <b>(328 241)</b> |
| Capital restructuring                                       | 1.5    | (1 114 597)        | 496 266          | 618 331           | -              | -                                       | -                |
| Own shares liquidation                                      | 4.15.3 | (305)              | -                | -                 | 1 357          | -                                       | 1 052            |
| Dividends                                                   | 4.15.5 | -                  | -                | -                 | -              | (361 130)                               | (361 130)        |
| Option scheme                                               | 4.24.3 | -                  | 6 324            | -                 | -              | -                                       | 6 324            |
| Rounding                                                    |        | (1)                | -                | -                 | -              | -                                       | (1)              |
| <b>Transactions with owners in their capacity as owners</b> |        | <b>(1 114 903)</b> | <b>502 590</b>   | <b>618 331</b>    | <b>1 357</b>   | <b>(361 130)</b>                        | <b>(353 755)</b> |
| <b>Balance as at 31 December 2018</b>                       |        | <b>1 114 597</b>   | <b>10 012</b>    | <b>618 331</b>    | <b>-</b>       | <b>(294 846)</b>                        | <b>1 448 094</b> |

The above separate statement of changes in equity should be read in conjunction with the accompanying notes.

On 13 August 2018, the general meeting of the Company approved a reduction of the Company's share capital. The reduction was made by cancelling 3 052 own shares with a total nominal value of CZK 305 thousand and by reducing the nominal value of all the other shares of the Company by CZK 50, i.e. from CZK 100 to CZK 50. The decrease has been effective since 20 December 2018, after the registration in the Commercial Register.

The amount corresponding to the reduction of the registered shared capital, i.e. the amount of CZK 1 114 902 thousand was used as follows:

- (i) a part amounting to CZK 496 266 thousand was transferred to the Other reserves of the Company,
- (ii) a part amounting to CZK 618 331 thousand was transferred to the newly created Company's Distribution fund and
- (iii) a part amounting to CZK 305 thousand was recognized in the profit and loss.

## 2. GENERAL INFORMATION



### 2.1. CORPORATE INFORMATION

#### GENERAL INFORMATION

Kofola ČeskoSlovensko a.s. (“the Company”) is a joint-stock company registered on 12 September 2012. Its registered office is Nad Porubkou 2278/31a, Ostrava, 708 00, Czech Republic and the identification number is 24261980. The Company is recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735. The Company’s websites are <http://www.firma.kofola.cz> and the phone number is +420 595 601 030. LEI: 3157005DO9L5OWHBQ359.

Main area of activity of Kofola ČeskoSlovensko a.s. in 2018 was holding of the subsidiaries and providing certain services for the other companies in Kofola Group, e.g. strategic services, services related to products, shared services and holding of licences and trademarks.

Kofola ČeskoSlovensko a.s. is the parent of the Kofola Group. Besides the traditional markets of the Czech Republic and Slovakia, the Group is also present in Poland, Slovenia and in Croatia with limited activities in Russia. The Group produces drinks in seven production plants (incl. Croatia) and key trademarks include Kofola, Hoop Cola, Jupí, Jupík, Rajec, Radenska, Paola, Semtex and Vinea. On selected markets, the Group distributes among others Rauch, Evian or Badoit products and under the licence produces RC Cola or Orangina.

Based on the information known to the Board of Directors of the Company acting with due care, the Company was for until 31 August 2018 part of the group controlled by KSM Investment S.A. („Group“). Registered office: Rue de Neudorf 560A, L-2220 Luxembourg, Luxembourg. Since 31 August 2018, after the merger of KSM Investment S.A. to AETOS a.s., the ultimate parent of the Company is AETOS a.s. The ownership structure is described in section 4.24.1.

#### STOCK EXCHANGE LISTING

Kofola ČeskoSlovensko a.s. is listed on Prague Stock Exchange (ticker KOFOL).

#### MANAGEMENT

As at 31 December 2018, the composition of the Board of Directors, Supervisory Board and Audit Committee was as follows:

##### *BOARD OF DIRECTORS*

- Janis Samaras – Chairman
- René Musila – Vice-Chair
- Daniel Buryš – Vice-Chair
- Pavel Jakubík
- Jiří Vlasák
- Marián Šefčovič

##### *SUPERVISORY BOARD*

- René Sommer – Chairman
- Tomáš Jendřejek
- Moshe Cohen-Nehemia
- Petr Pravda

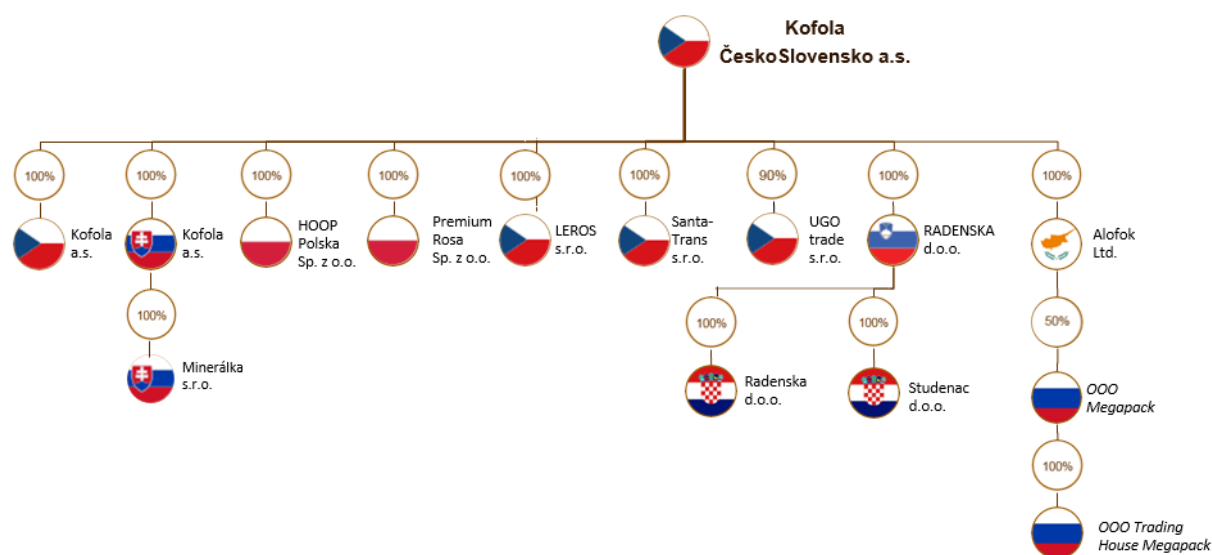
##### *AUDIT COMMITTEE*

- Petr Šobotník – Chairman
- Zuzana Prokopcová
- Lenka Frostová

## 2. GENERAL INFORMATION

### 2.2. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2018



#### DESCRIPTION OF THE GROUP COMPANIES

| Name of entity                | Place of business | Principal activities                                                                   | Ownership interest and voting rights |            |
|-------------------------------|-------------------|----------------------------------------------------------------------------------------|--------------------------------------|------------|
|                               |                   |                                                                                        | 31.12.2018                           | 31.12.2017 |
| <b>Holding companies</b>      |                   |                                                                                        |                                      |            |
| Kofola ČeskoSlovensko a.s.    | Czech Republic    | top holding company                                                                    |                                      |            |
| Alofok Ltd.                   | Cyprus            | holding                                                                                | 100.00%                              | 100.00%    |
| <b>Production and trading</b> |                   |                                                                                        |                                      |            |
| Kofola a.s.                   | Czech Republic    | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Kofola a.s.                   | Slovakia          | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Hoop Polska Sp. z o.o.        | Poland            | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| UGO trade s.r.o.              | Czech Republic    | operation of fresh bars chain, production of salads                                    | 90.00%                               | 90.00%     |
| RADENSKA d.o.o.               | Slovenia          | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Studenac d.o.o.               | Croatia           | production and distribution of non-alcoholic beverages                                 | 100.00%                              | 100.00%    |
| Radenska d.o.o.               | Croatia           | sales support and administration                                                       | 100.00%                              | 100.00%    |
| Radenska Miral d.o.o.*        | Slovenia          | trademark licensing                                                                    | n/a                                  | 100.00%    |
| Premium Rosa Sp. z o.o.       | Poland            | production and distribution of syrups and jams                                         | 100.00%                              | 100.00%    |
| LEROS, s.r.o.                 | Czech Republic    | production and distribution of products from medicinal plants and quality natural teas | 100.00%                              | n/a        |
| Minerálka s.r.o.              | Slovakia          | inactive                                                                               | 100.00%                              | n/a        |
| <b>Transportation</b>         |                   |                                                                                        |                                      |            |
| SANTA-TRANS s.r.o.            | Czech Republic    | road cargo transport                                                                   | 100.00%                              | 100.00%    |
| <b>Associated companies</b>   |                   |                                                                                        |                                      |            |
| OOO Megapack                  | Russia            | production of non-alcoholic and low-alcoholic beverages                                | 50.00%                               | 50.00%     |
| OOO Trading House Megapack    | Russia            | sale and distribution of non-alcoholic and low-alcoholic beverages                     | 50.00%                               | 50.00%     |

\* On 3 August 2018 merged to RADENSKA d.o.o.

### 3.1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

#### BASIS OF PREPARATION

The separate financial statements have been prepared in accordance with the laws binding in the Czech Republic and with International Financial Reporting Standards (“IFRS”), as well as the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) adopted by the European Union, published and effective for reporting periods beginning 1 January 2018.

The separate financial statements have been prepared on a going concern basis and in accordance with the historical cost method, except for financial assets and liabilities measured at fair value, and the assets, liabilities and contingent liabilities of the acquiree which are measured at their acquisition-date fair values as required by IFRS 3.

The separate financial statements include the separate statement of the financial position, separate statement of profit or loss, separate statement of other comprehensive income, separate statement of changes in equity, separate statement of cash flows and explanatory notes.

The separate financial statements cover the period ended 31 December 2018 and contain comparatives for the period ended 31 December 2017.

The separate financial statements are presented in Czech crowns (“CZK”), and all values, unless stated otherwise, are presented in CZK thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires that management exercises its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in section 3.5.

#### CHANGES TO EXISTING STANDARDS

The Company has changed its accounting policies as a result of standards and interpretations adopted by the European Union effective for the reporting periods starting from 1 January 2018 (IFRS 15 and IFRS 9), for details refer to section 3.6. The Company has not early adopted any new standard.

#### STANDARDS ISSUED BUT NOT YET EFFECTIVE

##### IFRS 16 LEASES

The new IFRS 16 standard was issued in January 2016 and will be applied by the Company for the accounting period beginning on 1 January 2019. All leases where the Company is a lessee and which meet the requirements set by the new standard will be recognised on the balance sheet as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use asset (right to use leased item) and a financial liability to pay rentals are recognised. IFRS 16 leads to a replacement of the straight-line operating lease expense with a depreciation charge (operating costs) for right-of-use asset and an interest expense (finance costs) on lease liabilities. Although the depreciation charge is typically even, the interest expense reduces over the life of the lease which leads into a reducing total expense as individual lease matures. New standard doesn’t impact the amount of cash transferred between the lessor and lessee, it however has an impact on the presentation of the separate statement of cash flows. Cash outflows connected with the leases previously classified as operating expenses will be presented under financing activities instead of operating activities. The Company has decided to utilize the following practical expedients allowed by the new IFRS 16 standard:

- Leases of low value assets (i.e. those with value lower than 80 000 CZK) are not accounted under the IFRS 16 lease model.
- Leases with a lease term of 12 months or less that do not contain a purchase option (i.e. short-term leases) are not accounted under the IFRS 16 lease model.
- Leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 (leases without extension option or with an option which is not to be used) are not accounted under the IFRS 16 lease model.
- For leases commencing before 1 January 2019 and representing operating leases before that date the Company recognizes the lease liability in the amount equal to the present value of the remaining lease payments, discounted using lessee’s incremental borrowing rate at the date of initial application. Right-of-use asset is recognized in the



### 3. SIGNIFICANT ACCOUNTING POLICIES



amount of lease liability (adjusted by the amount of any previously recognized prepaid or accrued lease payments relating to that lease) less impairment provision calculated under IAS 36.

- A single discount rate is applied to a portfolio of leases with reasonably similar characteristics.
- For leases commencing before 1 January 2019 the initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application.
- Hindsight is used, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

The Company has set up a team which has reviewed all lease contracts that could be impacted by a new standard. The standard will affect primarily the accounting for the Company's operating leases. Based on review performed the Company expects the following adjustments to be made as of 1 January 2019 in the separate statement of financial position:

- Right-of-use asset: CZK 24 million,
- Lease liabilities – current: CZK 7 million,
- Lease liabilities – non-current: CZK 17 million.

The Company expects the following impact on the separate statement of profit or loss for the year ending 31 December 2019:

- Profit/(loss) for the period: CZK (1) million.

The Company's activities as a lessor are not material and hence the Company does not expect any significant impact on the financial statements. The Company doesn't expect any material impact on finance leases.

Application of the IFRS 16 standard is not expected to have any material qualitative impacts on the Company's daily operations and financial reporting process. The Group has established controls for the identification, monitoring and recording of contracts and transactions connected with the new standard.

#### OTHER STANDARDS

Other new standards and amendments are not relevant to the Company or will not have material effect on its financial statements.

### 3.2. FUNCTIONAL AND PRESENTATION CURRENCY

The separate financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency.

### 3.3. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Monetary assets and liabilities expressed as at the balance sheet date in foreign currencies are translated using the closing exchange rate announced by the Czech National Bank for the end of the reporting period, and all foreign exchange gains or losses are recognized in profit or loss under:

- operating income and expense – for trading operations,
- finance income and costs – for financial operations.

Non-monetary assets and liabilities carried at historical cost expressed in a foreign currency are stated at the historical exchange rate as at the date of the transaction. Non-monetary assets and liabilities carried at fair value expressed in a foreign currency are translated at the exchange rate as at the date on which they were remeasured to the fair value.

Foreign exchange gains and losses recognized in profit or loss are offset.

The following exchange rates were used for the preparation of the financial statements:

| Closing exchange rates | 31.12.2018 | 31.12.2017 |
|------------------------|------------|------------|
| CZK/EUR                | 25.725     | 25.540     |
| CZK/PLN                | 5.980      | 6.114      |
| CZK/RUB                | 0.323      | 0.368      |
| CZK/USD                | 22.466     | 21.291     |
| CZK/HRK                | 3.471      | 3.439      |

| Average exchange rates | 1.1.2018 -<br>31.12.2018 | 1.1.2017 -<br>31.12.2017 |
|------------------------|--------------------------|--------------------------|
| CZK/EUR                | 25.643                   | 26.330                   |
| CZK/PLN                | 6.020                    | 6.185                    |
| CZK/RUB                | 0.347                    | 0.401                    |
| CZK/USD                | 21.735                   | 23.382                   |
| CZK/HRK                | 3.457                    | 3.528                    |

### 3.4. ACCOUNTING METHODS

#### 3.4.1 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses. Items acquired in a business combination are measured at their acquisition-date fair values. The costs of non-current assets consist of their acquisition price plus all costs directly associated with the asset's acquisition and adaptation for use. The costs also include the cost of replacing parts of machines and equipment as they are incurred, if the recognition criteria are met. Costs incurred after the asset is given over for use, such as maintenance and repairs, are charged to the income statement as they are incurred.

