



KOFOLA ČESKOSLOVENSKO A.S.
INTERIM REPORT 9M2020 (UNAUDITED)





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1. BUSINESS OVERVIEW AND OTHER MATTERS



1.1. BUSINESS OVERVIEW

In the following sections of chapter 1 a reconciliation between reported and adjusted financial statements is presented, there are also comments in relation to the consolidated statement of financial position and consolidated statement of cash flows. A current valid dividend policy is provided too. Business results are commented within the investor presentation which can be found on our webpages at following link <http://investor.kofola.cz/en/investor-2/reports-and-presentations/investor-presentations/>.

The description of the financial performance and financial position of Kofola Group should be read along with the financial statements and with other financial information contained in the attached consolidated financial statements. The Board of Directors is presenting and commenting on the consolidated financial results adjusted for one-off events. Please note that due to the sale of Hoop Polska in March 2019, the income statement effects attributable to this former subsidiary are presented within discontinued operations. As a part of discontinued operations are presented also transactions related to Megapack due to its sale in December 2019. Because the sale of Megapack was realized in 4Q19, the Condensed consolidated statement of profit or loss and the Condensed consolidated statement of other comprehensive income have been re-presented.

1.1.1 ADJUSTED CONSOLIDATED FINANCIAL RESULTS

Adjusted consolidated financial results	9M20	One-off adjustments	9M20 adjusted
	CZK'000 000	CZK'000 000	CZK'000 000
Revenue	4,833.4	-	4,833.4
Cost of sales	(2,562.7)	-	(2,562.7)
Gross profit	2,270.7	-	2,270.7
Selling, marketing and distribution costs	(1,527.5)	-	(1,527.5)
Administrative costs	(316.4)	-	(316.4)
Other operating income/(costs), net	(72.9)	100.7	27.8
Operating profit/(loss)	353.9	100.7	454.6
Depreciation and amortisation	460.5	(9.3)	451.2
EBITDA	814.4*	91.4	905.8**
Finance income/(costs), net	(31.5)	0.1	(31.4)
Income tax	(108.0)	(2.0)	(110.0)
Profit/(loss) for the period (continuing operations)	214.4	98.8	313.2
Profit/(loss) for the period (discontinued operations)	-	-	-
Profit/(loss) for the period (continuing + discontinued operations)	214.4	98.8	313.2
- attributable to owners of Kofola ČeskoSlovensko a.s.	224.1	98.8	322.9

* 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 result of the Kofola Group for the nine-month period ended 30 September 2020 was affected by the following one-off items:

In Other operating income/(costs), net – Continuing operations:

- The impairment of CZK 35.4 million related to the production of UGO bottles (Fresh & Herbs segment).
- Restructuring costs (mainly payroll expenses) in Czechoslovakia segment of CZK 33.0 million and in Fresh & Herbs segment of CZK 3.2 million.
- Costs connected with the maintenance of closed Grodzisk Wielkopolski plant of CZK 13.7 million (Fresh & Herbs segment).
- Advisory costs – Czechoslovakia segment incurred costs of CZK 13.1 million.
- Costs for support of the parties impacted by COVID-19 of CZK 5.9 million, e.g. #zlasky (Czechoslovakia segment).
- Costs arising on integration of newly acquired subsidiaries of CZK 4.4 million (Czechoslovakia segment).
- Costs arising on merger between LEROS and Espresso (Fresh & Herbs segment) of CZK 1.8 million.
- Net gain on sold items of Property, plant and equipment of CZK 9.8 million recognized in all business segments (mainly Czechoslovakia).

1. BUSINESS OVERVIEW AND OTHER MATTERS



Adjusted consolidated financial results	9M19	One-off	9M19
	(re-presented)	adjustments	adjusted
	CZK' 000 000	CZK' 000 000	(re-presented) CZK' 000 000
Revenue	4,893.3	-	4,893.3
Cost of sales	(2,526.8)	-	(2,526.8)
Gross profit	2,366.5	-	2,366.5
Selling, marketing and distribution costs	(1,586.9)	-	(1,586.9)
Administrative costs	(330.9)	-	(330.9)
Other operating income/(costs), net	(15.9)	17.8	1.9
Operating profit/(loss)	432.8	17.8	450.6
Depreciation and amortisation	409.6	-	409.6
EBITDA	842.4*	17.8	860.2**
Finance income/(costs), net	(91.4)	-	(91.4)
Income tax	(115.4)	1.0	(114.4)
Profit/(loss) for the period (continuing operations)	226.0	18.8	244.8
Profit/(loss) for the period (discontinued operations)	116.8	(89.4)	27.4
Profit/(loss) for the period (continuing + discontinued operations)	342.8	(70.6)	272.2
- attributable to owners of Kofola ČeskoSlovensko a.s.	348.7	(70.6)	278.1

* 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 result of the Kofola Group for the nine-month period ended 30 September 2019 was affected by the following one-off items:

In Other operating income/(costs), net – Continuing operations:

- Advisory costs – Czechoslovakia segment incurred costs of CZK 17.6 million.
- Gain on sold items of Property, plant and equipment (mainly machines) of CZK 5.1 million recognized in the Adriatic segment.
- Costs connected with the maintenance of closed Grodzisk Wielkopolski plant of CZK 3.1 million (Fresh & Herbs segment).
- Severance costs in LEROS (Fresh & Herbs segment) of CZK 2.2 million.

In Profit/(loss) for the period – Discontinued operations:

- Gain of CZK 81.4 million arising from the release of the cumulated foreign currency translation reserve related to the historical consolidation of the disposed subsidiary.
- Gain on sale of Hoop Polska of CZK 8.0 million.

Adjusted consolidated financial results	9M20	9M19	Change	Change
		(re-presented)		
	CZK' 000 000	CZK' 000 000	CZK' 000 000	%
Revenue	4,833.4	4,893.3	(59.9)	(1.2%)
Cost of sales	(2,562.7)	(2,526.8)	(35.9)	1.4%
Gross profit	2,270.7	2,366.5	(95.8)	(4.0%)
Selling, marketing and distribution costs	(1,527.5)	(1,586.9)	59.4	(3.7%)
Administrative costs	(316.4)	(330.9)	14.5	(4.4%)
Other operating income/(costs), net	27.8	1.9	25.9	1,363.2%
Operating profit/(loss)	454.6	450.6	4.0	0.9%
EBITDA	905.8	860.2	45.6	5.3%
Finance income/(costs), net	(31.4)	(91.4)	60.0	(65.6%)
Income tax	(110.0)	(114.4)	4.4	(3.8%)
Profit/(loss) for the period (continuing operations)	313.2	244.8	68.4	27.9%
Profit/(loss) for the period (discontinued operations)	-	27.4	(27.4)	(100.0%)
Profit/(loss) for the period (continuing + discontinued operations)	313.2	272.2	41.0	15.1%
- attributable to owners of Kofola ČeskoSlovensko a.s.	322.9	278.1	44.8	16.1%

1. BUSINESS OVERVIEW AND OTHER MATTERS



1.1.2 FINANCIAL POSITION

ASSETS

Property, plant and equipment increased mainly due to additions (including lease additions and additions from acquisition of subsidiaries) of CZK 803.2 million and significant upward FX revaluation of foreign Group entities's assets being higher than depreciation charge of CZK 400.4 million and disposals of assets with carrying amount of CZK 32.9 million. The most significant additions realized by the Group in 9M20 were represented by new acquisitions (CZK 355.5 million) and by investments into the production machinery, warehouse, returnable packages and new premises capitalized under IFRS 16 (leases). The impairment in the amount of CZK 35.4 million was charged to the items of Property, plant and equipment related to the production of UGO bottles (mainly the production line).

