

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

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

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

The equity structure is as follows:

Equity structure	31.12.2017 CZK' 000
Equity attributable to owners of Kofola ČeskoSlovensko a.s.	1 977 670
Share capital	2 229 500
Share premium and capital reorganisation reserve	(1 962 871)
Other reserves	2 048 985
Foreign currency translation reserve	37 030
Own shares	(491 565)
Retained earnings	116 591
Equity attributable to non-controlling interests	(3 684)
Total equity	1 973 986

As at 31 December 2017, the share capital of Kofola ČeskoSlovensko a.s. totalled CZK 2 229 500 000 and comprised 22 295 000 common registered shares with a nominal value of CZK 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 (“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 owns 3 052 (2016: 1 956) of own shares (which represent 0.0002 % of the Company's share capital, 2016: 0.0001%) in total value of CZK 1 357 thousand (2016: CZK 915 thousand).

RADENSKA d.o.o. owns 1 114 109 (2016: 0) shares of the Company (which represents 5.0 % of the Company's share capital) in total value of CZK 490 208 thousand.

Purchases of own shares during the financial year 2017:

- Shares of the value CZK 442 thousand acquired by the Company represent purchase of 1 096 shares (which represents 0.0001 % of the Company's share capital) traded on the Warsaw Stock Exchange before the Company's delisting from WSE. The shares have nominal value of CZK 100.
- RADENSKA d.o.o. purchased in a public tender offer 1 114 109 shares of the Company (which represents 5.0 % of the Company's share capital) in the total value of CZK 490 208 thousand (CZK 440 per share). The shares have nominal value of CZK 100.

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

During the financial year 2016, the Company purchased 8 000 of own shares (accounting value CZK 3 743 thousand, nominal value CZK 100, representing 0.002 % of the Company's share capital) and transferred 6 044 of own shares (accounting value CZK 2 828 thousand, nominal value CZK 100, representing 0.001 % of the Company's share capital) leading to closing balance of 1 956 shares in accounting value of CZK 915 thousand. The shares were purchased at PSE for the winners of the “Zlaté prasátko” competition and employees of the Group.

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

The entities having stakes of at least 1 % of the share capital of the Company recorded as at 31 December 2017:

Shareholders with stake over 1% of share capital (all with direct participation)	Proportion of the voting rights	Participation percentage
AETOS a.s., Nad Porubkou 2278/31a, Poruba, 708 00 Ostrava, identification No. B10942	71.58%	68.00%
CED GROUP S.à.r.l., 2 Avenue Charles de Gaulle, L-1653 Luxembourg, registration No. B141278	22.07%	20.96%
RADENSKA, družba za polnitev mineralnih voda in brezalkoholnih pijač, d.o.o. Boračeva 37, 9252 Radenci, Republic of Slovenia registration No. 5056152000	0.00%	5.00%
Total	93.65%	93.96%

The entities having stakes of at least 1 % of the share capital of the Company recorded as at 31 December 2016:

Shareholders with stake over 1% of share capital (all with direct participation)	Proportion of the voting rights	Participation percentage
KSM Investment S.A., 560A, Rue de Neudorf, L-2220, Luxembourg, registration No. B120149	50.78%	50.78%
CED GROUP S.à.r.l., 2 Avenue Charles de Gaulle, L-1653 Luxembourg, registration No. B141278	37.28%	37.28%
René Musila, date of birth 7.11.1969, Veslavínova 370/17, Předměstí, 746 01 Opava	2.61%	2.61%
Tomáš Jendřejek, date of birth 3.12.1966, Brožikova 1073/40, Pod Cvilínem, 794 01 Krnov	2.61%	2.61%
Total	93.28%	93.28%

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 2017 is known to the Company only in the case of the controlling entities AETOS a.s., CED GROUP S.à.r.l. and the controlled company Radenska 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 2017.

Until the end of the year 2017 and throughout the year 2018 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 3,052 shares owned by the Company and to 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 the par value exceeds 50 % of the share capital of the Company.

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 except for deciding on acquisition of Company's own shares by the Company under the terms and conditions laid down by the resolution of the General meeting dated 3 February 2017. 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 takeover 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 takeover 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 takeover 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 10 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 the stock exchange, for the last twelve calendar months, always by October 31 of the relevant calendar day. This provision is without prejudice to notification of managerial transaction as provided under mandatory provisions of a legal regulation.

The conditions for 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 he/she vested in on December 31, 2017, not later than on January 31, 2020, the Pair shares he/she vested in on December 31, 2018 not later than on January 31, 2021 and the Pair shares he/she vested in on December 31, 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 2017

Total number of Pair shares vested on 31 Dec 2017	19 380
Fair value of Pair shares as of grant date (CZK)	406.60
End of 3-year vesting period	31 Dec 2019
Transfer of Pair shares to participants	31 Jan 2020
Total expense from equity settled transactions (CZK thousand)	2 809

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.

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 2017, no Performance shares were granted.