If circumstances occurred during the preparation of the financial statements indicating that the carrying value of item of property, plant and equipment may not be recoverable, the said asset is tested for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there are indications that impairment might have occurred, and the balance sheet value exceeds the estimated recoverable amount, then the value of those assets or cash generating units to which the assets belong is reduced to the value of the recoverable amount. The recoverable value corresponds to the higher of the following two values: the fair value less costs of disposal, or the value in use. When determining value in use, the estimated future cash flows are discounted to the present value using a post-tax discount rate reflecting the current market assessments of the time value of money and the risk associated with the given asset component. If the asset component does not generate income sufficiently independently, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment write downs are recognised in the income statement under other operating costs or in the separate row if material.

A given tangible non-current asset is derecognised from the balance sheet when it is sold or if no economic benefits are anticipated from its continued use. All profits and losses arising from the derecognition (calculated as the difference between

### 3. SIGNIFICANT ACCOUNTING POLICIES



the potential proceeds from the sale and the balance sheet value of a given item) are recognised in the income statement in the period in which the derecognition was performed.

Assets under construction consist of non-current assets that are being constructed or assembled and are stated at acquisition price or cost of production. Non-current assets under construction are not depreciated until the construction is completed and the assets given over for use.

The balance sheet value, the useful life and the depreciation method of non-current assets are verified, and if need to be adjusted, at the end of each financial year.

Items of income and expense related to sold property, plant and equipment are offset.

#### DEPRECIATION

Items of property, plant and equipment, or their significant and separate components, are depreciated using the straight-line method to allocate their costs to their residual values over their economic useful lives. Land is not depreciated. The Company assumes the following economic useful lives for the following categories of non-current assets:

|                                          | Useful life         |
|------------------------------------------|---------------------|
| Buildings and constructions              | 20 – 40 years       |
| Technical improvement on leased property | 10 years in average |
| Plant and equipment                      | 2 – 15 years        |
| Vehicles                                 | 4 – 6 years         |

#### 3.4.2 LEASES

Finance lease agreements that basically transfer to the Company as the lessee all of the risks and rewards of owning the subject of the lease are recognised in the statement of financial position at the commencement of the lease at the lower of the following two values: the fair value of the non-current asset constituting the subject of the lease or the present value of minimum lease payments. Lease payments are allocated between financial costs and the lease liability so as to achieve a constant rate of interest on the outstanding balance. Financial costs are charged directly to the income statement.

Non-current assets used under finance leases are depreciated using the shorter of the two periods: the asset's estimated useful life or the lease term.

Lease agreements under which the lessor retains significant risks and rewards of owning the subject of the lease are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

#### 3.4.3 GOODWILL

Goodwill is carried at cost less accumulated impairment losses, if any. The Company tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination.

Such units or groups of units represent the lowest level at which the Company monitors goodwill and are not larger than an operating segment. Any impairment of goodwill cannot be subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

#### 3.4.4 INTANGIBLE ASSETS

Intangible assets acquired in a separate transaction are initially stated at acquisition price or production costs. The acquisition price of intangible assets acquired in a business combination is equal to their fair value as at the date of the combination. After their initial recognition, intangible assets are stated at their historical price or production costs less accumulated amortisation and impairment write downs. Expenditures on internal research and development, except for capitalised development costs of identifiable intangible assets, are not capitalised and are recognised in the income statement of the period in which they were incurred.

The Company determines whether the economic useful life of an intangible asset is finite or indefinite. A significant part of the Company's intangible assets constitute trademarks, for most of them, the Company has determined that they have

an indefinite useful life. The Company is the owner of some of the leading trademarks in non-alcoholic beverages in Central Europe. As a result, these trademarks are generating positive cash flows and the Company owns the trademarks for the long term. The Board considered several factors and circumstances in concluding that these trademarks have indefinite useful lives, such as size, diversification and market share of each trademark, the trademark's past performance, long-term development strategy, any laws or other local regulations which may affect the life of the assets and other economic factors, including the impact of competition and market conditions. The Company's management expects that it will hold and promote trademarks for an indefinite period through marketing and promotional support. The trademarks with indefinite useful lives are tested for impairment at least annually.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there are impairment indicators. Useful life and method of amortisation of intangible assets with finite lives are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset. Intangible assets with finite useful lives are assessed for impairment whenever there are impairment indicators.

Intangible assets are amortised using the straight-line method over their useful lives:

|                   | Useful life  |
|-------------------|--------------|
| Software licences | 3 – 16 years |
| Computer software | 3 – 6 years  |
| Other licences    | 5 – 7 years  |
| Valuable rights   | 5 – 10 years |

#### 3.4.5 INVESTMENTS IN SUBSIDIARIES

The Company accounts for investments in subsidiaries at cost.

#### 3.4.6 RECOVERABLE VALUE OF NON-CURRENT ASSETS

The Company evaluates its assets whether indicators of impairment are present as at each balance sheet date. For goodwill and indefinite life intangible assets, the Company performs a formal estimate of the recoverable amount annually, for remaining assets the estimate is performed in case of presence of impairment indicators. If the carrying value of a given asset or cash-generating unit exceeds its recoverable amount, it is considered impaired and written down to its recoverable amount. The recoverable amount corresponds to the higher of the following two values: the fair value less costs of disposal, or the value in use of a given asset or cash generating unit. The impairment loss recognised, except for impairment of goodwill, may be reversed in future periods if the asset's value recovers.

If there is any indication that an asset may be impaired, recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If there isn't any such cash-generating unit, as a CGU is considered the whole entity and any impairment loss is allocated to the Company's assets respecting the IFRS requirements on order of the impairment loss allocation.

#### 3.4.7 FINANCIAL INSTRUMENTS

Financial instrument is any formal agreement that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity.

The most significant assets that are subject to the financial instruments accounting policies are:

- loan receivables,
- derivative instruments (swap contracts),
- trade receivables,
- other financial receivables,
- dividend receivables,
- cash.

Current trade receivables are stated at amortised cost by applying the effective interest rate method, and reduced by impairment write downs, if any.

The most significant liabilities that are subject to the financial instruments accounting policies:

- loan payables, bonds issued,
- derivative instruments (swap contracts),
- trade payables,
- finance lease liabilities.

Trade payables are stated at amortised cost by applying the effective interest rate method.

The Company's financial assets/liabilities are classified to the following categories:

- measured at amortized costs,
- fair value through other comprehensive income (FVTOCI), and
- fair value through profit and loss (FVTPL).

Classification is based on the nature of the asset/liabilities and management intention. The Company classifies its assets/liabilities at their initial recognition.

#### FINANCIAL ASSETS/LIABILITIES

Financial assets are initially recognised at fair value. Their initial valuation is increased by transaction costs, with the exception of financial assets stated at fair value through profit or loss. The transaction costs payable in case of a possible disposal of the asset are not deducted from subsequent measurement of financial assets. The asset is recognised in the balance sheet when the Company becomes a party to the agreement (contract), out of which the financial asset arises.

Financial liabilities are initially recognised at fair value. Transaction costs are deducted from the amount at initial recognition, except for financial liabilities at fair value through the profit or loss. The transaction costs payable upon a transfer of a financial liability are not added to the subsequent valuation of financial liabilities. The financial liabilities are recognised in the balance sheet when the Company becomes a party to the agreement, out of which the financial liability arises.

#### FINANCIAL ASSETS/LIABILITIES MEASURED AT AMORTIZED COSTS

Financial assets measured at amortized costs include primarily loans, trade receivables, dividend receivables, bank deposits and other cash funds. Depending on their maturity date, they are included in non-current assets (assets due in more than 1 year after the end of the reporting period) or current assets (assets due within 1 year after the end of the reporting period). The assets included in this category are stated at amortised cost using the effective interest method.

Financial liabilities include primarily trade payables, leases, bonds and loans. The liabilities included in this category are stated at amortised cost using the effective interest method.

The Company classifies its financial assets/liabilities as at amortised cost only if both of the following criteria are met:

- the asset/liability is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

#### FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Company doesn't have any assets/liabilities measured at fair value through other comprehensive income.

#### DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

This category includes derivative instruments in the Company's balance sheet. The Company holds derivative financial instruments to hedge its interest rate risk exposures. Financial assets/liabilities within this category serve for the hedging of risks associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges) and are presented within other receivables/other payables.

At the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period through other comprehensive income.

### 3. SIGNIFICANT ACCOUNTING POLICIES



The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within finance income/costs.

Amount accumulated in the hedging reserve and the cost of hedging reserve are reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 1 year after the end of the reporting period.

When the financial asset/liability is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

#### FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category in general includes two groups of assets: financial assets held for trading and financial assets designated initially at fair value through profit or loss. A financial asset is included in the held for trading category if it was acquired in order to be sold in the near term, or if it is part of a portfolio in which a pattern or short-term trading exists, or if it is a derivative instrument with a positive fair value and not designated for hedges. Financial assets at FVTPL include primarily derivative instruments in the Company's balance sheet.

Assets classified as financial assets designated at fair value through profit or loss are stated as at each reporting date at fair value, and all gains or losses are recognised as financial income or costs. Derivative financial instruments are stated at fair value as at the balance sheet date and as at the end of each reporting period based on valuations performed by the banks realising the transactions which are accepted by the management. Other financial assets designated at fair value through profit or loss are valued using stock exchange prices, and in their absence, using appropriate valuation techniques, such as: the use of the prices in recent transactions, comparisons with similar instruments, option valuation models. The fair value of debt instruments represents primarily future cash flows discounted at the current market interest rate applicable to similar instruments.

This category includes two groups of liabilities: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss. Financial liabilities held for trading are liabilities that: have been issued primarily to be transferred or repurchased in near term or are a component of a portfolio of financial instruments that are managed together with a purpose of generating a profit from short-term fluctuations in price or trader's margin or constitute derivative instruments.

The Company's financial liabilities at fair value through profit or loss include primarily derivative instruments with a negative fair value. Financial liabilities at fair value through profit or loss are measured at their fair value at the end of each reporting period, and all gains or losses are recognised as finance income or costs. Derivative instruments are measured at fair value at the end of each reporting period based on valuations performed by the banks realising the transactions which are accepted by the management. The fair value of debt instruments represents future cash flows discounted at the current market interest rate applicable to similar instruments.

#### IMPAIRMENT OF FINANCIAL ASSETS

The Company recognises a loss allowance for expected credit losses (ECL) on a financial assets that are measured at amortized costs. For trade receivables the Company measures loss allowances at an amount equal to lifetime ECLs. For other financial assets the Company measures loss allowances at amount equal to either 12-month ECL or lifetime ECL (when the credit risk of an asset has increased significantly).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort (mainly historical experience, credit assessment, current and forward looking information available to the management).

The Company assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

Lifetime expected credit losses are those that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses constitute the portion of lifetime expected credit losses that represents

the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade. The Company considers this to be Ba1 or higher per rating of agency Moody's.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### DERECOGNITION OF FINANCIAL ASSETS/LIABILITIES

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Company derecognises financial liability (or part of a financial liability) when it extinguishes, i.e. when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. However, the offsetting is not possible if it cannot be legally enforced in the normal course of business, in the event of default or in the event of insolvency or bankruptcy of the entity or any of the counterparties.

#### 3.4.8 TRADE AND OTHER RECEIVABLES

Trade and other financial receivables are carried at amortised cost (i.e. present value discounted using the effective interest rate) net of impairment write downs.

In cases when the effect of the time value of money is significant, the carrying value of a receivable is determined by discounting the expected future cash flows to the present value, using a discounted rate that reflects the current market assessments of the time value of money. Unwinding of the effects of discounting increasing the receivable is recorded as finance income.

An impairment loss is recognised in profit or loss at the difference between an asset's carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. For the measurement of loss allowance for financial assets refer to section 3.4.6.

Non-financial receivables are assessed at each reporting date to determine whether there is objective evidence of impairment. Such evidence includes:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation,
- default or delinquency by the debtor.

#### 3.4.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and in hand, as well as highly liquid investments that can be readily convertible to known amount of cash and are subject to insignificant changes in the value.

The balance of cash and cash equivalents presented in the separate statement of cash flows consists of cash at bank and in hand, as well as short-term deposits with original maturity up to 3 months.

### 3.4.10 EQUITY

Equity is classified by category and in accordance with binding legal regulations and the Company's Statute.

Share capital is carried at the amount stated in the Statute and in the National Court Register.

Declared but unpaid capital contributions are recorded as unpaid share capital. Treasury shares and unpaid share capital are deducted from the Company's equity.

Other elements of equity are: Other reserves, Distribution fund, Own shares and Retained earnings/Accumulated deficit.

Own shares acquired for cancellation, in accordance with the provisions of the Business Corporation Act, are recorded at cost as a negative amount as a separate component of equity.

Retained earnings/Accumulated deficit consist of accumulated profit or uncovered loss from previous years (accumulated profit/loss from previous years) and the profit/loss for the period.

Dividends are recognised as liabilities in the period in which they were approved.

### 3.4.11 INTEREST-BEARING BANK CREDITS, LOANS AND ISSUED BONDS

At initial recognition, all bank credits, loans and issued bonds are recorded at their fair value, which corresponds to the received cash funds, less the costs of obtaining the credit or loan or emission of bonds.

After their initial recognition, interest bearing credits, loans and issued bonds are stated at amortised cost by applying the effective interest rate method.

Amortised cost is determined by taking into account the costs of obtaining the credit, loan or issuing bond, as well as discounts and bonuses received or settlement fees charged at the settlement of the liability.

### 3.4.12 TRADE LIABILITIES AND OTHER LIABILITIES

Financial liabilities constitute a current obligation arising out of past events, the fulfilment of which is expected to result in an outflow of cash or other financial assets.

Financial liabilities other than financial liabilities stated at fair value through profit or loss are measured at amortised cost (i.e. discounted using the effective interest rate).

Exchange rate differences resulting from the balance sheet remeasurement of trade payables are recognised in cost of sales.

Non-financial current liabilities are measured at amounts due.

### 3.4.13 PROVISIONS

Provisions are created when the Company has a present obligation (legal or constructive) arising out of past events, and when it is likely that the fulfilment of this obligation will result in an outflow of economic benefits, and when the amount of the obligation can be reliably measured. If the Company expects that the costs covered by the provision will be refunded, for example based on an insurance policy, then the refund is recognised as a separate asset, but only if it is virtually certain that the refund will be received. The costs relating to a given provision are presented in the income statement net of any refunds. If the time value of money is material, the carrying amount of the provision is determined by discounting the forecasted future cash flows to their present values using a pre-tax discount rate reflecting the current market assessments of the time value of money and any risks associated with the given obligation. Subsequent increases of the provision due to unwinding of discount are presented as interest expense.



### 3.4.14 EMPLOYEE BENEFITS

#### SHARE BASED PAYMENTS

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Equity-settled share-based payments granted by the Company to the employees of its subsidiaries are recognized in equity with a corresponding increase of the investment in the subsidiary.

### 3.4.15 PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

Revenue is recognised at the amount of the transaction price (which excludes estimates of variable consideration), and when the amount of revenue can be measured reliably. Revenue is measured excluding value added tax (VAT), excise tax and rebates (discounts, bonuses and other price reductions, i.e. possible price reductions assumed by the management).

The amount of revenue is measured at the fair value of the consideration received or receivable. Revenue is stated at net present value when the effect of the time value of money is material (in case of payment after 360 days, such transactions contain a significant financing component). If revenue is measured at discounted amount, the discount is recognised using the effective interest method as an increase in receivables, and as financial income in profit or loss.

Foreign exchange rate differences resulting from the realisation or the remeasurement of trade receivables are recognised in profit or loss.