Intangible assets increased mainly as a result of assets (mostly brands) arising on acquisition of subsidiaries. Increase of Goodwill also results from the acquisition of subsidiaries.

Other non-current assets contain mainly government grant, prepayments and purchased bonds. Increase is attributable mostly to reclassification of current part of government grant due to postponed investment into new administrative premises.

Inventories increased as a result of acquisitions but also due to seasonality.

Trade and other receivables overall decreased mainly due to payment of receivable from the sale of Hoop Polska (CZK 138.5 million) and Megapack (CZK 113.9 million) which outweighed the increase of trade receivables due to seasonality and newly acquired subsidiaries.

LIABILITIES

Increase of bank credits and loans is attributable mostly to the loan received in connection with the acquisition of ONDRÁŠOVKA a.s. and Karlovarská Korunní s.r.o.

Deferred tax liabilities increased mainly as a result of acquisition of subsidiaries.

Provisions decreased due to payment of annual employee bonuses.

Increase of trade and other payables is attributable to increase of trade payables due to seasonality and newly acquired subsidiaries.

The Group's consolidated Net debt (calculated as total non-current and current liabilities relating to credits, loans, leases and other debt instruments less cash and cash equivalents) amounted to CZK 3,541.9 million as at 30 September 2020 as compared to CZK 2,658.3 million as at 31 December 2019. Increase is attributable mainly to the new loan acquired on acquisition of subsidiaries.

The Group's consolidated Net debt/Adjusted LTM EBITDA as at 30 September 2020 was of 3.0 (of 2.9 in case LTM EBITDA includes also pre-acquisition results of recent subsidiaries) as compared to 2.4 as at 31 December 2019.

1.1.3 CASH FLOWS

Cash flow from operating activities decreased mainly as a result of lower reported operating result.

Main cash flow transactions were connected with the acquisition of ONDRÁŠOVKA a.s. and Karlovarská Korunní s.r.o. The Group has also received the cash for sale of Megapack and the remaining final part for the sale of Hoop Polska.

From the total balance of Repayment of loans and bank credits presented within the Condensed consolidated statement of cash flows, amount of CZK 340.7 million represents the repayment of Group's overdraft.

1.1.4 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.



INTERIM CONSOLIDATED FINANCIAL STATEMENTS 9M 2020
KOFOLA ČESKOSLOVENSKO A.S.
(UNAUDITED)

1. CONSOLIDATED FINANCIAL STATEMENTS



1.1. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the nine-month and three-month period ended 30 September 2020 and 30 September 2019 in CZK thousand.

Condensed consolidated statement of profit or loss	Note	9M20	9M19	3Q20	3Q19
		CZK'000	Re-presented (note 4.18) CZK'000	CZK'000	Re-presented (note 4.18) CZK'000
Continuing operations					
Revenue	4.1, 4.2	4,833,406	4,893,254	2,080,483	1,860,939
Cost of sales	4.3	(2,562,697)	(2,526,804)	(1,000,909)	(905,285)
Gross profit		2,270,709	2,366,450	1,079,574	955,654
Selling, marketing and distribution costs	4.3	(1,527,476)	(1,586,947)	(579,565)	(555,961)
Administrative costs	4.3	(316,391)	(330,944)	(105,277)	(110,330)
Other operating income	4.4	48,824	20,101	18,806	5,940
Other operating expenses	4.5	(86,400)	(36,035)	(19,964)	(10,216)
Impairment	4.10	(35,399)	-	-	-
Operating profit/(loss)		353,867	432,625	393,574	285,087
Finance income	4.6	60,687	5,731	15,052	2,710
Finance costs	4.7	(92,204)	(97,149)	(27,341)	(25,398)
Profit/(loss) before income tax		322,350	341,207	381,285	262,399
Income tax (expense)/benefit	4.8	(108,005)	(115,378)	(77,097)	(44,151)
Profit/(loss) from continuing operations		214,345	225,829	304,188	218,248
Discontinued operations					
Profit/(loss) from discontinued operations	4.18	-	116,893	-	21,560
Profit/(loss) for the period (continuing and discontinued operations)	1.2	214,345	342,722	304,188	239,808
<i>Attributable to:</i>					
Owners of Kofola ČeskoSlovensko a.s.	1.5	224,086	348,729	306,536	242,330
Non-controlling interests	1.5	(9,741)	(6,007)	(2,348)	(2,522)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company (in CZK)					
Basic earnings/(loss) per share (continuing operations)	4.9	10.05	10.40	13.75	9.90
Basic earnings/(loss) per share (continuing and discontinued operations)	4.9	10.05	15.64	13.75	10.87

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

1. CONSOLIDATED FINANCIAL STATEMENTS



1.2. CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the nine-month and three-month period ended 30 September 2020 and 30 September 2019 in CZK thousand.

Condensed consolidated statement of other comprehensive income	Note	9M20	9M19	3Q20	3Q19
		CZK'000	Re-presented (note 4.18) CZK'000	CZK'000	Re-presented (note 4.18) CZK'000
Profit/(loss) for the period (continuing and discontinued operations)	1.1	214,345	342,722	304,188	239,808
Other comprehensive income					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translation of foreign subsidiaries		71,497	(85,818)	22,632	11,658
- from continuing operations		71,497	(4,396)	22,632	11,658
- from discontinued operation	4.18	-	(81,422)	-	-
Exchange differences on translation of foreign equity accounted investee		-	9,405	-	2,390
- from discontinued operation	4.18	-	9,405	-	2,390
Derivatives - Cash flow hedges		(25,333)	(211)	3,510	(1,173)
Deferred tax from Cash flow hedges	4.8	4,813	40	(667)	223
Other comprehensive income/(loss) for the period, net of tax		50,977	(76,584)	25,475	13,098
Total comprehensive income/(loss) for the period	1.5	265,322	266,138	329,663	252,906
Attributable to:					
Owners of Kofola ČeskoSlovensko a.s.		275,063	272,145	332,011	255,428
- from continuing operations		275,063	227,269	332,011	231,478
- from discontinued operations		-	44,876	-	23,950
Non-controlling interests		(9,741)	(6,007)	(2,348)	(2,522)

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

1. CONSOLIDATED FINANCIAL STATEMENTS



1.3. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2020 and 31 December 2019 in CZK thousand.