Revenue is also recognised in accordance with the criteria specified below.

#### PROVISION OF SERVICES

Revenue from the provision of services is recognised at the end of the month in which the service was performed with reference to the percentage of completion of the service obligation.

#### INTEREST

Interest income is recognised gradually using the effective interest method.

#### DIVIDENDS

Dividends are recognised once the shareholders' right to receive them is established.

### 3.4.16 INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by tax authorities.

## 3. SIGNIFICANT ACCOUNTING POLICIES



Deferred income tax is recognised, using the balance sheet liability method, on tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and equity accounted investees and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 3.4.17 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

## 3.5. SIGNIFICANT ESTIMATES AND KEY MANAGEMENT JUDGEMENTS

Since some of the information contained in the separate financial statements cannot be measured precisely, the Company's management must perform estimates to prepare the separate financial statements. Management verifies the estimates based on changes in the factors taken into account at their calculation, new information or past experience. For this reason, the estimates made as at 31 December 2018 may be changed in the future. The main estimates pertain to the following matters:

| Estimates                                                            | Type of information                                                                                                                              | Section |
|----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Impairment of goodwill and individual tangible and intangible assets | Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates.                      | 4.12.1  |
| Impairment of investments in subsidiaries                            | Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates.                      | 4.10.1  |
| Useful life of trade marks                                           | The history of the trade mark on the market, market position, useful life of similar products, the stability of the market segment, competition. | 3.4.4   |
| Income tax                                                           | Assumptions used to recognise deferred income tax assets.                                                                                        | 4.8     |
| Deferred tax asset from tax losses                                   | Historical experience, current and forward-looking information available to the management                                                       | 4.8     |

## 3.6. NEW ACCOUNTING POLICIES

### IFRS 9 — FINANCIAL INSTRUMENTS

In July 2014, the IASB issued IFRS 9 – Financial Instruments which was subsequently endorsed by the EU in November 2016. The standard addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition and hedge accounting. The standard contains three classification categories: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL) and eliminates the existing IAS 39 categories: loans and receivables, held to maturity and available for sale. It is mandatory for the accounting period beginning on 1 January 2018. The Company has decided to apply the modified retrospective approach with the effect of the change accounted in retained earnings as of 1 January 2018, 2017 comparative numbers were not restated. The Company has assessed the impact of IFRS 9 and concluded that it has no effect on the Company's allowance to financial assets.

### 3. SIGNIFICANT ACCOUNTING POLICIES



The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial assets and financial liabilities. For the classification and measurement of the financial instruments refer to section 3.4.7.

The effect of adopting IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 relates solely to the new impairment requirements. New IFRS 9 standard also changes the requirements set for the hedge accounting. Since the Company has started to apply hedge accounting during the year ended 31 December 2018, there is no effect on the financial statements as of 1 January 2018. For the accounting methods connected with the Company's hedge accounting refer to section 3.4.7.

#### IFRS 15 — REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 - Revenue from Contracts with Customers which was subsequently endorsed by the European Union in September 2016. IFRS 15 establishes a framework for determining whether, how much and when revenue is recognised from contracts with customers. IFRS 15 supersedes existing standards and interpretations related to revenue. It defines a new five-step model to recognise revenue from customer contracts. The Company applies the new standard from 1 January 2018, has decided to apply modified retrospective approach and has undertaken a review of the main types of commercial arrangements used with customers. The Company has concluded that the application of IFRS 15 doesn't have a material impact on any of Company's revenue streams and therefore on the statement of profit or loss or statement of the financial position. Prior period financial information doesn't need to be restated.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services (previously the revenue was recognized when significant risks and rewards of ownership had been transferred to the customer). Determining the timing of the transfer of control – at a point in time or over time – is therefore necessary. The disclosure requirements in IFRS 15 have not generally been applied to comparative information.

For additional information about the Company's accounting policies relating to revenue recognition, see section 3.4.15.

### 3.7. APPROVAL OF SEPARATE FINANCIAL STATEMENTS

The Board of Directors approved the present separate financial statements for publication on 25 March 2019.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



### 4.1. SEGMENT INFORMATION

The Board of Directors of the Company, as the chief decision maker, does not use segment results of the Company, neither in the decision-making process nor in the allocation of resources and assessment of the performance.

### 4.2. REVENUE

The effect of initially applying IFRS 15 on the Company's revenue from contracts with customers is immaterial as described in section 3.6. The comparative information and disclosures have not been restated.

| Revenue streams, Timing of revenue recognition              | 2018<br>CZK'000 |
|-------------------------------------------------------------|-----------------|
| <b>Revenue from contracts with customers</b>                | <b>413 627</b>  |
| - Sales of services (transferred over time)                 | 413 481         |
| - Sales of goods/materials (transferred at a point in time) | 146             |
| <b>Other revenue</b>                                        | <b>433 057</b>  |
| - Dividend income (transferred at a point in time)          | 433 057         |
| <b>Total revenue</b>                                        | <b>846 684</b>  |

Revenue from contracts with customers is represented mostly by revenue from shared services and brand fees.

Impairment on receivables arising from contracts with customers is present in section 4.13.

Company doesn't have any material contract assets, contract liabilities or performance obligations satisfied (or partially satisfied) in previous periods.

### 4.3. EXPENSES BY NATURE

| Expenses by nature                                                                                   | 2018<br>CZK'000 | 2017<br>CZK'000 |
|------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Depreciation of Property, plant and equipment and amortisation of Intangible assets                  | 40 181          | 53 222          |
| Employee benefits expenses (i)                                                                       | 264 423         | 198 699         |
| Consumption of materials and energy                                                                  | 9 883           | 9 664           |
| Services                                                                                             | 157 932         | 164 984         |
| Rental costs                                                                                         | 8 538           | 7 372           |
| Taxes and fees                                                                                       | 1 236           | 2 144           |
| Insurance costs                                                                                      | 1 449           | 1 304           |
| Other costs                                                                                          | 4 460           | 2 955           |
| <b>Total expenses by nature*</b>                                                                     | <b>488 102</b>  | <b>440 344</b>  |
| Selling, marketing and distribution costs                                                            | 196 523         | 196 577         |
| Administrative costs                                                                                 | 246 710         | 206 769         |
| Costs of products and services sold                                                                  | 44 869          | 36 998          |
| <b>Total costs of products sold, merchandise and materials, sales costs and administrative costs</b> | <b>488 102</b>  | <b>440 344</b>  |

\* excluding Other operating income, Other operating expenses and Impairment

#### (i) Employee benefits expenses

| Employee benefits expenses                                               | 2018<br>CZK'000 | 2017<br>CZK'000 |
|--------------------------------------------------------------------------|-----------------|-----------------|
| Salaries                                                                 | 198 583         | 149 139         |
| Social security and other benefit costs (including healthcare insurance) | 28 745          | 22 109          |
| Pension benefit plan expenses                                            | 37 095          | 27 451          |
| <b>Total employee benefits expenses</b>                                  | <b>264 423</b>  | <b>198 699</b>  |

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 4.4. OTHER OPERATING INCOME

| Other operating income                              | 2018<br>CZK'000 | 2017<br>CZK'000 |
|-----------------------------------------------------|-----------------|-----------------|
| Net gain from the sale of PPE and intangible assets | 251             | 195             |
| Compensation claims                                 | 345             | -               |
| Penalties and damages                               | 5               | 1 238           |
| Other                                               | -               | 700             |
| <b>Total other operating income</b>                 | <b>601</b>      | <b>2 133</b>    |

### 4.5. OTHER OPERATING EXPENSES

| Other operating expenses              | 2018<br>CZK'000 | 2017<br>CZK'000 |
|---------------------------------------|-----------------|-----------------|
| Provided donations, sponsorship       | 2 230           | 3 045           |
| Penalties and damages                 | 74              | 233             |
| Other                                 | 500             | -               |
| <b>Total other operating expenses</b> | <b>2 804</b>    | <b>3 278</b>    |

### 4.6. FINANCE INCOME

| Finance income              | 2018<br>CZK'000 | 2017<br>CZK'000 |
|-----------------------------|-----------------|-----------------|
| Interest from:              |                 |                 |
| – bank deposits             | 2               | 1               |
| – credits and loans granted | 12 364          | 10 701          |
| – purchased bonds           | 6 591           | -               |
| Derivatives                 | -               | 20 275          |
| Gain from guarantees        | 646             | 1 612           |
| <b>Total finance income</b> | <b>19 603</b>   | <b>32 589</b>   |

### 4.7. FINANCE COSTS

| Finance costs                                     | 2018<br>CZK'000 | 2017<br>CZK'000 |
|---------------------------------------------------|-----------------|-----------------|
| Interest from:                                    |                 |                 |
| – bank loans and credits, finance lease and bonds | 76 639          | 53 719          |
| Exchange losses                                   | 1 803           | 7 559           |
| Bank costs and charges                            | 8 390           | 7 574           |
| Derivatives                                       | 4 593           | -               |
| <b>Total finance costs</b>                        | <b>91 425</b>   | <b>68 852</b>   |

### 4.8. INCOME TAX

#### 4.8.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

Main income tax elements for the twelve-month period ended 31 December 2018 and 31 December 2017 were as follows:

| Income tax                                                | 2018<br>CZK'000 | 2017<br>CZK'000 |
|-----------------------------------------------------------|-----------------|-----------------|
| <b>Current income tax</b>                                 | <b>-</b>        | <b>7</b>        |
| <b>Deferred income tax/(benefit)</b>                      | <b>(8 451)</b>  | <b>791</b>      |
| Related to arising and reversing of temporary differences | (8 451)         | 791             |
| <b>Income tax expense/(benefit)</b>                       | <b>(8 451)</b>  | <b>798</b>      |

The income tax rate applicable to the Company in 2018 and 2017 income is 19%.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 4.8.2 INCOME TAX RECOGNISED DIRECTLY IN EQUITY

Income tax elements for the twelve-month period ended 31 December 2018 and 31 December 2017 were as follows:

| Income tax recognised directly in equity        | 2018<br>CZK'000 | 2017<br>CZK'000 |
|-------------------------------------------------|-----------------|-----------------|
| <b>Deferred income tax</b>                      | <b>206</b>      | -               |
| Tax from Cash flow hedges                       | 206             | -               |
| <b>Income tax recognised directly in equity</b> | <b>206</b>      | -               |

### 4.8.3 EFFECTIVE TAX RECONCILIATION

| Effective tax                                      | 2018<br>CZK'000  | 2017<br>CZK'000 |
|----------------------------------------------------|------------------|-----------------|
| <b>Profit/(loss) before income tax</b>             | <b>(337 570)</b> | <b>351 465</b>  |
| Tax at the rate of 19% valid in the Czech Republic | 64 138           | (66 778)        |
| <i>Tax effect of:</i>                              |                  |                 |
| Non-deductible expenses                            | (16 568)         | (9 376)         |
| Impairment of Hoop Polska                          | (118 204)        | (37 119)        |
| Non-recognition of deferred tax assets             | (5 343)          | (5 329)         |
| Non-taxable income*                                | 82 281           | 117 804         |
| Other                                              | 2 147            | -               |
| <b>Income tax (expense)/benefit</b>                | <b>8 451</b>     | <b>(798)</b>    |
| <b>Effective tax rate</b>                          | <b>2.50%</b>     | <b>0.23%</b>    |

\* mostly from dividends

Deferred tax asset was not recognized on tax losses for which the utilisation in future periods is not probable according to the tax planning of the Company.

### 4.8.4 DEFERRED TAX ASSETS AND LIABILITIES

| Deferred tax assets and liabilities                 | 31.12.2018                        |                                        |                       |
|-----------------------------------------------------|-----------------------------------|----------------------------------------|-----------------------|
|                                                     | Deferred tax<br>assets<br>CZK'000 | Deferred tax<br>liabilities<br>CZK'000 | Net amount<br>CZK'000 |
| <b>Temporary differences attributable to:</b>       |                                   |                                        |                       |
| Property, plant and equipment and Intangible assets | -                                 | (54 874)                               | (54 874)              |
| Tax losses                                          | 13 227                            | -                                      | 13 227                |
| Provisions and payables                             | 9 644                             | -                                      | 9 644                 |
| Other                                               | 1 149                             | -                                      | 1 149                 |
| <b>Deferred tax assets/(liabilities)</b>            | <b>24 020</b>                     | <b>(54 874)</b>                        | <b>(30 854)</b>       |
| Presentation offsetting                             | (24 020)                          | 24 020                                 | -                     |
| <b>Deferred tax assets/(liabilities)</b>            | <b>-</b>                          | <b>(30 854)</b>                        | <b>(30 854)</b>       |

Based on management assessment and tax projections, the Company didn't recognize as of 31 December 2018 the deferred tax asset from tax losses of CZK 19 580 thousand. Tax losses can be utilized up to 2023.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

| Deferred tax assets and liabilities                 |                                |                                     | 31.12.2017            |
|-----------------------------------------------------|--------------------------------|-------------------------------------|-----------------------|
|                                                     | Deferred tax assets<br>CZK'000 | Deferred tax liabilities<br>CZK'000 | Net amount<br>CZK'000 |
| <b>Temporary differences attributable to:</b>       |                                |                                     |                       |
| Property, plant and equipment and Intangible assets | -                              | (54 573)                            | (54 573)              |
| Tax losses                                          | 13 227                         | -                                   | 13 227                |
| Provisions and payables                             | 2 246                          | -                                   | 2 246                 |
| <b>Deferred tax assets/(liabilities)</b>            | <b>15 473</b>                  | <b>(54 573)</b>                     | <b>(39 100)</b>       |
| Presentation offsetting                             | (15 473)                       | 15 473                              | -                     |
| <b>Deferred tax assets/(liabilities)</b>            | <b>-</b>                       | <b>(39 100)</b>                     | <b>(39 100)</b>       |

### 4.9. EARNINGS PER SHARE

The basic earnings per share ratio is calculated by dividing the profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s. by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share ratio is calculated by dividing the profit/(loss) for the period attributable to ordinary shareholders (after deducting the interest on redeemable preferred shares convertible to ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted by the effect of diluting options and own shares not subject to dividends). The diluted earnings per share ratio is not applicable to the Company because it didn't issue any of above-mentioned financial instruments.