Assets	Note	30.9.2020 CZK' 000	31.12.2019 CZK' 000
Non-current assets		5,841,171	4,393,998
Property, plant and equipment	4.10	3,558,904	3,127,018
Goodwill	4.11	647,180	105,506
Intangible assets	4.11	1,365,595	956,832
Other receivables		234,752	163,518
Other assets		-	2,236
Deferred tax assets		34,740	38,888
Current assets		2,405,037	2,522,440
Inventories		592,927	485,313
Trade and other receivables		1,035,358	1,247,034
Income tax receivables		4,814	15,598
Cash and cash equivalents		771,938	774,495
Total assets		8,246,208	6,916,438
Liabilities and equity			
		CZK' 000	CZK' 000
Equity attributable to owners of Kofola ČeskoSlovensko a.s.	1.5	1,801,107	1,530,030
Share capital	1.5	1,114,597	1,114,597
Share premium and capital reorganisation reserve	1.5	(1,962,871)	(1,962,871)
Other reserves	1.5	2,438,726	2,463,337
Foreign currency translation reserve	1.5	104,508	33,011
Own shares	1.5	(490,151)	(490,164)
Retained earnings/(Accumulated deficit)	1.5	596,298	372,120
Equity attributable to non-controlling interests	1.5	(26,221)	(16,480)
Total equity	1.5	1,774,886	1,513,550
Non-current liabilities		4,143,644	2,842,503
Bank credits and loans	4.12	3,370,658	2,229,162
Lease liabilities		341,673	314,396
Provisions		39,507	37,600
Other liabilities		104,993	70,408
Deferred tax liabilities		286,813	190,937
Current liabilities		2,327,678	2,560,385
Bank credits and loans	4.12	475,689	783,800
Lease liabilities		125,854	105,395
Provisions		45,475	114,818
Trade and other payables		1,640,393	1,496,952
Income tax liabilities		40,267	59,420
Total liabilities		6,471,322	5,402,888
Total liabilities and equity		8,246,208	6,916,438

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

1. CONSOLIDATED FINANCIAL STATEMENTS

1.4. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine-month period ended 30 September 2020 and 30 September 2019 in CZK thousand.

Condensed consolidated statement of cash flows (continuing and discontinued operations)	Note	9M20 CZK '000	9M19 CZK '000
Cash flows from operating activities			
Profit/(loss) before income tax	1.1	322,350	458,100
Adjustments for:			
Non-cash movements			
Depreciation and amortisation	4.3	460,483	413,332
Net interest	4.6, 4.7	80,840	84,763
Share of equity accounted investee result		-	(40,865)
Impairment of Property, plant and equipment	4.10	35,399	-
Change in the balance of provisions		(71,616)	(22,544)
Change in the balance of impairments		(6,161)	4,804
(Gain)/loss on realized derivatives	4.6, 4.7	2,197	(1,923)
Realized (gain)/loss on sale of Property, plant and equipment and Intangible assets	4.4, 4.5	(9,817)	(10,575)
Net exchange differences		(54,476)	5,679
Profit on sale of subsidiary	4.18	-	(7,979)
Gain on release of the foreign currency translation reserve - subsidiary	4.18	-	(81,422)
Other		11,988	12,917
Cash movements			
Income taxes paid		(97,451)	(101,312)
Change in operating assets and liabilities			
Change in receivables		3,890	29,548
Change in inventories		(33,575)	(70,577)
Change in payables		28,212	53,798
Net cash inflow/(outflow) from operating activities		672,263	725,744
Cash flows from investing activities			
Sale of Property, plant and equipment		30,626	16,916
Acquisition of Property, plant and equipment and Intangible assets		(380,938)	(380,671)
Proceeds from sale of subsidiary, net of cash disposed		138,492	21,195
Proceeds from sale of equity accounted investee		113,899	-
Acquisition of subsidiaries, net of cash acquired	4.17	(1,060,700)	(74,549)
Interest and dividends received		187	21,991
Proceeds from repaid loans		-	306,493
Loans granted		-	(202,287)
Purchase of bonds from previous owner of acquired subsidiary		(103,800)	-
Proceeds from bonds sold		7,000	-
Net cash inflow/(outflow) from investing activities		(1,255,234)	(290,912)
Cash flows from financing activities			
Lease payments		(97,654)	(80,809)
Proceeds from loans and bank credits		1,293,702	453,635
Repayment of loans and bank credits		(516,718)	(299,551)
Dividends paid to Company's shareholders		-	(285,901)
Interest paid		(79,098)	(86,604)
Derivatives		(2,197)	1,923
Purchase of own shares	1.5	(4,410)	-
Payments of acquired subsidiaries' liabilities to former owners		(27,942)	-
Transaction costs connected with loan financing		(4,763)	-
Other		(1,361)	-
Net cash inflow/(outflow) from financing activities		559,559	(297,307)
Net increase/(decrease) in cash and cash equivalents		(23,412)	137,525
Cash and cash equivalents at the beginning of the period	1.3	774,495	619,300
Effects of exchange rate changes on cash and cash equivalents		20,855	355
Cash and cash equivalents at the end of the period	1.3	771,938	757,180

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

1. CONSOLIDATED FINANCIAL STATEMENTS



1.5. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine-month period ended 30 September 2020 and 30 September 2019 in CZK thousand.

Condensed consolidated statement of changes in equity (continuing and discontinued operations)	Note	Equity attributable to owners of Kofola ČeskoSlovensko a.s.							Total	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)			
		CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000			
Balance as at 31 December 2018		1,114,597	(1,962,871)	2,438,776	28,954	618,331	(490,208)	(215,910)	1,531,669	(8,156)	1,523,513
Effect of initial application of IFRS 16		-	-	-	-	-	-	1,346	1,346	-	1,346
Balance as at 1 January 2019		1,114,597	(1,962,871)	2,438,776	28,954	618,331	(490,208)	(214,564)	1,533,015	(8,156)	1,524,859
Profit/(loss) for the period	1.1	-	-	-	-	-	-	348,729	348,729	(6,007)	342,722
Other comprehensive income/(loss)	1.2	-	-	(171)	5,009	-	-	-	4,838	-	4,838
Release of the cumulated foreign currency translation reserve attributable to disposed operation	1.2, 4.18	-	-	-	(81,422)	-	-	-	(81,422)	-	(81,422)
Total comprehensive income/(loss) for the period	1.2	-	-	(171)	(76,413)	-	-	348,729	272,145	(6,007)	266,138
Dividends		-	-	-	-	(285,901)	-	-	(285,901)	-	(285,901)
Option scheme		-	-	12,322	-	-	-	-	12,322	-	12,322
Own shares transfer		-	-	-	-	-	44	-	44	-	44
Transactions with owners in their capacity as owners		-	-	12,322	-	(285,901)	44	-	(273,535)	-	(273,535)
Transfer from the distribution fund		-	-	-	-	(332,430)	-	332,430	-	-	-
Balance as at 30 September 2019		1,114,597	(1,962,871)	2,450,927	(47,459)	-	(490,164)	466,595	1,531,625	(14,163)	1,517,462
Balance as at 1 January 2020		1,114,597	(1,962,871)	2,463,337	33,011	-	(490,164)	372,120	1,530,030	(16,480)	1,513,550
Profit/(loss) for the period	1.1	-	-	-	-	-	-	224,086	224,086	(9,741)	214,345
Other comprehensive income/(loss)	1.2	-	-	(20,520)	71,497	-	-	-	50,977	-	50,977
Total comprehensive income/(loss) for the period	1.2	-	-	(20,520)	71,497	-	-	224,086	275,063	(9,741)	265,322
Own shares purchase		-	-	-	-	-	(4,410)	-	(4,410)	-	(4,410)
Own shares transfer		-	-	-	-	-	15	-	15	-	15
Option scheme		-	-	317	-	-	-	-	317	-	317
Dividends not drawn by shareholders		-	-	-	-	-	-	92	92	-	92
Shares transfer to option scheme participants		-	-	(4,408)	-	-	4,408	-	-	-	-
Transactions with owners in their capacity as owners		-	-	(4,091)	-	-	13	92	(3,986)	-	(3,986)
Balance as at 30 September 2020		1,114,597	(1,962,871)	2,438,726	104,508	-	(490,151)	596,298	1,801,107	(26,221)	1,774,886

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

1. CONSOLIDATED FINANCIAL STATEMENTS



RELEASE OF THE CUMULATED FOREIGN CURRENCY TRANSLATION RESERVE ATTRIBUTABLE TO DISPOSED OPERATION

Release of the cumulated foreign currency translation reserve represented the total balance of cumulated foreign exchange differences arising on the consolidation of Hoop Polska within the Group consolidated financial statements. These differences arise when the functional currency of the consolidated subsidiary differs from the presentation currency of the consolidated financial statements. These differences were recognized since the acquisition of the subsidiary within other comprehensive income and they were reclassified from equity to the profit or loss on the disposal of the subsidiary. The gain of CZK 81,422 thousand for 9M19 (which compensates the loss of CZK 81,422 thousand recorded in the Other comprehensive income in 9M19) related to Hoop Polska is presented under discontinued operations (see Note 4.18).

2. GENERAL INFORMATION



2.1. CORPORATE INFORMATION

KOFOLA GROUP

Kofola Group is 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 produces its products with care and love in eleven main production plants located in the Czech Republic (six plants), Slovakia (two plants), Slovenia (one plant), Croatia (one plant) and Poland (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 own brands include carbonated beverages Kofola, ORA and Vinea, waters Radenska, Studenac, Ondrášovka, Korunní, Rajec and Klášterná Kalcia, syrup Jupí, beverages for children Jupík, Semtex energy drink, UGO fresh juices and salads, Leros teas and coffee brand Café Reserva. In selected markets, the Group distributes among others Rauch, Evian, Badoit, Vincentka or Dilmah products and under the licence produces Royal Crown 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. Main brands by categories are shown in the visualisation below:

CATEGORY	MAIN OWN BRANDS	DISTRIBUTED AND LICENCED BRANDS
Carbonated Beverages		
Waters		
Non-carbonated Beverages		
Syrups		
Fresh & Salad Bars		
Other		

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 <https://www.kofola.cz/> and the phone number is +420 595 601 030. LEI: 3157005DO9L5OWHBQ359.

Main area of activity of Kofola ČeskoSlovensko a.s. in 2020 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 Slovenia, Croatia and in Poland. The Group produces drinks in eleven production plants

2. GENERAL INFORMATION



and key trademarks include Kofola, Jupí, Jupík, Rajec, Radenska, Semtex energy drink, Vinea, Ondrášovka and Korunní. On selected markets, the Group distributes among others Rauch, Evian, Badoit, Café Reserva and Dilmah products and under the licence produces Royal Crown Cola or Orangina.

Based on the information known to the Board of Directors of the Company acting with due care, the ultimate parent of the Company is AETOS a.s. The ownership structure is described in section 4.15.1.

STOCK EXCHANGE LISTING

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

MANAGEMENT

As at 30 September 2020, 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
- Martin Pisklák (since 1 April 2020, formerly Pavel Jakubík)
- Martin Mateáš (since 30 June 2020, formerly 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 30 SEPTEMBER 2020



DESCRIPTION OF THE GROUP COMPANIES

Name of entity	Place of business	Segment (Note 4.1)	Principal activities	Ownership interest and voting rights	
				30.9.2020	31.12.2019
Holding companies					
Kofola ČeskoSlovensko a.s.	Czech Republic	CzechoSlovakia	top holding company		
Alofok Ltd	Cyprus	n/a	holding	100.00%	100.00%
Production and trading					
Kofola a.s.	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Kofola a.s.	Slovakia	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
UGO trade s.r.o.	Czech Republic	Fresh & Herbs	operation of Fresh bars chain, production of salads	90.00%	90.00%
RADENSKA d.o.o.	Slovenia	Adriatic	production and distribution of non-alcoholic beverages	100.00%	100.00%
Studenac d.o.o.	Croatia	Adriatic	production and distribution of non-alcoholic beverages	100.00%	100.00%
Radenska d.o.o.****	Croatia	Adriatic	liquidated	n/a	100.00%
Premium Rosa Sp. z o.o.	Poland	Fresh & Herbs	production and distribution of syrups and jams	100.00%	100.00%
LEROS, s.r.o.	Czech Republic	Fresh & Herbs	production and distribution of products from medicinal plants and quality natural teas	100.00%	100.00%
Leros Slovakia, s.r.o.	Slovakia	Fresh & Herbs	distribution of products from medicinal plants and quality natural teas	100.00%	100.00%
Espresso s.r.o.**	Czech Republic	Fresh & Herbs	distribution of high-quality coffee and teas	n/a	100.00%
F.H.Prager s.r.o.*	Czech Republic	CzechoSlovakia	production and distribution of ciders	100.00%	n/a
Minerálka s.r.o. - in liquidation	Slovakia	CzechoSlovakia	in liquidation	100.00%	100.00%
ONDŘÁŠOVKA a.s.***	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	n/a
Karlovarská Korunní s.r.o.***	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	n/a
Transportation					
SANTA-TRANS s.r.o.	Czech Republic	CzechoSlovakia	road cargo transport	100.00%	100.00%

* Acquired on 7 January 2020. ** Merged to LEROS, s.r.o. on 15 April 2020. *** Acquired on 15 April 2020. **** Liquidated on 28 August 2020.

3.1. STATEMENT OF COMPLIANCE AND 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 on 1 January 2020.

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

The Group’s consolidated financial statements cover the period of nine months ended 30 September 2020 and contain comparatives for the period of nine months ended 30 September 2019 and as of 31 December 2019 (condensed consolidated statement of financial position). Condensed consolidated statement of profit or loss and condensed consolidated statement of other comprehensive income are presented also for the periods of 3 months ended 30 September 2020 and 30 September 2019. The comparative condensed consolidated statement of profit or loss and condensed consolidated statement of other comprehensive income have been re-presented due to the sale of Megapack in December 2019 which is presented as a part of discontinued operations (Note 4.18).

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 3.7.

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:

- Revenue and Cost of sales – for trading operations,
- Finance income and Finance 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.