Data relating to the profit/(loss) and shares used to calculate basic earnings per share are presented below:

|                                                                                          | 2018<br>CZK'000  | 2017<br>CZK'000 |
|------------------------------------------------------------------------------------------|------------------|-----------------|
| <b>Profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s.</b> | <b>(329 119)</b> | <b>350 667</b>  |

|                                                                                              | 2018<br>pcs       | 2017<br>pcs       |
|----------------------------------------------------------------------------------------------|-------------------|-------------------|
| Weighted average number of ordinary shares for EPS calculation                               | 22 294 908        | 22 295 000        |
| Effect of own shares                                                                         | (2 960)           | (2 708)           |
| <b>Weighted average number of ordinary shares used to calculate basic earnings per share</b> | <b>22 291 948</b> | <b>22 292 292</b> |

Based on the above information, the basic earnings per share amounts to:

| Basic earnings per share (CZK/share)                                                              | 2018<br>CZK'000  | 2017<br>CZK'000 |
|---------------------------------------------------------------------------------------------------|------------------|-----------------|
| <b>Profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s.</b>          | <b>(329 119)</b> | <b>350 667</b>  |
| Weighted average number of ordinary shares used to calculate basic earnings per share (pcs)       | 22 291 948       | 22 292 292      |
| <b>Basic earnings/(loss) per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK)</b> | <b>(14.76)</b>   | <b>15.73</b>    |

### 4.10. INVESTMENT IN SUBSIDIARIES

| Investment in subsidiaries<br>Name of entity      | Ownership interest |                 | Cost                  |                       | Carrying amount       |                       |
|---------------------------------------------------|--------------------|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                                   | 31.12.2018<br>%    | 31.12.2017<br>% | 31.12.2018<br>CZK'000 | 31.12.2017<br>CZK'000 | 31.12.2018<br>CZK'000 | 31.12.2017<br>CZK'000 |
| Kofola a.s. (CZ)                                  | 100.00%            | 100.00%         | 197 498               | 197 498               | 197 498               | 197 498               |
| Kofola a.s. (SK)                                  | 100.00%            | 100.00%         | 51 023                | 51 023                | 51 023                | 51 023                |
| Hoop Polska Sp. z o.o.                            | 100.00%            | 100.00%         | 2 460 176             | 2 460 176             | 250 082               | 872 209               |
| SANTA-TRANS s.r.o.                                | 100.00%            | 100.00%         | 8 760                 | 8 760                 | 8 760                 | 8 760                 |
| UGO Trade s.r.o.                                  | 90.00%             | 90.00%          | 209 362               | 154 401               | 209 362               | 154 401               |
| RADENSKA d.o.o.                                   | 100.00%            | 100.00%         | 1 324 280             | 1 324 280             | 1 324 280             | 1 324 280             |
| Premium Rosa Sp.z o.o.                            | 100.00%            | 100.00%         | 68 160                | 68 160                | 68 160                | 68 160                |
| LEROS, s.r.o.                                     | 100.00%            | n/a             | 113 976               | n/a                   | 113 976               | n/a                   |
| Alofok Ltd.                                       | 100.00%            | 100.00%         | 354 450               | 354 450               | 68 531                | 68 531                |
| Option scheme (Kofola a.s. (SK), RADENSKA d.o.o.) | n/a                | n/a             | 2 008                 | 590                   | 2 008                 | 590                   |
| <b>Total investment in subsidiaries</b>           |                    |                 | <b>4 789 693</b>      | <b>4 619 338</b>      | <b>2 293 680</b>      | <b>2 745 452</b>      |

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



The investment in UGO trade s.r.o. was increased through in-kind contribution by CZK 54 961 thousand. Acquisitions of subsidiaries are described in section 4.26.

### 4.10.1 IMPAIRMENT TESTING

Investments in subsidiaries were subject of impairment testing. Value in use was determined for all subsidiaries except for Hoop Polska, Sp. z o.o. for which the recoverable amount was determined as fair value less costs of disposal.

The Company recorded an impairment of CZK 622 127 thousand (2017: CZK 195 365 thousand) to the financial investment in Hoop Polska, Sp. z o.o., as its recoverable value determined as fair value less costs of disposal was below the carrying value. For more information refer to sections 4.27 and 4.28.

In 2017, the Company recorded an impairment of CZK 195 365 thousand to the financial investment in Hoop Polska, Sp. z o.o., as its recoverable amount calculated as value in use was below the carrying value. The assumptions of the impairment test model were as follows:

- WACC: 9.7%
- Perpetuity growth rate: 2.0%
- Average EBITDA margin: 6.1% for 2018-2022

Sensitivity analysis: the impairment in 2017 could have been hypothetically reversed by the decrease of annual WACC by 1.3 p.p. or increased average EBITDA margin by 1.0 p.p.

For remaining subsidiaries, the management identified impairment indicators only in case of subsidiary UGO trade s.r.o., as other subsidiaries are generating sufficient profits. However, current results of UGO trade s.r.o are expected to reverse in the projected explicit period (the next 5 years) and the total recoverable amount determined as value in use as of 31 December 2018 exceeds the carrying amount of the investment. Therefore, no additional impairment was recognized in the financial statements of the Company.

The assumptions of the impairment test model of the investment in UGO trade s.r.o. were as follows:

- WACC: 7.4%
- Perpetuity growth rate: 2.0%
- Average EBITDA margin: 9.2% for 2019-2023

The impairment test based on above mentioned assumptions resulted in no impairment charge. We performed sensitivity analysis - WACC increased by 16.2 p.p., average EBITDA lower by 8.6 p.p, both did not lead to any impairment result. When calculated the sensitivity analysis, only 1 parameter is changed.



## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



### 4.11. PROPERTY, PLANT AND EQUIPMENT

In the reporting period of twelve months ended 31 December 2018, the additions to property, plant and equipment were of CZK 34 502 thousand. The most significant additions were purchases of cars and server hardware.

The Company has revised the classification of particular items of property, plant and equipment and for 2018 is presenting the new structure of the movement table which is presented below. To ensure the comparability of the information presented, the movement table for the year ended 31 December 2017 was adjusted as well.

#### 1.1.2018 - 31.12.2018

| Movements in Property, plant and equipment           | Land         | Buildings and constructions | Plant and equipment | Vehicles        | Leasehold improvement | Non-current assets under construction | Total           |
|------------------------------------------------------|--------------|-----------------------------|---------------------|-----------------|-----------------------|---------------------------------------|-----------------|
|                                                      | CZK'000      | CZK'000                     | CZK'000             | CZK'000         | CZK'000               | CZK'000                               | CZK'000         |
| <b>Cost – opening</b>                                | <b>2 404</b> | <b>-</b>                    | <b>50 853</b>       | <b>59 171</b>   | <b>5 266</b>          | <b>20 861</b>                         | <b>138 555</b>  |
| Additions                                            | -            | 176                         | 5 313               | 13 776          | 99                    | 1 019                                 | 20 383          |
| Transfers from non-current assets under construction | -            | -                           | 1 336               | -               | -                     | (1 336)                               | -               |
| Finance lease additions                              | -            | -                           | 14 119              | -               | -                     | -                                     | 14 119          |
| Sale                                                 | -            | -                           | (290)               | (1 306)         | -                     | -                                     | (1 596)         |
| Disposal                                             | -            | -                           | (11 933)            | (192)           | -                     | -                                     | (12 125)        |
| <b>Cost – closing</b>                                | <b>2 404</b> | <b>176</b>                  | <b>59 398</b>       | <b>71 449</b>   | <b>5 365</b>          | <b>20 544</b>                         | <b>159 336</b>  |
| <b>Accumulated depreciation – opening</b>            | <b>-</b>     | <b>-</b>                    | <b>(35 402)</b>     | <b>(39 901)</b> | <b>(3 059)</b>        | <b>-</b>                              | <b>(78 362)</b> |
| Depreciation charge                                  | -            | (7)                         | (7 039)             | (9 087)         | (596)                 | -                                     | (16 729)        |
| Sale                                                 | -            | -                           | 151                 | 1 305           | -                     | -                                     | 1 456           |
| Disposal                                             | -            | -                           | 11 928              | 141             | -                     | -                                     | 12 069          |
| Other movements                                      | -            | -                           | (1)                 | 243             | -                     | -                                     | 242             |
| <b>Accumulated depreciation – closing</b>            | <b>-</b>     | <b>(7)</b>                  | <b>(30 363)</b>     | <b>(47 299)</b> | <b>(3 655)</b>        | <b>-</b>                              | <b>(81 324)</b> |
| <b>Impairment allowance – opening</b>                | <b>-</b>     | <b>-</b>                    | <b>-</b>            | <b>-</b>        | <b>-</b>              | <b>-</b>                              | <b>-</b>        |
| <b>Impairment allowance – closing</b>                | <b>-</b>     | <b>-</b>                    | <b>-</b>            | <b>-</b>        | <b>-</b>              | <b>-</b>                              | <b>-</b>        |
| <b>Net book value – opening</b>                      | <b>2 404</b> | <b>-</b>                    | <b>15 451</b>       | <b>19 270</b>   | <b>2 207</b>          | <b>20 861</b>                         | <b>60 193</b>   |
| <b>Net book value – closing</b>                      | <b>2 404</b> | <b>169</b>                  | <b>29 035</b>       | <b>24 150</b>   | <b>1 710</b>          | <b>20 544</b>                         | <b>78 012</b>   |

#### 1.1.2017 - 31.12.2017

| Movements in Property, plant and equipment           | Land         | Buildings and constructions | Plant and equipment | Vehicles        | Leasehold improvement | Non-current assets under construction | Total           |
|------------------------------------------------------|--------------|-----------------------------|---------------------|-----------------|-----------------------|---------------------------------------|-----------------|
|                                                      | CZK'000      | CZK'000                     | CZK'000             | CZK'000         | CZK'000               | CZK'000                               | CZK'000         |
| <b>Cost – opening</b>                                | <b>1 699</b> | <b>-</b>                    | <b>56 126</b>       | <b>61 521</b>   | <b>-</b>              | <b>19 347</b>                         | <b>138 693</b>  |
| Reclassification to other categories                 | -            | -                           | (5 089)             | -               | 5 089                 | -                                     | -               |
| Additions                                            | 705          | -                           | 5 367               | 2 004           | 177                   | 3 697                                 | 11 950          |
| Transfers from non-current assets under construction | -            | -                           | 2 183               | -               | -                     | (2 183)                               | -               |
| Sale                                                 | -            | -                           | (652)               | (321)           | -                     | -                                     | (973)           |
| Disposal                                             | -            | -                           | (7 082)             | -               | -                     | -                                     | (7 082)         |
| Other decreases                                      | -            | -                           | -                   | (4 033)         | -                     | -                                     | (4 033)         |
| <b>Cost – closing</b>                                | <b>2 404</b> | <b>-</b>                    | <b>50 853</b>       | <b>59 171</b>   | <b>5 266</b>          | <b>20 861</b>                         | <b>138 555</b>  |
| <b>Accumulated depreciation – opening</b>            | <b>-</b>     | <b>-</b>                    | <b>(37 166)</b>     | <b>(32 821)</b> | <b>-</b>              | <b>-</b>                              | <b>(69 987)</b> |
| Reclassification to other categories                 | -            | -                           | 2 485               | -               | (2 485)               | -                                     | -               |
| Depreciation charge                                  | -            | -                           | (8 402)             | (10 834)        | (574)                 | -                                     | (19 810)        |
| Sale                                                 | -            | -                           | 603                 | 100             | -                     | -                                     | 703             |
| Disposal                                             | -            | -                           | 7 078               | -               | -                     | -                                     | 7 078           |
| Other movements                                      | -            | -                           | -                   | 3 654           | -                     | -                                     | 3 654           |
| <b>Accumulated depreciation – closing</b>            | <b>-</b>     | <b>-</b>                    | <b>(35 402)</b>     | <b>(39 901)</b> | <b>(3 059)</b>        | <b>-</b>                              | <b>(78 362)</b> |
| <b>Impairment allowance – opening</b>                | <b>-</b>     | <b>-</b>                    | <b>-</b>            | <b>-</b>        | <b>-</b>              | <b>-</b>                              | <b>-</b>        |
| <b>Impairment allowance – closing</b>                | <b>-</b>     | <b>-</b>                    | <b>-</b>            | <b>-</b>        | <b>-</b>              | <b>-</b>                              | <b>-</b>        |
| <b>Net book value – opening</b>                      | <b>1 699</b> | <b>-</b>                    | <b>18 960</b>       | <b>28 700</b>   | <b>-</b>              | <b>19 347</b>                         | <b>68 706</b>   |
| <b>Net book value – closing</b>                      | <b>2 404</b> | <b>-</b>                    | <b>15 451</b>       | <b>19 270</b>   | <b>2 207</b>          | <b>20 861</b>                         | <b>60 193</b>   |

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



The investment projects realised by the Company in 2017 comprised primarily new vehicles, computers, land and low-cost equipment.

### 4.12. INTANGIBLE ASSETS

In the reporting period of twelve months ended 31 December 2018, the additions to intangible assets were of CZK 15 776 thousand. The most significant addition was technical enhancement of SAP software.

| Movements in Intangible assets (IA)<br>2018 | Goodwill      | Software         | Trademarks and<br>other rights | IA under<br>development | Total            |
|---------------------------------------------|---------------|------------------|--------------------------------|-------------------------|------------------|
|                                             | CZK '000      | CZK '000         | CZK '000                       | CZK '000                | CZK '000         |
| <b>Cost – opening</b>                       | <b>30 675</b> | <b>134 947</b>   | <b>395 813</b>                 | <b>5 626</b>            | <b>567 061</b>   |
| Additions                                   | -             | 12 513           | -                              | 3 263                   | 15 776           |
| Transfer from IA under development          | -             | 5 559            | -                              | (5 559)                 | -                |
| Sale                                        | -             | (10)             | -                              | -                       | (10)             |
| Disposal                                    | -             | (879)            | -                              | -                       | (879)            |
| <b>Cost – closing</b>                       | <b>30 675</b> | <b>152 130</b>   | <b>395 813</b>                 | <b>3 330</b>            | <b>581 948</b>   |
| <b>Accumulated amortisation – opening</b>   | <b>-</b>      | <b>(123 827)</b> | <b>(62 401)</b>                | <b>-</b>                | <b>(186 228)</b> |
| Amortisation charge                         | -             | (6 320)          | (17 132)                       | -                       | (23 452)         |
| Sale                                        | -             | 9                | -                              | -                       | 9                |
| Disposal                                    | -             | 879              | -                              | -                       | 879              |
| <b>Accumulated amortisation – closing</b>   | <b>-</b>      | <b>(129 259)</b> | <b>(79 533)</b>                | <b>-</b>                | <b>(208 792)</b> |
| <b>Impairment allowance – opening</b>       | <b>-</b>      | <b>-</b>         | <b>-</b>                       | <b>-</b>                | <b>-</b>         |
| <b>Impairment allowance – closing</b>       | <b>-</b>      | <b>-</b>         | <b>-</b>                       | <b>-</b>                | <b>-</b>         |
| <b>Net book value – opening</b>             | <b>30 675</b> | <b>11 120</b>    | <b>333 412</b>                 | <b>5 626</b>            | <b>380 833</b>   |
| <b>Net book value – closing</b>             | <b>30 675</b> | <b>22 871</b>    | <b>316 280</b>                 | <b>3 330</b>            | <b>373 156</b>   |
| <i>Of which:</i>                            |               |                  |                                |                         |                  |
| Goodwill                                    |               |                  |                                |                         | 30 675           |
| Intangible assets                           |               |                  |                                |                         | 342 481          |

The Goodwill arose on merger with PINELLI spol. s r.o. acquired in April 2011. Amortisation of trademarks and other rights is charged to Selling, marketing and distribution costs.

The value of trademarks includes, among others, the value of such trademarks as: Kofola, Citrocola, Semtex and Erektus.