3. SIGNIFICANT ACCOUNTING POLICIES



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

Closing exchange rates	30.9.2020	31.12.2019	30.9.2019
CZK/EUR	27.210	25.410	25.815
CZK/PLN	5.985	5.970	5.896
CZK/RUB	n/a	0.363	0.365
CZK/HRK	3.601	3.414	3.484

Average exchange rates	1.1.2020 - 30.9.2020	1.1.2019 - 31.12.2019	1.1.2019 - 30.9.2019
CZK/EUR	26.373	25.672	25.702
CZK/PLN	5.965	5.973	5.975
CZK/RUB	n/a	0.354	0.352
CZK/HRK	3.501	3.461	3.468

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

The consolidation methods based on which the present financial statements have been prepared have not changed compared to the methods used in the annual consolidated financial statements for the twelve-month period ended 31 December 2019.

3.5. ACCOUNTING METHODS

The accounting policies adopted are consistent with those used in the annual consolidated financial statements for the twelve-month period ended 31 December 2019. Information about the adoption of new and amended standards is set out below.

3.6. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Several amendments and interpretations apply for the first time in 2020, but do not have any material impact on the interim consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES



3.7. 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 30 September 2020 may be changed in the future. The main estimates pertain to the following matters:

Estimates	Type of information
Impairment of CGU, goodwill and individual tangible and intangible assets	Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates
Useful life of trademarks	The history of the trademark on the market, market position, useful life of similar products, the stability of the market segment, competition
Deferred tax asset from tax losses	Historical experience, current and forward-looking information available to the management
Income tax	Assumptions used to recognise deferred income tax assets (other than Deferred tax asset from tax losses)
Impairment of receivables	Historical experience, credit assessment, current and forward-looking information available to the management

Whole Group was impacted by COVID-19 with significant negative impact mainly in 2Q20. There wasn't any impact on the judgements applied and estimates made as of 31 December 2019. The future development however remains highly unsure due to reasons described in the Note 4.19 (Subsequent events). Valuation of Group's CGU and individual assets is highly dependent on projected discount rates and business models which we are not able to reliably predict as of the date of this report because all possible future implications of COVID-19 are still very hard to predict. As a result, further possible impairment charges, in addition to those already recognized within this report, may occur within the annual report for the year 2020 as we will already have information about the development of the whole situation for the remaining part of the year 2020 and first several months of 2021.

3.8. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3.9. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the presented consolidated financial statements for publication on 25 November 2020.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



4.1. SEGMENT INFORMATION (CONTINUING OPERATIONS)

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. Three main business segments are presented within these financial statements. These are:

- CzechoSlovakia,
- Adratic,
- Fresh & Herbs.

Division of particular Group companies between the segments is outlined in the section 2.2.

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, tea, coffee, ciders, transportation and other services).

In compliance with the relevant requirements of IFRS 8 Operating Segments, the management presents also the distribution of revenues and non-current assets (other than financial instruments and deferred tax assets) distributed into geographical areas.

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 in the segment information below represents a reconciling item to get to the consolidated financial statements.

The Group did not identify any customer in the period of nine months ended 30 September 2020 and in the comparative period of nine months ended 30 September 2019 that generated more than 10% of the Group’s consolidated revenue.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



BUSINESS SEGMENTS (CONTINUING OPERATIONS)

1.1.2020 – 30.9.2020	CzechoSlovakia	Adriatic	Fresh & Herbs	Other*	Subtotal	Consolidation adjustments	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
Revenue	3,596,061	899,539	440,907	-	4,936,507	(103,101)	4,833,406
External revenue – excl. services	3,482,853	896,412	417,456	-	4,796,721	-	4,796,721
External revenue – services	23,058	2,099	11,528	-	36,685	-	36,685
Inter-segment revenue	90,150	1,028	11,923	-	103,101	(103,101)	-
Operating expenses	(3,109,369)	(839,069)	(633,805)	(397)	(4,582,640)	103,101	(4,479,539)
Related to external revenue	(3,019,219)	(838,041)	(621,882)	(397)	(4,479,539)	-	(4,479,539)
Related to inter-segment revenue	(90,150)	(1,028)	(11,923)	-	(103,101)	103,101	-
Operating profit/(loss)	486,692	60,470	(192,898)	(397)	353,867	-	353,867
Finance income/(costs), net	129,848	6,325	(13,412)	722	123,483	(155,000)	(31,517)
- within segment	(32,737)	8,025	(7,527)	722	(31,517)	-	(31,517)
- inter-segment	162,585	(1,700)	(5,885)	-	155,000	(155,000)	-
Profit/(loss) before income tax	616,540	66,795	(206,310)	325	477,350	(155,000)	322,350
Income tax (expense)/benefit	(89,490)	(22,231)	3,716	-	(108,005)	-	(108,005)
Profit/(loss) for the period	527,050	44,564	(202,594)	325	369,345	(155,000)	214,345
EBITDA**	757,939	142,464	(85,656)	(397)	814,350	-	814,350
One-offs (A 1.1.1)	49,150	(2,102)	44,356	-	91,404	-	91,404
Adjusted EBITDA (A 1.1.1)	807,089	140,362	(41,300)	(397)	905,754	-	905,754

* Other doesn't represent a separate segment, but reconciling item to the consolidated statement of profit or loss.

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

Other segment information (1.1.2020 – 30.9.2020)	CzechoSlovakia	Adriatic	Fresh & Herbs	Other	Subtotal	Consolidation adjustments	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
Additions to PPE and Intangible assets*	282,296	74,568	99,871	-	456,735	-	456,735
Depreciation and amortisation	271,247	81,994	107,242	-	460,483	-	460,483
Other Impairment losses	4,551	-	35,677	-	40,228	-	40,228
Other Impairment losses reversals	(7,678)	(3,219)	(1,099)	-	(11,996)	-	(11,996)
Provisions - Increase due to creation	40,593	-	3,449	-	44,042	-	44,042
Provisions - Decrease due to usage/release	(95,532)	(12,057)	(8,069)	-	(115,658)	-	(115,658)

* excluding acquisitions, including lease additions

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



1.1.2019 – 30.9.2019	CzechoSlovakia	Adriatic	Fresh & Herbs	Other*	Subtotal	Consolidation adjustments	Total
Re-presented	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
Revenue	3,478,532	1,012,474	507,507	-	4,998,513	(105,259)	4,893,254
External revenue – excl. services	3,356,895	1,005,037	486,698	-	4,848,630	-	4,848,630
External revenue – services	20,594	4,032	19,998	-	44,624	-	44,624
Inter-segment revenue	101,043	3,405	811	-	105,259	(105,259)	-
Operating expenses	(3,051,581)	(903,729)	(610,027)	(551)	(4,565,888)	105,259	(4,460,629)
Related to external revenue	(2,950,538)	(900,324)	(609,216)	(551)	(4,460,629)	-	(4,460,629)
Related to inter-segment revenue	(101,043)	(3,405)	(811)	-	(105,259)	105,259	-
Operating profit/(loss)	426,951	108,745	(102,520)	(551)	432,625	-	432,625
Finance income/(costs), net	38,294	11,476	(11,047)	85	38,808	(130,226)	(91,418)
- within segment	(84,390)	(1,085)	(6,028)	85	(91,418)	-	(91,418)
- inter-segment	122,684	12,561	(5,019)	-	130,226	(130,226)	-
Profit/(loss) before income tax	465,245	120,221	(113,567)	(466)	471,433	(130,226)	341,207
Income tax (expense)/benefit	(92,828)	(25,908)	3,358	-	(115,378)	-	(115,378)
Profit/(loss) for the period	372,417	94,313	(110,209)	(466)	356,055	(130,226)	225,829
EBITDA**	675,442	181,283	(13,781)	(551)	842,393	-	842,393
One-offs (A 1.1.1)	17,588	(5,099)	5,330	-	17,819	-	17,819
Adjusted EBITDA (A 1.1.1)	693,030	176,184	(8,451)	(551)	860,212	-	860,212

* Other doesn't represent a separate segment, but reconciling item to the consolidated statement of profit or loss.