In the reporting period of twelve-months ended 31 December 2017, the additions to intangible assets were of CZK 8 862 thousand. The most significant additions were purchases of software licence.

| Movements in Intangible assets (IA)<br>2017 | Goodwill      | Software         | Trademarks and<br>other rights | IA under<br>development | Total            |
|---------------------------------------------|---------------|------------------|--------------------------------|-------------------------|------------------|
|                                             | CZK '000      | CZK '000         | CZK '000                       | CZK '000                | CZK '000         |
| <b>Cost – opening</b>                       | <b>30 675</b> | <b>143 189</b>   | <b>382 301</b>                 | <b>16 203</b>           | <b>572 368</b>   |
| Additions                                   | -             | 5 793            | -                              | 3 069                   | 8 862            |
| Transfer from IA under development          | -             | 134              | 13 512                         | (13 646)                | -                |
| Disposal                                    | -             | (14 169)         | -                              | -                       | (14 169)         |
| <b>Cost – closing</b>                       | <b>30 675</b> | <b>134 947</b>   | <b>395 813</b>                 | <b>5 626</b>            | <b>567 061</b>   |
| <b>Accumulated amortisation – opening</b>   | <b>-</b>      | <b>(121 602)</b> | <b>(45 382)</b>                | <b>-</b>                | <b>(166 984)</b> |
| Amortisation charge                         | -             | (16 394)         | (17 019)                       | -                       | (33 413)         |
| Disposal                                    | -             | 14 169           | -                              | -                       | 14 169           |
| <b>Accumulated amortisation – closing</b>   | <b>-</b>      | <b>(123 827)</b> | <b>(62 401)</b>                | <b>-</b>                | <b>(186 228)</b> |
| <b>Impairment allowance – opening</b>       | <b>-</b>      | <b>-</b>         | <b>-</b>                       | <b>-</b>                | <b>-</b>         |
| <b>Impairment allowance – closing</b>       | <b>-</b>      | <b>-</b>         | <b>-</b>                       | <b>-</b>                | <b>-</b>         |
| <b>Net book value – opening</b>             | <b>30 675</b> | <b>21 587</b>    | <b>336 919</b>                 | <b>16 203</b>           | <b>405 384</b>   |
| <b>Net book value – closing</b>             | <b>30 675</b> | <b>11 120</b>    | <b>333 412</b>                 | <b>5 626</b>            | <b>380 833</b>   |
| <i>Of which:</i>                            |               |                  |                                |                         |                  |
| Goodwill                                    |               |                  |                                |                         | 30 675           |
| Intangible assets                           |               |                  |                                |                         | 350 158          |

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



### 4.12.1 IMPAIRMENT TESTING

In impairment testing of trademarks, management of the Company has decided to use value in use method. For the purpose of market valuation, the trademark royalty's method was used. Due to the fact that management is not aware of comparable market transactions, the calculation of value in use for trademarks is based on discounted free cash flows and uses the estimated cash-flow projections based on financial plans approved by management of the Company on the basis of plans drawn up by management of the Company for the period until 2023.

Main assumptions used in financial plans and cash-flow projections:

#### TRADEMARKS

*THE MAIN TRADEMARK WITH INDEFINITE USEFUL LIVE*

| Kofola                 | 2018 | 2017 |
|------------------------|------|------|
| Royalty rate           | 6.0% | 6.0% |
| Perpetuity growth rate | 2.0% | 2.0% |
| Discount rate post-tax | 7.4% | 9.1% |

*CARRYING VALUE OF ALL TRADEMARKS*

|                  | CZK'000 |
|------------------|---------|
| 31 December 2018 | 316 280 |
| 31 December 2017 | 333 412 |

#### GOODWILL

Key assumptions for the impairment testing of Goodwill are following:

| PINELLI                                                | 2018      | 2017      |
|--------------------------------------------------------|-----------|-----------|
|                                                        | CZK'000/% | CZK'000/% |
| Carrying value                                         | 30 675    | 30 675    |
| Average EBITDA margin (2019 – 2023, resp. 2018 – 2022) | 27.3%     | 24.6%     |
| Perpetuity growth rate                                 | 2.0%      | 2.0%      |
| Discount rate post-tax                                 | 6.5%      | 8.1%      |

Main assumptions adopted by the management are based on past experience and expectations as for the future market development. Interest rates used are in line with those used when preparing Company's results assumptions. Discount rates are post-tax and include risk related to respective operating segments and trademarks. The Company's management believes that the main assumptions used in impairment tests of cash generating units as at 31 December 2018 are rational and based on the past experience, development strategy and on market forecasts. The forecasts of future financial results are based on series of assumptions, where those relating to macroeconomic factors and actions taken by the competition, such as foreign exchange rates, prices of raw materials and interest rates are beyond the Company's control.

Company's trademarks generate historically positive results and are expected to continue in this trend also in future periods.

#### SENSITIVITY ANALYSIS

Management believes that, in relation to value in use for Company's trademarks which are tested for impairments and cash generating unit related to goodwill of PINELLI spol. s r.o., no rational change in the above-adopted assumptions would result in their recoverable amounts being lower than their carrying amounts.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 4.13. TRADE AND OTHER RECEIVABLES

| Trade receivables and other receivables                        | 31.12.2018         |                        | 31.12.2017         |                        |
|----------------------------------------------------------------|--------------------|------------------------|--------------------|------------------------|
|                                                                | Current<br>CZK'000 | Non-current<br>CZK'000 | Current<br>CZK'000 | Non-current<br>CZK'000 |
| <b>Financial assets within Trade and other receivables</b>     |                    |                        |                    |                        |
| Trade receivables                                              | 216 446            | -                      | 143 370            | -                      |
| Other receivables                                              | 280 510***         | 1 245 710*             | 124 232**          | 1 098 630*             |
| Loss allowance for other receivables                           | (484)              | (6 856)                | (484)              | (6 856)                |
| Principals and bails                                           | 1 155              | -                      | 1 932              | -                      |
| Derivatives                                                    | 1 566              | -                      | -                  | 4 620                  |
| <b>Total</b>                                                   | <b>499 193</b>     | <b>1 238 854</b>       | <b>269 050</b>     | <b>1 096 394</b>       |
| <b>Non-financial assets within Trade and other receivables</b> |                    |                        |                    |                        |
| VAT receivable                                                 | -                  | -                      | 867                | -                      |
| Deferred expenses                                              | 2 778              | -                      | 22 346             | -                      |
| Prepayments                                                    | 2 176              | -                      | 4 062              | -                      |
| Loss allowance for other non-financial receivables             | -                  | -                      | (4 062)            | -                      |
| <b>Total</b>                                                   | <b>4 954</b>       | <b>-</b>               | <b>23 213</b>      | <b>-</b>               |
| <b>Trade and other receivables total</b>                       | <b>504 147</b>     | <b>1 238 854</b>       | <b>292 263</b>     | <b>1 096 394</b>       |

\* Mainly long-term loans to related parties (Loans to related parties are described in 4.24.4) and purchased bonds measured at amortized costs.

\*\* Includes receivables from dividends (CZK 42 882 thousand) and a receivable from a decreased share capital in RADENSKA d.o.o. (CZK 61 216 thousand).

\*\*\* Includes receivables from dividends (CZK 246 062 thousand).

Corporate bonds presented under Other receivables amounted as at 31 December 2018 to CZK 36 745 thousand. Total balance consists of two series where the first one is repayable in January 2020 and the second one in December 2024.

| Loss allowance for financial assets withing trade and other receivables | 2018                         | 2017                         |
|-------------------------------------------------------------------------|------------------------------|------------------------------|
|                                                                         | Other receivables<br>CZK'000 | Other receivables<br>CZK'000 |
| <b>As at 1 January</b>                                                  | <b>7 340</b>                 | <b>7 340</b>                 |
| (Recovery)/Increase of the loss allowance                               | -                            | -                            |
| <b>As at 31 December</b>                                                | <b>7 340</b>                 | <b>7 340</b>                 |

Further information on transactions with related parties is presented in section 4.24.

Trade receivables are not interest bearing and are usually payable within 30-60 days of recognition.

The risks associated with trade and other receivables, as well as the Company's policy relating to managing such risks, are described in section 4.22.

Information on liens established on receivables to secure credits and loans is presented in section 4.18.

### 4.14. CASH AND CASH EQUIVALENTS

| Cash and cash equivalents              | 31.12.2018    | 31.12.2017    |
|----------------------------------------|---------------|---------------|
|                                        | CZK'000       | CZK'000       |
| Cash in bank and in hand               | 28 778        | 12 765        |
| <b>Total cash and cash equivalents</b> | <b>28 778</b> | <b>12 765</b> |

Free funds are held at bank and invested in the form of term and overnight deposits, primarily with variable interest rates.

| Split by currency                      | 31.12.2018    | 31.12.2017    |
|----------------------------------------|---------------|---------------|
|                                        | CZK'000       | CZK'000       |
| in CZK                                 | 28 616        | 12 153        |
| in EUR                                 | 72            | 550           |
| in PLN                                 | 90            | 62            |
| <b>Total cash and cash equivalents</b> | <b>28 778</b> | <b>12 765</b> |

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



### 4.15. EQUITY

#### 4.15.1 SHARE CAPITAL AND SHARE PREMIUM

##### SHARE CAPITAL STRUCTURE

| Share capital structure<br>Type of shares     | 31 December 2018  |                  | 31 December 2017  |                  |
|-----------------------------------------------|-------------------|------------------|-------------------|------------------|
|                                               | Shares            | Par value        | Shares            | Par value        |
|                                               | pcs               | CZK'000          | pcs               | CZK'000          |
| Ordinary shares of Kofola ČeskoSlovensko a.s. | 22 291 948        | 1 114 597        | 22 295 000        | 2 229 500        |
| <b>Total</b>                                  | <b>22 291 948</b> | <b>1 114 597</b> | <b>22 295 000</b> | <b>2 229 500</b> |

Ordinary shares of Kofola ČeskoSlovensko a.s. have as at 31 December 2018 a par value of CZK 50 (as of 31 December 2017 value of CZK 100). Decrease of the nominal value of the Company's shares is described in section C 1.5. Each share in the Company ranks pari passu in all respects with all other shares. The same rights are incorporated into all the Company's shares including the right to attend the General Meeting, to require and receive explanations of matters concerning the Company that are part of the agenda of the General Meeting, to submit proposals and counterproposals, and to receive a dividend and share in the liquidation surplus. In compliance with the relevant legal provisions, the voting rights attached to the shares owned by the Company and by RADENSKA d.o.o. cannot be exercised.

All of the issued shares have been fully paid up.

#### 4.15.2 OTHER RESERVES

Other reserves are created based on statutory requirements (in accordance with binding legal regulations) or voluntarily (in accordance with the entity's by-laws) using funds from decreased share capital, generated profits and contributions made by the shareholders. It is used to cover losses, refund capital contributions, and redeem shares.

Other reserves originated in the cross-border merger from:

- the elimination of investments between the merging entities in the cross border merger approved on 12 March 2016, and
- the goodwill related to acquisition of Pinelli spol. s r.o.

Other reserves originated from the Option scheme (equity settled transaction):

- the Company granted own shares to own employees and employees of a subsidiaries in amount of CZK 6 324 thousand (in 2017: CZK 2 810 thousand).

#### 4.15.3 OWN SHARES

After the liquidation of own shares in 2018, the Company doesn't have any own shares as of 31 December 2018 (as of 31 December 2017: 3 052 own shares which represented 0.0002% of the Company's share capital). Total value of own shares as of 31 December 2017 was CZK 1 357 thousand.

Purchases of own shares during the financial year 2017: shares of the value CZK 442 thousand acquired by the Company represented purchase of 1 096 shares (which represented 0.0001% of the Company's share capital) traded on the Warsaw Stock Exchange before the Company's delisting from WSE. The shares had nominal value of CZK 100.

Own shares acquired by the Company in 2017 of CZK 442 thousand were purchased on the stock market. No shares were purchased by the Company in 2018.

#### 4.15.4 RETAINED EARNINGS/(ACCUMULATED DEFICIT)

| Retained earnings/(Accumulated deficit)                                           | 31.12.2018       | 31.12.2017     |
|-----------------------------------------------------------------------------------|------------------|----------------|
|                                                                                   | CZK'000          | CZK'000        |
| Retained earnings/(Accumulated deficit) excluding profit/(loss) for the period    | 34 273           | 44 736         |
| Profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s. | (329 119)        | 350 667        |
| <b>Retained earnings/(Accumulated deficit)</b>                                    | <b>(294 846)</b> | <b>395 403</b> |

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 4.15.5 DIVIDENDS

| Dividends                         | 2018    | 2017    |
|-----------------------------------|---------|---------|
|                                   | CZK'000 | CZK'000 |
| Dividends*                        | 361 130 | 300 941 |
| Dividend per share (CZK/share) ** | 16.2    | 13.5    |

\* Net of dividends to own shares.

\*\* Dividend divided by the number of shares outstanding as of dividend record date.

### 4.16. PROVISIONS

| Movements in provisions               | Provision for personnel expenses (bonuses) | Total          |
|---------------------------------------|--------------------------------------------|----------------|
|                                       | CZK'000                                    | CZK'000        |
| <b>Balance as at 1 January 2018</b>   | <b>6 945</b>                               | <b>6 945</b>   |
| Increase due to creation              | 48 098                                     | <b>48 098</b>  |
| Decrease due to usage/release         | (6 945)                                    | <b>(6 945)</b> |
| <b>Balance as at 31 December 2018</b> | <b>48 098</b>                              | <b>48 098</b>  |
| <i>Of which:</i>                      |                                            |                |
| Current part                          | 48 098                                     | 48 098         |
| <b>Balance as at 31 December 2018</b> | <b>48 098</b>                              | <b>48 098</b>  |

### 4.17. BONDS

On 4 October 2013, according to the resolution of the Board of Directors from 12 August 2013, amended on 25 September 2013, KOFOLA S.A. issued 110 pieces of bonds denominated in Czech crowns with total nominal value of CZK 330 000 thousand.

Bonds issued:

- were not subject to public offering,
- were offered in private placements through underwriters, i.e. Česká spořitelna, a.s. and PPF banka a.s., based on a subscription agreement from 3 October 2013,
- nominal value of one bond was CZK 3 000 000,
- issue price of one bond represented 99.0% of the nominal value,
- maturity of bonds was 60 months from the date of issue, i.e. 4 October 2018,
- interest was calculated annually, the end of the first interest period was planned for 4 October 2014,
- interest rate – 12M PRIBOR plus a margin of 415 basis points,
- purpose of the bond issue was to obtain funds which were used primarily to diversify the sources of financing and refinance part of the existing debt of the Kofola Group.

Bonds issued have been put on the regulated market of the Prague Stock Exchange, the first listing took place on 7 October 2013.

| Own bonds issued           | Currency | 31.12.2018 | 31.12.2017     | Interest terms      | Maturity date |
|----------------------------|----------|------------|----------------|---------------------|---------------|
|                            |          | CZK'000    | CZK'000        |                     |               |
| Bonds issued KOFOLA VAR/18 | CZK      | -          | 332 513        | 12M PRIBOR + margin | 10/2018       |
| <b>Bonds issued total</b>  |          | <b>-</b>   | <b>332 513</b> |                     |               |

Bonds were repaid on their maturity date – on 4 October 2018.

#### INDEBTEDNESS OF THE COMPANY FROM ISSUED BONDS

As at 31 December 2017, the Company had a liability from issued bonds in the total amount of CZK 332 513 thousand. Liabilities from interests and bonds maturing in October 2018 were presented in current liabilities. In 2018, the bonds were refinanced by a bank loan.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 4.18. BANK CREDITS AND LOANS

#### INDEBTEDNESS OF THE COMPANY FROM THE CREDITS AND LOANS

As at 31 December 2018, the Company's total bank loans and credits amounted to CZK 2 878 306 thousand (as at 31 December 2017: CZK 1 995 599 thousand).

The Facility loan agreement (which refinanced current loans and a loan for financing RADENSKA d.o.o. acquisition) with carrying amount of CZK 1 644 571 thousand as at 31 December 2017 was a main component of Company's liabilities as at 31 December 2017. The reason for the execution of the Facility loan agreement was a consolidation of Group financing to ensure strategic development, taking advantage of the favourable conditions of financial market and reduction of total financial cost.

In 2018, the Company has drawn from Česká spořitelna, a.s. and Československá obchodní banka, a. s. („ČSOB, a.s.") additional CZK 1 314 928 thousand.

#### CREDIT TERMS AND TERMS AND CONDITIONS

Based on credit agreements, the Company is required to meet specified covenants. In accordance with the requirements of IAS 1, a breach of credit terms that may potentially limit unconditional access to credits in the nearest year makes it necessary to classify such liabilities as current.

All bank loan covenants were met.

#### 31.12.2018

| Financing entity                    | Credit currency | Credit/limit amount<br>FCY'000 | Face value<br>CZK'000 | Carrying amount*<br>CZK'000 | Interest terms       | Maturity date | Collateral                                                                  |
|-------------------------------------|-----------------|--------------------------------|-----------------------|-----------------------------|----------------------|---------------|-----------------------------------------------------------------------------|
| Česká spořitelna, a.s.              | CZK             | 500 000                        | 235 082               | 235 082                     | 1M PRIBOR + margin   | 8/2020        | buildings, receivables, movable assets                                      |
| ČSOB, a.s. + Česká spořitelna, a.s. | CZK             | 3 761 000                      | 2 655 232             | 2 640 987                   | 3M PRIBOR** + margin | 8/2024        | buildings, receivables, movable assets, shares, bill of exchange, inventory |
| s Autoleasing, a.s. (11 pcs)        | CZK             | 3 427                          | 481                   | 481                         | margin               | 8/2019        | funded property                                                             |
| s Autoleasing, a.s. (5 pcs)         | CZK             | 5 343                          | 1 121                 | 1 121                       | margin               | 12/2019       | funded property                                                             |
| s Autoleasing, a.s. (8 pcs)         | CZK             | 5 169                          | 635                   | 635                         | margin               | 7/2019        | funded property                                                             |
| <b>Total</b>                        |                 |                                | <b>2 892 551</b>      | <b>2 878 306</b>            |                      |               |                                                                             |
| Out of it non-current               |                 |                                |                       | 2 286 478                   |                      |               |                                                                             |
| Out of it current                   |                 |                                |                       | 591 828                     |                      |               |                                                                             |

\* Carrying amount of borrowings on variable interest rate approximates fair value. \*\* For part of the face value the interest rate swap was concluded (refer to section 4.22.1).

#### 31.12.2017

| Financing entity                    | Credit currency | Credit/limit amount<br>FCY'000 | Face value<br>CZK'000 | Carrying amount*<br>CZK'000 | Interest terms     | Maturity date | Collateral                                                                  |
|-------------------------------------|-----------------|--------------------------------|-----------------------|-----------------------------|--------------------|---------------|-----------------------------------------------------------------------------|
| Česká spořitelna, a.s.              | CZK             | 500 000                        | 345 923               | 345 923                     | 1M PRIBOR + margin | 8/2020        | buildings, receivables, movable assets                                      |
| ČSOB, a.s. + Česká spořitelna, a.s. | CZK             | 1 662 905                      | 1 662 905             | 1 644 571                   | 3M PRIBOR + margin | 8/2024        | buildings, receivables, movable assets, shares, bill of exchange, inventory |
| s Autoleasing, a.s. (12pcs)         | CZK             | 3 730                          | 1 188                 | 1 188                       | margin             | 8/2019        | funded property                                                             |
| s Autoleasing, a.s. (5 pcs)         | CZK             | 5 343                          | 2 213                 | 2 213                       | margin             | 12/2019       | funded property                                                             |
| s Autoleasing, a.s. (8 pcs)         | CZK             | 5 169                          | 1 704                 | 1 704                       | margin             | 7/2019        | funded property                                                             |
| <b>Total</b>                        |                 |                                | <b>2 013 933</b>      | <b>1 995 599</b>            |                    |               |                                                                             |
| Out of it non-current               |                 |                                |                       | 1 444 883                   |                    |               |                                                                             |
| Out of it current                   |                 |                                |                       | 550 716                     |                    |               |                                                                             |

\* Carrying amount of borrowings on variable interest rate approximates fair value.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### PLEDGES OF THE COMPANY

| Pledges of the Company     | 31.12.2018       |                  | 31.12.2017       |                  |
|----------------------------|------------------|------------------|------------------|------------------|
|                            | Cost             | Net book value   | Cost             | Net book value   |
|                            | CZK'000          | CZK'000          | CZK'000          | CZK'000          |
| Investment in subsidiaries | 3 993 818        | 1 783 724        | 3 938 857        | 2 350 890        |
| Cash in bank               | 28 778           | 28 778           | 12 575           | 12 575           |
| <b>Total</b>               | <b>4 022 596</b> | <b>1 812 502</b> | <b>3 951 432</b> | <b>2 363 465</b> |

### 4.19. TRADE AND OTHER PAYABLES

| Trade and other payables<br>Other liabilities                            | 31.12.2018    |              | 31.12.2017    |             |
|--------------------------------------------------------------------------|---------------|--------------|---------------|-------------|
|                                                                          | Current       | Non-current  | Current       | Non-current |
|                                                                          | CZK'000       | CZK'000      | CZK'000       | CZK'000     |
| <b>Financial liabilities within Trade payables and Other liabilities</b> |               |              |               |             |
| Trade payables                                                           | 36 414        | -            | 33 655        | -           |
| Liabilities for purchased property, plant and equipment                  | 11 231        | -            | 6 381         | -           |
| Derivatives (i)                                                          | -             | 484          | -             | -           |
| Accrued liabilities, other creditors and other financial liabilities     | 20 332        | 7 434        | 16 473        | -           |
| <b>Total</b>                                                             | <b>67 977</b> | <b>7 918</b> | <b>56 509</b> | <b>-</b>    |
| <b>Non-financial liabilities within Trade and other payables</b>         |               |              |               |             |
| VAT                                                                      | 2             | -            | -             | -           |
| Payables to employees                                                    | 11 887        | -            | 14 261        | -           |
| Other                                                                    | 6 649         | -            | 4 684         | -           |
| <b>Total</b>                                                             | <b>18 538</b> | <b>-</b>     | <b>18 945</b> | <b>-</b>    |
| <b>Trade and other payables and Other liabilities total</b>              | <b>86 515</b> | <b>7 918</b> | <b>75 454</b> | <b>-</b>    |

Trade payables are not interest bearing and are usually paid within 30-90 days of recognition.

Other payables are not interest bearing and are payable on average within 1 month.

#### (i) Derivatives

The Company has concluded interest rate swaps. In 2017, the derivatives were classified as held for trading and accounted for at fair value through profit or loss. In 2018, the Company concluded new IRS contract and established a hedge accounting and revaluation of derivatives in relation to the effective portion of the hedging relationship is accounted through OCI (refer to section 3.4 for more details).

### 4.20. FUTURE COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2018 the Company provided the following guarantees for other entities:

| Entity providing guarantees    | Entity receiving guarantees | Currency | Guarantee amount | Guarantee amount | Guarantee period      | Guarantees provided for | Relationship |
|--------------------------------|-----------------------------|----------|------------------|------------------|-----------------------|-------------------------|--------------|
|                                |                             |          | FCY'000          | CZK'000          |                       |                         |              |
| Kofola<br>ČeskoSlovensko a.s.  | Unicredit Bank a.s.         | EUR      | 3 030            | 77 936           | 12/2022               | Santa-Trans.SK s.r.o.   | third party  |
|                                | City-Arena PLUS a.s.        | EUR      | 7                | 180              | 8/2020                | UGO trade s.r.o.        | subsidiary   |
|                                | PRO-FLEX S.A.               | PLN      | 272              | 1 627            | 9/2019                | Hoop Polska Sp. z o.o.  | subsidiary   |
|                                | ALPLA Sp. z o.o.            | PLN      | 2 785            | 16 654           | 12/2019               | Hoop Polska Sp. z o.o.  | subsidiary   |
|                                | Bogucki Folie Sp. z o.o.    | PLN      | 498              | 2 980            | 10/2019               | Hoop Polska Sp. z o.o.  | subsidiary   |
|                                | UAB Putokšnis               | EUR      | 120              | 3 099            | until end of contract | Hoop Polska Sp. z o.o.  | subsidiary   |
| <b>Total guarantees issued</b> |                             |          | <b>102 476*</b>  |                  |                       |                         |              |

\* The fair value of the guarantees is close to zero (fair valuation in level 3).



## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



As at 31 December 2017 the Company provided the following guarantees for other entities:

| Entity providing guarantees    | Entity receiving guarantees | Currency | Guarantee amount<br>FCY'000 | Guarantee amount<br>CZK'000 | Guarantee period | Guarantees provided for | Relationship |
|--------------------------------|-----------------------------|----------|-----------------------------|-----------------------------|------------------|-------------------------|--------------|
| Kofola                         | Unicredit Bank a.s.         | EUR      | 3 787                       | 96 720                      | 12/2022          | Santa-Trans.SK s.r.o.   | third party  |
| ČeskoSlovensko a.s.            | City-Arena PLUS a.s.        | EUR      | 7                           | 179                         | 8/2020           | UGO trade s.r.o.        | subsidiary   |
| <b>Total guarantees issued</b> |                             |          |                             | <b>96 899*</b>              |                  |                         |              |

\* The fair value of the guarantees is close to zero (fair valuation in level 3).

### 4.21. FINANCE LEASE

The Company uses items of property, plant and equipment (mainly vehicles and various types of machines and equipment) based on finance lease agreements.

| Net book value of finance lease assets | Leased assets with purchase option<br>CZK'000 | Total<br>CZK'000 |
|----------------------------------------|-----------------------------------------------|------------------|
| As at 31 December 2018                 | 20 017                                        | <b>20 017</b>    |
| As at 31 December 2017                 | 9 620                                         | <b>9 620</b>     |

The net carrying amount at the end of the reporting period by classes of assets is provided below:

| Net carrying amount by classes of assets | 31.12.2018<br>CZK'000 | 31.12.2017<br>CZK'000 |
|------------------------------------------|-----------------------|-----------------------|
| Plant and equipment                      | 13 926                | -                     |
| Vehicles                                 | 6 091                 | 9 620                 |
| <b>Total</b>                             | <b>20 017</b>         | <b>9 620</b>          |

Future minimum lease payments on these agreements and present value of minimum net lease payments are:

| Future minimum lease payments                                         | 31.12.2018<br>CZK'000 | 31.12.2017<br>CZK'000 |
|-----------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Nominal value of minimum lease payment</b>                         |                       |                       |
| In one-year period                                                    | 6 246                 | 3 737                 |
| In period from one to five years                                      | 12 734                | 6 024                 |
| Over five years                                                       | 2 065                 | -                     |
| <b>Total finance lease liabilities - total minimum lease payments</b> | <b>21 045</b>         | <b>9 761</b>          |
| Finance costs of finance lease                                        | 1 060                 | 190                   |
| <b>Present value of minimum lease payments</b>                        |                       |                       |
| In one-year period                                                    | 5 931                 | 3 664                 |
| In period from one to five years                                      | 12 093                | 5 907                 |
| Over five years                                                       | 1 961                 | -                     |
| <b>Total present value of minimum lease payments</b>                  | <b>19 985</b>         | <b>9 571</b>          |

### 4.22. FINANCIAL RISK MANAGEMENT

The Company's primary financial instruments consist of cash and cash equivalents, dividends and loans. The main goal of holding such financial instruments is to obtain funds for business operations, or to invest the Company's available funds. In addition, the Company has other financial instruments, such as trade receivables and payables that arise as part of its operations. The accounting methods relating to those instruments are described in section 3.4.

It is the Company's policy – now and throughout the reporting periods presented in these financial statements – not to trade in financial instruments.

The Company's activities are exposed to several types of financial risk: market risk (including foreign exchange risk, and cash-flow risk relating to changes in interest rates), credit risk and liquidity risk. In addition, the Company monitors the market prices risk relating to all of its financial instruments. Risks are managed by the Company's management, which recognises and assesses the above stated financial risks. The general risk management process is focused on the unpredictability of financial markets, and the Company tries to minimise any potential adverse effects on its financial results. The Company uses derivative financial instruments to hedge against certain types of risk, providing that the hedging instruments are considered

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



to be cost effective. Management verifies and agrees the risk management methods with regard to every type of risk. A short description of these methods is presented below.

### 4.22.1 INTEREST RATE RISK

Interest rate risk is a risk that the fair value or future cash flows from a financial instrument will change due to changes in interest rates. The interest-bearing financial liabilities of the Company are mainly bank credits and bonds (repaid in October 2018). The Company has credit payables with variable interest rates, which give rise to a risk of an increase in those rates compared to the rates applied at contract conclusion. In addition, the Company places its free funds on variable interest rate deposits, which would bring the profits down if the interest rates fall. Trade and other receivables and payables are not interest bearing and have due dates of up to one year.

Management of the Company monitors its exposure to interest rate risk and interest rate forecasts. In order to protect against changes in interest rates, the Company has fixed the interest rate on part of the loan for Group financing. The balance of the loan which is covered by interest rate swaps as of 31 December 2018 is CZK 727 862 thousand. Average fixed interest rate is 3.1% p.a. Hedge accounting is established by the Group for these derivative instruments. There is no ineffective portion of the hedging relationship for the year ended 31 December 2018.

| Interest rate swaps                   | Net exposure<br>CZK'000 |
|---------------------------------------|-------------------------|
| In period from one to six months      | 51 795                  |
| In period from six to twelve months   | 51 795                  |
| Over one year (till 31 December 2024) | 624 272                 |
| <b>Total</b>                          | <b>727 862</b>          |

If interest rates at the balance sheet date had been 100 basis points lower with all other variables held constant, profit/(loss) for the period for the year 2018 would have been increased by CZK 15 105 thousand (2017: CZK 5 449 thousand), mainly as a result of lower interest expense on variable interest for financial liabilities. If interest rates had been 100 basis points higher with all other variables held constant, profit/(loss) for the period for 2018 would have been decreased by CZK 15 105 thousand (2017: CZK 5 449 thousand), mainly as a result of higher interest expense on variable interest financial liabilities.

### 4.22.2 CURRENCY RISK

The Company is exposed to the risk of changes in foreign exchange rates, mainly due to foreign exchange receivables. The currency risk relates primarily to the EUR and PLN exchange rate in relation to CZK. The Company's exposure associated with other currencies is immaterial.

The effect of currency risk on the Company's position is presented in the table (sensitivity analysis) below. The sensitivity analysis is based on a reasonable change in the assumed foreign exchange rate while the other assumptions remain unchanged. In practice this is not very likely, and changes in certain assumptions may be correlated, e.g. a change in interest rate and in the foreign exchange rate. The Company manages currency risk as a whole. The sensitivity analysis prepared by management for currency risk illustrates after-tax profit or loss effect of changes in the exchange rate of the EUR to CZK and PLN to CZK.

| Currency risk impact on profit or loss | 31.12.2018<br>CZK'000 | 31.12.2017<br>CZK'000 |
|----------------------------------------|-----------------------|-----------------------|
| EUR strengthening by 3%                | 6 460                 | 2 326                 |
| EUR weakening by 3%                    | (6 460)               | (2 326)               |
| PLN strengthening by 3%                | 738                   | 792                   |
| PLN weakening by 3%                    | (738)                 | (792)                 |

### 4.22.3 CREDIT RISK

Credit risk arises from cash deposits in banks along with other short-term deposits, as well as from trade and other financial receivables.