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

Other segment information (1.1.2019 – 30.9.2019)	CzechoSlovakia	Adriatic	Fresh & Herbs	Other	Subtotal	Consolidation adjustments	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
Additions to PPE and Intangible assets*	350,635	112,659	258,942	-	722,236	-	722,236
Depreciation and amortisation	248,491	72,538	88,739	-	409,768	-	409,768
Other Impairment losses	12,874	308	628	-	13,810	-	13,810
Other Impairment losses reversals	(5,796)	(368)	(921)	-	(7,085)	-	(7,085)
Provisions - Increase due to creation	48,920	-	4,888	-	53,808	-	53,808
Provisions - Decrease due to usage/release	(61,976)	(7,974)	(5,685)	-	(75,635)	-	(75,635)

* excluding acquisitions, including lease additions

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



PRODUCT LINES (CONTINUING OPERATIONS)

1.1.2020 - 30.9.2020	Carbonated beverages CZK '000	Non-carbonated beverages CZK '000	Waters CZK '000	Syrups CZK '000	Fresh bars & Salads CZK '000	Other CZK '000	Total CZK '000
Revenue	1,883,719	442,877	1,610,350	366,661	200,369	329,430	4,833,406
External revenue – excl. services	1,883,719	442,877	1,610,350	366,661	192,273	300,841	4,796,721
External revenue – services	-	-	-	-	8,096	28,589	36,685
1.1.2019 - 30.9.2019	Carbonated beverages CZK '000	Non-carbonated beverages CZK '000	Waters CZK '000	Syrups CZK '000	Fresh bars & Salads CZK '000	Other CZK '000	Total CZK '000
Revenue	2,039,451	521,377	1,401,971	347,799	309,596	273,060	4,893,254
External revenue – excl. services	2,039,451	521,377	1,401,971	347,799	290,739	247,293	4,848,630
External revenue – services	-	-	-	-	18,857	25,767	44,624

INFORMATION ABOUT GEOGRAPHICAL AREAS — REVENUE PER END CUSTOMER (CONTINUING OPERATIONS)

1.1.2020 - 30.9.2020	Czech Republic CZK '000	Slovakia CZK '000	Slovenia CZK '000	Croatia CZK '000	Poland CZK '000	Other CZK '000	Total CZK '000
Revenue	2,592,518	1,269,101	579,989	254,068	48,895	88,835	4,833,406
External revenue – excl. services	2,571,882	1,256,043	577,761	254,042	48,895	88,098	4,796,721
External revenue – services	20,636	13,058	2,228	26	-	737	36,685
1.1.2019 - 30.9.2019	Czech Republic CZK '000	Slovakia CZK '000	Slovenia CZK '000	Croatia CZK '000	Poland CZK '000	Other CZK '000	Total CZK '000
Revenue	2,487,028	1,314,868	631,533	304,829	44,008	110,988	4,893,254
External revenue – excl. services	2,457,275	1,304,028	629,052	304,803	44,008	109,464	4,848,630
External revenue – services	29,753	10,840	2,481	26	-	1,524	44,624
Non-current assets (excluding financial assets and deferred tax assets)	Czech Republic CZK '000	Slovakia CZK '000	Slovenia CZK '000	Croatia CZK '000	Poland CZK '000	Other CZK '000	Total CZK '000
30.9.2020	3,437,796	1,148,708	680,580	204,857	216,697	-	5,688,638
31.12.2019	2,179,259	1,008,033	644,678	191,099	235,760	-	4,258,829

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 2019, about 20.1% (19.5% in 2018) of revenue from continuing operations was earned in the 1st quarter, with 27.2% (28.1% in 2018), 29.0% (29.1% in 2018) and 23.7% (23.3% in 2018) 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”.

KOFOLA ČESKOSLOVENSKO GROUP

Interim consolidated financial statements for the nine-month period ended 30 September 2020
In accordance with IAS 34 as adopted by EU

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.2. REVENUE (CONTINUING OPERATIONS)

Revenue streams, Timing of revenue recognition	9M20 CZK'000	9M19 CZK'000
Revenue from contracts with customers		
- Sales of finished products/goods/materials (transferred at a point in time)	4,796,721	4,848,630
- Sales of transportation services (transferred over time)	8,928	8,043
- Franchise licences (transferred over time)	8,204	18,857
- Sales of other services (transferred over time)	19,553	17,724
Total revenue	4,833,406	4,893,254

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

Loss allowances on receivables arising from contracts with customers are not material.

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 (CONTINUING OPERATIONS)

Expenses by nature	9M20 CZK'000	9M19 CZK'000
Depreciation of Property, plant and equipment and amortisation of Intangible assets	460,483	409,768
Employee benefits expenses (i)	988,436	1,011,434
Consumption of materials and energy, cost of goods and materials sold	1,997,980	2,015,856
Services	862,680	897,639
Rental costs	58,368	63,884
Taxes and fees	61,046	48,836
Insurance costs	13,290	11,303
Inventory write-down/(back)	(903)	(1,153)
Change in allowance to receivables	6,086	11,970
Change in finished products and work in progress	(33,124)	(29,261)
Other costs	1,563	11,932
Total expenses by nature*	4,415,905	4,452,208
Depreciation recognized in Other operating expenses	(9,341)	(7,513)
Reconciliation of expenses by nature to expenses by function	4,406,564	4,444,695
Costs of sales	2,562,697	2,526,804
Selling, marketing and distribution costs	1,527,476	1,586,947
Administrative costs	316,391	330,944
Total costs of products and services sold, merchandise and materials, sales costs and administrative costs	4,406,564	4,444,695

* Excluding Other operating expenses (except for depreciation) and Impairment.

Higher depreciation and amortisation expense is connected with capital expenditures realized in 2019 and 2020, but also with brands recognized on the acquisition of subsidiaries. Employee benefits expenses decreased mainly due to lower provisions for bonuses, lower liabilities for untaken holiday, savings resulting from reaction to COVID-19 and option scheme (year 2019 was the last year of the programme). Direct material costs, costs of goods sold, energy costs and services decreased mainly due to COVID-19 pandemic situation, material costs decreased also due to lower PET prices. Taxes and fees increased as a result of higher excise duties on sugar in the Adriatic region.