The Company undertakes activities aimed at limiting credit risk, consisting of checking the creditworthiness of its customers, setting credit limits, insuring selected receivables and monitoring the customers' financial position. An analysis of ageing structure of trade and other financial receivables assists with the credit risk management.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### TRADE AND OTHER FINANCIAL RECEIVABLES

The Company is exposed to credit risk, defined as a risk that its debtors will not meet their obligations and thus cause the Company to incur losses.

Presented below is the ageing structure of receivables:

| Credit risk                    | 31.12.2018        |                             | 31.12.2017        |                             |
|--------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
|                                | Trade receivables | Other financial receivables | Trade receivables | Other financial receivables |
| Neither past due               | CZK'000           | CZK'000                     | CZK'000           | CZK'000                     |
| Third parties                  | 1 124             | 85 034                      | 2 108             | 67 317                      |
| Intercompany                   | 86 504            | 1 436 567                   | 30 497            | 1 154 757                   |
| <b>Total neither past</b>      | <b>87 628</b>     | <b>1 521 601</b>            | <b>32 605</b>     | <b>1 222 074</b>            |
| Past due                       |                   |                             |                   |                             |
| Third parties                  | 639               | 7 340                       | 285               | 7 340                       |
| - less than 30 days overdue    | 290               | -                           | -                 | -                           |
| - 30 to 90 days overdue        | 64                | -                           | -                 | -                           |
| - 91 to 180 days overdue       | -                 | -                           | -                 | -                           |
| - 181 to 360 days overdue      | -                 | -                           | 15                | -                           |
| - over 360 days overdue        | 285               | 7 340                       | 270               | 7 340                       |
| Intercompany                   | 128 179           | -                           | 110 480           | -                           |
| <b>Total past due</b>          | <b>128 818</b>    | <b>7 340</b>                | <b>110 765</b>    | <b>7 340</b>                |
| <b>Less loss allowance (-)</b> | <b>-</b>          | <b>(7 340)</b>              | <b>-</b>          | <b>(7 340)</b>              |
| <b>Total</b>                   | <b>216 446</b>    | <b>1 521 601</b>            | <b>143 370</b>    | <b>1 222 074</b>            |

Subject to the above, management believes that the credit risk has been accounted for in the financial statements through the creation of appropriate allowances.

### CASH AND CASH EQUIVALENTS

With regard to the Company's other financial assets, such as cash and cash equivalents, credit risk arises as a result of the other party's inability to pay, and the maximum amount of the Company's exposure to this risk is equal to the balance sheet value of these amounts.

The credit risk associated with bank deposits is considered to be immaterial, as the Company has concluded transactions with institutions that have a sound financial position.

| Credit quality of cash in bank and in hand | 31.12.2018    | 31.12.2017    |
|--------------------------------------------|---------------|---------------|
| Credit rating                              | CZK'000       | CZK'000       |
| A1                                         | 27 436        | -             |
| A2                                         | -             | 11 477        |
| Not on watch                               | 1 096         | 1 099         |
| Cash in hand                               | 246           | 189           |
| <b>Total cash in bank and in hand</b>      | <b>28 778</b> | <b>12 765</b> |

### 4.22.4 LIQUIDITY RISK

The risk for the Company arises from a potential restriction in access to financial markets or from a change in the attitude of banks in the area of granting credits, which may result in an inability to obtain new financing or refinancing of debts.

Management of the Company monitors the risk of insufficient funds by adjusting the structure of financing to prediction of future cash flows (planned investments included), diversifying of sources of financing and by keeping sufficient level of available credit lines. Current liabilities exceed current assets, nevertheless, the Company's business plan is based on future cash inflows from dividends, licence fees, shared service fees and repayments of loans to related parties. The management is not aware of any going concern risk.

It is the Company's objective to maintain a balance between financing continuity and flexibility, by using various financing sources, such as credits, bonds (repaid in October 2018), loans and finance lease agreements. The Company controls its

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



financial liabilities so that in each given period the amount of liabilities due within the next 12 months does not pose a threat for the Company's ability to meet its financial obligations.

Analysis of financial liabilities is presented below. The amounts represent undiscounted cash flows, which represent the Company's maximum exposure to liquidity risk.

Future cash outflows related to financial liabilities:

| Contractual cashflows of financial liabilities as at 31 December 2018 | Less than 3 months | Between 3-12 months | Between 1-2 years | Between 2-5 years | Over 5 years   | Total contractual cash-flows | Total carrying amount |
|-----------------------------------------------------------------------|--------------------|---------------------|-------------------|-------------------|----------------|------------------------------|-----------------------|
|                                                                       | CZK'000            | CZK'000             | CZK'000           | CZK'000           | CZK'000        | CZK'000                      | CZK'000               |
| Trade payables                                                        | 35 949             | 465                 | -                 | -                 | -              | 36 414                       | 36 414                |
| Bank credits and loans                                                | 121 891            | 604 785             | 399 226           | 1 175 012         | 868 531        | 3 169 445                    | 2 878 306             |
| Finance lease liabilities                                             | 1 505              | 4 197               | 5 097             | 8 069             | 2 178          | 21 046                       | 19 985                |
| Other liabilities                                                     | 30 041             | 1 735               | 2 574             | 6 097             | -              | 40 447                       | 39 481                |
| <b>Total</b>                                                          | <b>189 386</b>     | <b>611 182</b>      | <b>406 897</b>    | <b>1 189 178</b>  | <b>870 709</b> | <b>3 267 352</b>             | <b>2 974 186</b>      |

| Contractual cashflows of financial liabilities as at 31 December 2017 | Less than 3 months | Between 3-12 months | Between 1-2 years | Between 2-5 years | Over 5 years   | Total contractual cash-flows | Total carrying amount |
|-----------------------------------------------------------------------|--------------------|---------------------|-------------------|-------------------|----------------|------------------------------|-----------------------|
|                                                                       | CZK'000            | CZK'000             | CZK'000           | CZK'000           | CZK'000        | CZK'000                      | CZK'000               |
| Trade payables                                                        | 33 605             | 50                  | -                 | -                 | -              | 33 655                       | 33 655                |
| Bank credits and loans                                                | 67 720             | 542 654             | 240 404           | 735 772           | 696 984        | 2 283 534                    | 1 995 599             |
| Bonds issued                                                          | -                  | 345 840             | -                 | -                 | -              | 345 840                      | 332 513               |
| Finance lease liabilities                                             | 916                | 2 748               | 3 316             | 2 781             | -              | 9 761                        | 9 571                 |
| Other liabilities                                                     | 22 854             | -                   | -                 | -                 | -              | 22 854                       | 22 854                |
| <b>Total</b>                                                          | <b>125 095</b>     | <b>891 292</b>      | <b>243 720</b>    | <b>738 553</b>    | <b>696 984</b> | <b>2 695 644</b>             | <b>2 394 192</b>      |

### 4.23. FINANCIAL INSTRUMENTS

#### 4.23.1 FINANCIAL INSTRUMENTS CATEGORIES

Fair value of Trade receivables, Cash and cash equivalents, other financial receivables, Trade liabilities and other financial liabilities is close to carrying amounts since the interest payable on them is either close to market rates or they are short-term.

| 31.12.2018                                     | Financial assets at amortised cost | Derivatives through OCI | Financial liabilities at amortised cost | Total              |
|------------------------------------------------|------------------------------------|-------------------------|-----------------------------------------|--------------------|
|                                                | CZK'000                            | CZK'000                 | CZK'000                                 | CZK'000            |
| Trade and other financial receivables          | 1 736 481                          | -                       | -                                       | 1 736 481          |
| Cash and cash equivalents                      | 28 778                             | -                       | -                                       | 28 778             |
| Derivatives (i)                                | -                                  | 1 082                   | -                                       | 1 082              |
| Bank credits and loans                         | -                                  | -                       | (2 878 306)                             | (2 878 306)        |
| Finance lease liabilities                      | -                                  | -                       | (19 985)                                | (19 985)           |
| Trade and other payables and other liabilities | -                                  | -                       | (75 411)                                | (75 411)           |
| <b>Total</b>                                   | <b>1 765 259</b>                   | <b>1 082</b>            | <b>(2 973 702)</b>                      | <b>(1 207 361)</b> |

#### (i) Fair value of derivatives

The Company has concluded interest rate swaps. In 2017, the derivatives were classified as held for trading and accounted for at fair value through profit or loss. In 2018, the Company concluded new IRS contract and established a hedge accounting and revaluation of derivatives in relation to the effective portion of the hedging relationship is accounted through OCI (refer to section 3.4 for more details).

Measured derivatives are not traded in active markets, however all significant inputs required for fair value measurement are observable and as such the Company has included this instrument in Level 2 of fair value hierarchy levels.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

| 31.12.2017                                     | Financial assets at amortised cost | Derivatives at fair value through profit or loss | Financial liabilities at amortised cost | Total              |
|------------------------------------------------|------------------------------------|--------------------------------------------------|-----------------------------------------|--------------------|
|                                                | CZK'000                            | CZK'000                                          | CZK'000                                 | CZK'000            |
| Trade and other financial receivables          | 1 360 824                          | -                                                | -                                       | 1 360 824          |
| Cash and cash equivalents                      | 12 765                             | -                                                | -                                       | 12 765             |
| Derivatives (ii)                               | -                                  | 4 620                                            | -                                       | 4 620              |
| Bank credits and loans                         | -                                  | -                                                | (1 995 599)                             | (1 995 599)        |
| Bonds issued                                   | -                                  | -                                                | (332 513)                               | (332 513)          |
| Finance lease liabilities                      | -                                  | -                                                | (9 571)                                 | (9 571)            |
| Trade and other payables and other liabilities | -                                  | -                                                | (56 509)                                | (56 509)           |
| <b>Total</b>                                   | <b>1 373 589</b>                   | <b>4 620</b>                                     | <b>(2 394 192)</b>                      | <b>(1 015 983)</b> |

### (ii) Fair value of derivatives

The Company had concluded interest rate swaps. These derivatives were classified as held for trading and accounted for at fair value through profit or loss.

Measured derivatives were not traded in active markets, however all significant inputs required for fair value measurement were observable and as such the Company has included this instrument in Level 2 of fair value hierarchy levels.

## 4.24. RELATED PARTY TRANSACTIONS

### 4.24.1 SHAREHOLDERS STRUCTURE

| Share capital structure | 2018              |                    |                    | 2017              |                    |                    |
|-------------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
|                         | Number of shares  | % in share capital | % in voting rights | Number of shares  | % in share capital | % in voting rights |
| AETOS a.s.              | 15 159 204        | 68.00              | 71.58              | 15 159 204        | 68.00              | 71.58              |
| CED GROUP S.à r.l.      | -                 | -                  | -                  | 4 673 445         | 20.96              | 22.07              |
| RADENSKA d.o.o.         | 1 114 109         | 5.00               | 0.00               | 1 114 109         | 5.00               | -                  |
| Others                  | 6 018 635         | 27.00              | 28.42              | 1 348 242         | 6.04               | 6.35               |
| <b>Total</b>            | <b>22 291 948</b> | <b>100.00</b>      | <b>100.00</b>      | <b>22 295 000</b> | <b>100.00</b>      | <b>100.00</b>      |

In 2017, KSM Investment S.A. ("KSM"), René Musila and Tomáš Jendřejek restructured their shareholdings in Kofola ČeskoSlovensko a.s. ("Kofola") and transferred their shares in Kofola to AETOS a.s., a wholly owned subsidiary of KSM. René Musila and Tomáš Jendřejek became shareholders of AETOS a.s. KSM merged into AETOS a.s. on 31 August 2018. As of 31 December 2018, AETOS a.s. is the ultimate parent of the Company.

As of 10 August 2017, AETOS a.s. purchased 2 675 400 shares of Kofola representing 12.00% of Kofola's share capital from CED GROUP S.à r.l. ("CED Group").

RADENSKA d.o.o. purchased in 2017 from CED Group in a public tender offer 1 114 109 shares of the Company (which represented 5.00% of the Company's share capital) in the total value of CZK 490 208 thousand (CZK 440 per share). In compliance with the relevant legal provisions, the voting rights attached to the shares owned by the Company (own shares liquidated in 2018) and by RADENSKA d.o.o. cannot be exercised.

On 20 June 2018, CED Group sold 1 905 000 shares of the Company, corresponding to 8.54% of the Company's share capital as of the transaction date, at a price per share of CZK 270. On 20 September 2018, CED Group sold its remaining stake in the Company (2 768 445 shares representing 12.42% of the Company's share capital as of that date), at a price per share of CZK 255. The free float increased to 27.00%.

### 4.24.2 SUBSIDIARIES

Interests in subsidiaries are set out in sections 2.2 and 4.10.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



### 4.24.3 REMUNERATION OF THE COMPANY'S KEY MANAGEMENT PERSONNEL

Presented below is the structure of the remuneration of Company's key management personnel in 2018 and 2017.

| Remuneration of the Company's key management personnel 2018     |               | Members of the Company's Board of Directors | Members of the Company's Supervisory Board | Members of the Company's Audit Committee | Other key management personnel of the Group | Total   |
|-----------------------------------------------------------------|---------------|---------------------------------------------|--------------------------------------------|------------------------------------------|---------------------------------------------|---------|
| compensation                                                    |               | CZK'000                                     | CZK'000                                    | CZK'000                                  | CZK'000                                     | CZK'000 |
| Amounts paid for activities in the Company's Board of Directors | Financial     | 17 029                                      | -                                          | -                                        | -                                           | 17 029  |
|                                                                 | Non-financial | 940                                         | -                                          | -                                        | -                                           | 940     |
| Amounts paid for activities in the Company's Supervisory Board  | Financial     | -                                           | 1 028                                      | -                                        | -                                           | 1 028   |
|                                                                 | Non-financial | -                                           | -                                          | -                                        | -                                           | -       |
| Amounts paid for activities in the Company's Audit Committee    | Financial     | -                                           | -                                          | 156                                      | -                                           | 156     |
|                                                                 | Non-financial | -                                           | -                                          | -                                        | -                                           | -       |
| Amounts paid for other activities within the Group              | Financial     | -                                           | 3 156                                      | 93                                       | 6 483                                       | 9 732   |
|                                                                 | Non-financial | -                                           | 227                                        | 4                                        | 202                                         | 433     |
| Total expense from equity settled transactions (Option scheme)  | Option scheme | 2 477                                       | 551                                        | -                                        | 1 878                                       | 4 906   |
| Cumulated expense from equity settled transactions              | Option scheme | 3 645                                       | 762                                        | -                                        | 2 719                                       | 7 126   |
| Cumulated number of Pair shares granted on 31.12.2018 [pcs.]    | Option scheme | 16 767                                      | 3 729                                      | -                                        | 12 710                                      | 33 206  |

| Remuneration of the Company's key management personnel 2017     |               | Members of the Company's Board of Directors | Members of the Company's Supervisory Board | Members of the Company's Audit Committee | Other key management personnel | Total   |
|-----------------------------------------------------------------|---------------|---------------------------------------------|--------------------------------------------|------------------------------------------|--------------------------------|---------|
| compensation                                                    |               | CZK'000                                     | CZK'000                                    | CZK'000                                  | CZK'000                        | CZK'000 |
| Amounts paid for activities in the Company's Board of Directors | Financial     | 6 822                                       | -                                          | -                                        | -                              | 6 822   |
|                                                                 | Non-financial | 471                                         | -                                          | -                                        | -                              | 471     |
| Amounts paid for activities in the Company's Supervisory Board  | Financial     | -                                           | 1 195                                      | -                                        | -                              | 1 195   |
|                                                                 | Non-financial | -                                           | -                                          | -                                        | -                              | -       |
| Amounts paid for activities in the Company's Audit Committee    | Financial     | -                                           | -                                          | 177                                      | -                              | 177     |
|                                                                 | Non-financial | -                                           | -                                          | -                                        | -                              | -       |
| Amounts paid for other activities                               | Financial     | 15 162                                      | 5 437                                      | -                                        | 8 799                          | 29 398  |
|                                                                 | Non-financial | 544                                         | 420                                        | -                                        | 202                            | 1 166   |
| Expense from equity settled transactions                        | Option scheme | 1 168                                       | 211                                        | -                                        | 841                            | 2 220   |
| Cumulated number of Pair shares granted on 31.12.2017 [pcs.]    | Option scheme | 7 908                                       | 1 430                                      | -                                        | 5 695                          | 15 033  |