(i) Employee benefits expenses

Employee benefits expenses	9M20 CZK'000	9M19 CZK'000
Salaries	736,338	750,556
Social security and other benefit costs (including healthcare insurance)	116,965	124,630
Pension benefit plan expenses	135,133	136,248
Total employee benefits expenses	988,436	1,011,434

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.4. OTHER OPERATING INCOME (CONTINUING OPERATIONS)

Other operating income	9M20 CZK'000	9M19 CZK'000
Net gain from the sale of PPE and Intangible assets	9,991	10,688
Release of impairment of Property, plant and equipment	1,006	-
Reinvoiced payments	-	2,783
Subsidies, grants and government support	18,945	466
Compensation claims	3,699	3,086
Write-off liabilities	283	45
Penalties and compensation for damages	519	1,384
Other tax income	227	196
Release of provisions	-	67
Write-off of advances received for the returnable packages	5,633	-
Other	8,521	1,386
Total other operating income	48,824	20,101

In 9M20, the Subsidies, grants and government support contain mainly the support related to COVID-19 pandemic situation.

4.5. OTHER OPERATING EXPENSES (CONTINUING OPERATIONS)

Other operating expenses	9M20 CZK'000	9M19 CZK'000
Net loss from disposal of PPE and Intangible assets	174	113
Provided donations, sponsorship	4,746	3,701
Penalties and damages	996	538
Other tax expenses	70	141
Advisory costs	13,147	17,588
Costs connected with inactive plant in Poland*	13,702	12,406
Restructuring costs**	36,233	-
Costs on integration of new subsidiaries	4,424	-
Costs on support of the parties impacted by COVID-19	5,876	-
Other	7,032	1,548
Total other operating expenses	86,400	36,035

* Mainly depreciation expense, property taxes, consumption of energy. ** Mainly payroll expenses.

4.6. FINANCE INCOME (CONTINUING OPERATIONS)

Finance income	9M20 CZK'000	9M19 CZK'000
Interest from:		
– bank deposits	29	255
– credits and loans granted	12	-
– bonds	979	1,616
– receivables	139	-
Exchange gains	59,245	1,521
Derivatives	-	1,923
Other	283	416
Total finance income	60,687	5,731

Significant increase of Exchange gains is mainly an effect of FX gains arising on Company's EUR receivables.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.7. FINANCE COSTS (CONTINUING OPERATIONS)

Finance costs	9M20 CZK'000	9M19 CZK'000
Interest from:		
– bank loans and credits	71,466	78,078
– lease	10,411	7,992
– other	122	133
Exchange losses	1,171	1,588
Bank costs and charges	6,818	9,335
Derivatives	2,197	-
Other	19	23
Total finance costs	92,204	97,149

4.8. INCOME TAX (CONTINUING OPERATIONS)

4.8.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

Main income tax elements for the nine-month period ended 30 September 2020 and 30 September 2019 were as follows:

Income tax	9M20 CZK'000	9M19 CZK'000
Current income tax expense/(benefit)	90,702	107,376
Current income tax on profits for the periods	88,322	105,374
Adjustments for current income tax of prior periods	1,320	67
Other	1,060	1,935
Deferred income tax expense/(benefit)	17,303	8,002
Related to arising and reversing of temporary differences	5,804	(6,424)
Related to tax losses	11,499	14,426
Income tax expense/(benefit)	108,005	115,378

The income tax rate applicable to the majority of the Group's income is 19%.

4.8.2 INCOME TAX RECOGNISED DIRECTLY IN EQUITY

Income tax elements for the nine-month period ended 30 September 2020 and 30 September 2019 were as follows:

Income tax recognised directly in equity	9M20 CZK'000	9M19 CZK'000
Deferred income tax	(4,813)	(40)
Tax from Cash flow hedges	(4,813)	(40)
Income tax recognised directly in equity	(4,813)	(40)

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 Group because it didn't issue any of above-mentioned financial instruments.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Information used to calculate basic earnings per share is presented below:

Weighted average number of ordinary shares	9M20	9M19
	Pcs	Pcs
Weighted average number of ordinary shares for EPS calculation	22,291,948	22,291,948
Effect of own shares in possession of the Company	(1,708)	-
Weighted average number of ordinary shares used to calculate basic earnings per share	22,290,240	22,291,948

Based on the above information, the basic earnings per share amounts to:

Basic earnings per share (continuing operations)	9M20	9M19
Profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s. (CZK '000)	224,086	231,836
Weighted average number of ordinary shares used to calculate basic earnings per share (pcs)	22,290,240	22,291,948
Basic earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK/share)	10.05	10.40

Basic earnings per share (continuing and discontinued operations)	9M20	9M19
Profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s. (CZK '000)	224,086	348,729
Weighted average number of ordinary shares used to calculate basic earnings per share (pcs)	22,290,240	22,291,948
Basic earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK/share)	10.05	15.64

4.10. PROPERTY, PLANT AND EQUIPMENT

The additions to Property, plant and equipment were of CZK 803,229 thousand in the reporting period of nine months ended 30 September 2020 (including the net book value of assets arising due to acquisition of subsidiaries and lease additions).

The most significant additions realized by the Group in 9M20 were represented by assets arising from the acquisition of subsidiaries of CZK 355,510 thousand and investments into the production machinery, warehouse, returnable packages and new premises capitalized under IFRS 16 (leases).

The additions to Property, plant and equipment were of CZK 719,117 thousand in the nine-month period ended 30 September 2019 (including lease additions and additions from acquisitions of subsidiaries). The most significant additions were mainly caused by the effect of the initial application of IFRS 16, purchases of cars, production machinery and returnable packages and assets from acquisition of Espresso s.r.o. Items of Property, plant and equipment disposed in relation to sale of Hoop Polska had the carrying amount of CZK 192,735 thousand.

The impairment in the amount of CZK 35,399 thousand was charged to the items of Property, plant and equipment related to the production of UGO bottles (mainly the production line). The recoverable amount in relation to this impairment was determined as fair value less costs of disposal.

4.11. INTANGIBLE ASSETS

The Goodwill consists of the goodwill from acquisition of PINELLI spol. s r.o. 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. in March 2018, goodwill from acquisition of Minerálka s.r.o. in June 2018, goodwill from acquisition of Espresso s.r.o. in July 2019, goodwill from acquisition of F.H.Prager s.r.o. in January 2020 and goodwill from acquisition of ONDŘÁŠOVKA a.s. and Karlovarská Korunní s.r.o. in April 2020.

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, Citrocola, Semtex energy drink, Erektus, UGO, Premium Rosa, Leros, Café Reserva, Prager ciders and lemonades, Ondrášovka and Korunní.

In the reporting period of nine months ended 30 September 2020, the additions to intangible assets were of CZK 992,691 thousand (including the net book value of assets arising due to acquisition of subsidiaries). The most significant additions were connected with the acquisition of subsidiaries (Goodwill of CZK 541,373 thousand, Brands of CZK 442,302 thousand) and investments to SAP.

In the reporting period of nine months ended 30 September 2019, the additions to intangible assets (including additions from acquisitions of subsidiaries) were of CZK 88,004 thousand. The most significant addition were connected with acquisition of

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Espresso s.r.o. and technical enhancement of SAP software. The most significant disposals were connected with the sale of Hoop Polska (carrying amount of CZK 107,265 thousand).