### 4.24.4 OTHER RELATED PARTY TRANSACTIONS

Presented below are the total amounts of transactions concluded with the Company's related parties:

| Other related party transactions<br>Profit or loss impact | 2018           |                 | 2017             |                 |
|-----------------------------------------------------------|----------------|-----------------|------------------|-----------------|
|                                                           | Revenue*       | Costs           | Revenue*         | Costs           |
|                                                           | CZK'000        | CZK'000         | CZK'000          | CZK'000         |
| Alofok Ltd                                                | 8              | -               | -                | -               |
| Hoop Polska Sp. z o.o.                                    | 12 068         | (165)           | 13 598           | (3 522)         |
| Kofola a.s. (CZ)                                          | 340 369        | (2 899)         | 533 037          | -               |
| Kofola a.s. (SK)                                          | 329 714        | (4 862)         | 360 786          | (18 042)        |
| LEROS, s.r.o.                                             | 1 492          | (89)            | -                | -               |
| Premium Rosa Sp. z o.o.                                   | 848            | (5)             | -                | -               |
| RADENSKA d.o.o.                                           | 155 207        | -               | 101 224          | (800)           |
| Radenska, d.o.o. (HR)                                     | -              | -               | 25               | -               |
| SANTA-TRANS s.r.o.                                        | 1 745          | (779)           | 1 373            | (766)           |
| Studenac, d.o.o.                                          | 12 194         | (12 194)        | 11 938           | (5 436)         |
| UGO trade s.r.o.                                          | 8 647          | (345)           | 10 360           | (68)            |
| <b>Total</b>                                              | <b>862 292</b> | <b>(21 338)</b> | <b>1 032 341</b> | <b>(28 634)</b> |

\* Including finance income and dividends.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

| Other related party transactions<br>Balance sheet impact | 31.12.2018       |                 | 31.12.2017       |                |
|----------------------------------------------------------|------------------|-----------------|------------------|----------------|
|                                                          | Assets*          | Liabilities     | Assets*          | Liabilities    |
|                                                          | CZK'000          | CZK'000         | CZK'000          | CZK'000        |
| Alofok Ltd                                               | -                | -               | 1 200            | -              |
| Hoop Polska Sp. z o.o.                                   | 277 989          | (566)           | 260 275          | -              |
| Kofola a.s. (CZ)                                         | 577 877          | -               | 574 850          | -              |
| Kofola a.s. (SK)                                         | 392 783          | -               | 145 258          | -              |
| LEROS, s.r.o.                                            | 71 532           | -               | -                | -              |
| Premium Rosa Sp. z o.o.                                  | 50 314           | -               | 30 944           | -              |
| RADENSKA d.o.o.                                          | 246 854          | (3 571)         | 179 644          | -              |
| SANTA-TRANS s.r.o.                                       | 21 876           | -               | 21 791           | (152)          |
| Studenac, d.o.o.                                         | 7 512            | (10 287)        | 11 839           | (5 436)        |
| UGO trade s.r.o.                                         | 4 513            | (12)            | 69 934           | (3)            |
| <b>Total</b>                                             | <b>1 651 250</b> | <b>(14 436)</b> | <b>1 295 735</b> | <b>(5 591)</b> |

\* Including Loans provided to related parties (described below).

| Receivables from Loans provided to related parties | 31.12.2018       |          | 31.12.2017       |          |
|----------------------------------------------------|------------------|----------|------------------|----------|
|                                                    | Long-term        | Maturity | Long-term        | Maturity |
|                                                    | CZK'000          |          | CZK'000          |          |
| Alofok Ltd.                                        | -                | -        | 766              | 9/2019   |
| Hoop Polska Sp. z o.o.                             | 275 000          | 12/2020  | 255 679          | 12/2020  |
| Kofola a.s. (CZ)                                   | 355 373          | 12/2020  | 355 373          | 12/2020  |
| Kofola a.s. (CZ)                                   | 134 608          | 8/2024   | 134 608          | 8/2024   |
| Kofola a.s. (SK)                                   | 169 146          | 8/2024   | 80 491           | 8/2024   |
| LEROS, s.r.o.                                      | 17 000           | 12/2020  | -                | -        |
| LEROS, s.r.o.                                      | 7 319            | 12/2023  | -                | -        |
| LEROS, s.r.o.                                      | 43 000           | 8/2024   | -                | -        |
| LEROS, s.r.o.                                      | 3 400            | 12/2020  | -                | -        |
| Premium Rosa Sp. z o.o.                            | 29 900           | 12/2022  | 30 570           | 12/2022  |
| Premium Rosa Sp. z o.o.                            | 19 200           | 12/2020  | -                | -        |
| RADENSKA d.o.o.                                    | 114 769          | 12/2020  | 114 769          | 12/2020  |
| SANTA-TRANS s.r.o.                                 | 20 035           | 12/2020  | 20 035           | 12/2020  |
| SANTA-TRANS s.r.o.                                 | 1 754            | 8/2024   | 1 754            | 8/2024   |
| UGO trade s.r.o.                                   | -                | -        | 54 961           | 12/2020  |
| <b>Total</b>                                       | <b>1 190 504</b> |          | <b>1 049 006</b> |          |

Interest rates from loans provided to related parties are concluded at market terms and fixed. The loans are not pledged. Loans provided to related parties are connected with the Facility loan agreement which refinanced current loans and a loan for financing RADENSKA d.o.o. acquisition. The reason for the execution of the Facility Loan Agreement was a consolidation of Group financing. Previous bank loans in Company's subsidiaries were repaid and refinanced by a loan from the Company. All transactions with related parties have been concluded at market terms.

The Company acts as a holding company and as such, provides certain services for the other companies in Kofola Group. This comprises, in particular, the provision of:

- strategic services, including: cooperation in the preparation of business, marketing, production, investment and financing plans, management of subsidiaries, including their financing;
- services related to products (quality department), including: central product development, innovation process management, costing and pricing, production and logistics planning, quality control;
- shared services, including: preparation and management of accounting and reporting methods, controlling and reporting, IT services, legal services, back office services, internal audit; and
- licenses and trademarks: Kofola ČeskoSlovensko a.s. owns most licenses, trademarks for branded beverages and similar copyrights for the products distributed on the CzechoSlovak market, for which the other Group companies pay royalties.

## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 4.25. CASH AND NON-CASH FINANCING ACTIVITIES

| Net debt reconciliation                       | Liabilities from financing activities |                |                   | Cash and cash equivalents | Net debt         |
|-----------------------------------------------|---------------------------------------|----------------|-------------------|---------------------------|------------------|
|                                               | Bank credits and loans                | Bonds          | Financial Leasing |                           |                  |
| <b>As at 1.1.2018</b>                         | <b>1 995 599</b>                      | <b>332 513</b> | <b>9 571</b>      | <b>(12 765)</b>           | <b>2 324 918</b> |
| Proceeds from loans and bank credits received | 1 314 928                             | -              | -                 | -                         | 1 314 928        |
| Repayment of loans and bank credits           | (436 310)                             | -              | -                 | -                         | (436 310)        |
| Change in amortized costs                     | 4 089                                 | -              | -                 | -                         | 4 089            |
| Repayment of financial leasing liabilities    | -                                     | -              | (3 705)           | -                         | (3 705)          |
| Financial leasing additions                   | -                                     | -              | 14 119            | -                         | 14 119           |
| Bonds interest paid                           | -                                     | (15 840)       | -                 | -                         | (15 840)         |
| Bonds interest accrued                        | -                                     | 13 327         | -                 | -                         | 13 327           |
| Bonds repayment                               | -                                     | (330 000)      | -                 | -                         | (330 000)        |
| Cash flows                                    | -                                     | -              | -                 | (16 013)                  | (16 013)         |
| <b>As at 31.12.2018</b>                       | <b>2 878 306</b>                      | <b>-</b>       | <b>19 985</b>     | <b>(28 778)</b>           | <b>2 869 513</b> |

| Net debt reconciliation                       | Liabilities from financing activities |                |                   | Cash and cash equivalents | Net debt         |
|-----------------------------------------------|---------------------------------------|----------------|-------------------|---------------------------|------------------|
|                                               | Bank credits and loans                | Bonds          | Financial Leasing |                           |                  |
| <b>As at 1.1.2017</b>                         | <b>1 753 286</b>                      | <b>330 740</b> | <b>14 622</b>     | <b>(27 749)</b>           | <b>2 070 899</b> |
| Proceeds from loans and bank credits received | 2 579 482                             | -              | -                 | -                         | 2 579 482        |
| Repayment of loans and bank credits           | (2 323 589)                           | -              | -                 | -                         | (2 323 589)      |
| Change in amortized costs                     | (13 580)                              | -              | -                 | -                         | (13 580)         |
| Repayment of financial leasing liabilities    | -                                     | -              | (5 051)           | -                         | (5 051)          |
| Bonds interest paid                           | -                                     | (15 180)       | -                 | -                         | (15 180)         |
| Bonds interest accrued                        | -                                     | 16 953         | -                 | -                         | 16 953           |
| Cash flows                                    | -                                     | -              | -                 | 14 984                    | 14 984           |
| <b>As at 31.12.2017</b>                       | <b>1 995 599</b>                      | <b>332 513</b> | <b>9 571</b>      | <b>(12 765)</b>           | <b>2 324 918</b> |

### 4.26. ACQUISITION OF SUBSIDIARIES

#### ACQUISITION OF SUBSIDIARY LEROS

On March 13, 2018, the Company concluded an agreement to purchase a 100% stake in LEROS, s.r.o., producer of high-quality products from medicinal plants and quality natural teas. Consideration transferred amounted to CZK 113 976 thousand.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

| Book value of assets and liabilities          | Book value<br>CZK'000 |
|-----------------------------------------------|-----------------------|
| Property, plant and equipment                 | 27 416                |
| Intangible assets                             | 104                   |
| Inventories                                   | 27 477                |
| Trade receivables and other receivables       | 32 844                |
| Cash and cash equivalents                     | 3 595                 |
| Other non-current liabilities                 | (8 356)               |
| Bank credits and loans                        | (39 500)              |
| Trade liabilities and other liabilities       | (38 665)              |
| <b>Total identifiable net assets acquired</b> | <b>4 915</b>          |



## 4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS



### ACQUISITION OF SUBSIDIARY PREMIUM ROSA

Kofola ČeskoSlovensko a.s. acquired on 10 July 2017 a 100% business share in the company Premium Rosa Sp. z o.o. based in Złotokłos, Poland. The company operates in the premium segment and produces high quality natural products such as syrups, juices and jams. Consideration transferred amounted to CZK 61 980 thousand.

On 12 July 2017, the Company increased the financial investment in Premium Rosa Sp. z o.o. by increase of equity outside the share capital in amount of CZK 6 180 thousand.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

| Book value of assets and liabilities          | Book value<br>CZK'000 |
|-----------------------------------------------|-----------------------|
| Property, plant and equipment                 | 18 161                |
| Intangible assets                             | 1 909                 |
| Other financial assets                        | 127                   |
| Inventories                                   | 24 678                |
| Trade receivables and other receivables       | 13 989                |
| Cash and cash equivalents                     | 4 951                 |
| Bank credits and loans                        | (13 192)              |
| Trade liabilities and other liabilities       | (13 507)              |
| Other financial liabilities                   | (32 793)              |
| <b>Total identifiable net assets acquired</b> | <b>4 323</b>          |

### 4.27. IMPAIRMENT RELATED TO THE SALE OF HOOP POLSKA SP. Z O.O.

The impairment of the subsidiary Hoop Polska Sp. z o.o. was determined as a fair value less costs of disposal and amounted to CZK 622 127 thousand as at 31 December 2018. The impairment is a result of the difference between the carrying amount of investment in the Hoop Polska Sp. z o.o. as at 31 December 2018 before impairment for 2018, and the transaction value determined in the share purchase agreement between Kofola ČeskoSlovensko a.s. and ZMB Capital Sp. z o.o., reduced by provided loans from Kofola ČeskoSlovensko a.s. to Hoop Polska Sp. z o.o. as at transaction date.

The above described impairment calculation is summarized in the table below.

| Impairment related to the sale of Hoop Polska Sp. z o.o.                                                         | CZK'000        |
|------------------------------------------------------------------------------------------------------------------|----------------|
| <b>Carrying amount of the investment in Hoop Polska Sp. z o.o. as at 31 December 2018 before impairment 2018</b> | <b>872 209</b> |
| Transaction price                                                                                                | 353 719        |
| Provided loans as at transaction date                                                                            | (103 637)      |
| <b>Adjusted transaction price</b>                                                                                | <b>250 082</b> |
| <b>Impairment</b>                                                                                                | <b>622 127</b> |

### 4.28. SUBSEQUENT EVENTS

On 18 March 2019, a share purchase agreement ("SPA") concluded between the Company and ZMB Capital Sp. z o.o. came into the force as all the legal steps and requirements set within the SPA were met as of this date. As a result, the entity Hoop Polska Sp. z o.o. was sold and no longer represents a part of the Group. All guarantees and pledges issued by Hoop Polska Sp. z o.o. in relation to the loan financing provided by Československá obchodní banka, a. s. and Česká spořitelna, a.s. to the Company were terminated. SPA was approved by a General Meeting on 11 March 2019.

The plant in Grodzisk Wielkopolski wasn't a part of the above-mentioned SPA. Before the SPA, it was sold to the Company's subsidiary Premium Rosa Sp. z o.o. and will be further offered for sale.

All guarantees provided by the Company for Hoop Polska Sp. z o.o. were terminated.

No other events have occurred after the end of the reporting period that would require adjusting the amounts recognised and disclosures made in the separate financial statements.

|                  |                         |                                             |                                                                                       |
|------------------|-------------------------|---------------------------------------------|---------------------------------------------------------------------------------------|
| <b>25.3.2019</b> | <b>Janis Samaras</b>    | <b>Chairman of the Board of Directors</b>   |    |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |
| <b>25.3.2019</b> | <b>René Musila</b>      | <b>Vice-Chair of the Board of Directors</b> |    |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |
| <b>25.3.2019</b> | <b>Daniel Buryš</b>     | <b>Vice-Chair of the Board of Directors</b> |    |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |
| <b>25.3.2019</b> | <b>Pavel Jakubík</b>    | <b>Member of the Board of Directors</b>     |    |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |
| <b>25.3.2019</b> | <b>Jiří Vlasák</b>      | <b>Member of the Board of Directors</b>     |   |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |
| <b>25.3.2019</b> | <b>Marián Šefčovič</b>  | <b>Member of the Board of Directors</b>     |  |
| <i>date</i>      | <i>name and surname</i> | <i>position/role</i>                        | <i>signature</i>                                                                      |