4.12. BANK CREDITS AND LOANS

INDEBTEDNESS OF THE GROUP FROM THE CREDITS AND LOANS

As at 30 September 2020, the Group's total bank loans and credits amounted to CZK 3,846,347 thousand (as at 31 December 2019: CZK 3,012,962 thousand). Increase of the balance is attributable mostly to the loan received in connection with the acquisition of ONDRÁŠOVKA a.s. and Karlovarská Korunní s.r.o. From the total balance of Repayment of loans and bank credits presented within the Condensed consolidated statement of cash flows (Note 1.4), amount of CZK 340,691 thousand represents the decrease of Group's overdraft.

The Facility loan agreement as amended (which refinanced loans at that time, served for a loan financing of RADENSKA d.o.o. acquisition and also the acquisition of ONDRÁŠOVKA a.s. and Karlovarská Korunní s.r.o.) with carrying amount of CZK 3,834,254 thousand as at 30 September 2020 (as at 31 December 2019: CZK 2,651,759 thousand) was 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 and taking advantage of the favourable conditions of financial market.

In relation to financing of ONDRÁŠOVKA a.s. and Karlovarská Korunní s.r.o. acquisitions, the Group has drawn a loan in the amount of CZK 1,138,000 thousand in April 2020.

CREDIT TERMS AND TERMS AND CONDITIONS

Based on credit agreements, the Group 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.

4.13. FUTURE COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As at 30 September 2020, the Group companies provided the following guarantees for third party entities:

Entity providing guarantees	Entity receiving guarantees	Currency	Guarantee amount FCY'000	Guarantee amount CZK'000	Guarantee period	Guarantees provided for	Relationship
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR	1,704	46,366	12/2022	SANTA-TRANS.SK, s.r.o.	third party
Total guarantees issued as at 30.9.2020				46,366*			

* The fair value of the guarantees is close to zero (fair valuation in level 3).

As at 31 December 2019 the Group companies provided the following guarantees for third party entities:

Entity providing guarantees	Entity receiving guarantees	Currency	Guarantee amount FCY'000	Guarantee amount CZK'000	Guarantee period	Guarantees provided for	Relationship
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR	2,272	57,732	12/2022	SANTA-TRANS.SK, s.r.o.	third party
Total guarantees issued as at 31.12.2019				57,732*			

* The fair value of the guarantees is close to zero (fair valuation in level 3).

4.14. 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. This denationalisation claims have been in the process of being decided on from the year 1993 onward. After several turns in the process the Constitutional court in 2018 reversed the decisions of the authorities adopted by then which prevented the denationalization beneficiaries from denationalization for legal reasons and returned the matter to the first instance authority. Upon such decision the administrative unit Gornja Radgona as the first instance authority resumed with the process in 2018. In the resumed process the authority, in several partial decisions issued so far in 2018, 2019 and 2020, found the denationalization beneficiaries are entitled to denationalization, however, not in the form of in-kind return of property, for which RADENSKA would be liable, but merely in the form of compensation, which is paid from the Republic of Slovenia and neutral with respect

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



to RADENSKA. In part the denationalisation claims were rejected for lack of merit. Such decisions of the authorities effectively mean that the beneficiary is not entitled to in-kind return of property and therefore neither RADENSKA nor Kofola are obliged to any compensation payment. However, we note that such decisions are not final and thus, in theory, there's still the risk that RADENSKA's enterprise would need to be returned to the beneficiaries together with significant compensation payments, if the current decisions would be reversed later in the process. RADENSKA is therefore still actively participating in the process and protecting its interests.

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 significant 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, a material effect on the financial position or profitability of the Company and/or the Group.

4.15. RELATED PARTY TRANSACTIONS

4.15.1 SHAREHOLDERS STRUCTURE

Share capital structure	30.9.2020			31.12.2019		
	Name of entity	Number of shares	% in share capital	% in voting rights	Number of shares	% in share capital
AETOS a.s.	14,984,204	67.22	70.75	14,984,204	67.22	70.75
RADENSKA d.o.o.	1,113,977	5.00	0.00	1,114,010	5.00	0.00
Others	6,193,767	27.78	29.25	6,193,734	27.78	29.25
Total	22,291,948	100.00	100.00	22,291,948	100.00	100.00

As at 30 September 2020, the registered share capital of Kofola ČeskoSlovensko a.s. totalled CZK 1,114,597,400 (as at 31 December 2019: CZK 1,114,597,400) and comprised 22,291,948 (as at 31 December 2019: 22,291,948) common registered shares with a nominal value of CZK 50 (as at 31 December 2019: CZK 50) each, issued as book-entry shares under Czech law in particular under the Czech Companies Act, with the ISIN CZ0009000121.

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

On 9 July 2020, 33 shares have been granted from own shares (in possession of RADENSKA) to the external provider as a compensation for services provided by this external party. These shares were originally purchased by RADENSKA in a public tender offer on the stock market mainly from CED GROUP S.à r.l. with an individual share price of CZK 440.

On 14 August 2019, 99 shares have been granted from own shares (in possession of RADENSKA) to the external providers as a compensation for services provided by these external parties. These shares were originally purchased by RADENSKA in a public tender offer on the stock market mainly from CED GROUP S.à r.l. with an individual share price of CZK 440.

On 26 March 2019, AETOS a.s. sold 175,000 shares of the Company to a Czech investor at a price per share of CZK 311. The free float increased to 27.78%.

COURSE OF PURCHASE OF OWN SHARES

On 5 March 2020, the Company announced the share buy-back programme for the purpose of share option plan.

The sole purpose of the acquisition of own shares by the Company was to meet obligations arising from share option programmes, or other allocations of shares, to employees or to members of the administrative, management or supervisory bodies of the Company or of an associate company.

Maximum number of shares to be acquired amounted up to 19,759 shares of the Company which may had been acquired for a maximum total consideration (excluding incidental transaction charges) of up to CZK 5,600,000. The shares could have been acquired up until April 30, 2020.

The Company has concluded a contract with Česká spořitelna, a.s. for the purpose of execution of the acquisitions of its own shares. Pursuant to this contract, execution of the acquisitions of its own shares took place independently of the Company

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

and without its influence, and only on regulated markets in accordance with the respective legal regulations and rules of these markets.

Course of purchase with a total purchase price of CZK 4,410 thousand was completed on March 20, 2020:

- Purchases 5 March-12 March 2020 (purchased 12,547 shares – 63.5%), weighted average price CZK 233.7 per share.
- Purchases 13 March-20 March 2020 (purchased 7,212 shares – 36.5%), weighted average price CZK 200.3 per share.

In March and April 2020, 19,748 shares with costs of CZK 4,408 thousand have been granted to the participants of the share option plan.

4.15.2 REMUNERATION OF THE GROUP'S KEY MANAGEMENT PERSONNEL

Presented below is the structure of the remuneration paid out to persons with executive authority in 9M20 and 9M19.

Remuneration of the Group's key management personnel 9M20		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	20,397	-	-	-	20,397
	Non-financial	2,504	-	-	-	2,504
Amounts paid for activities in the Company's Supervisory Board	Financial	-	900	-	-	900
	Non-financial	-	215	-	-	215
Amounts paid for activities in the Company's Audit Committee	Financial	-	-	216	-	216
	Non-financial	-	-	-	-	-
Amounts paid for other activities within the Group	Financial	5,477	6,653	1,508	11,573	25,211
	Non-financial	997	585	43	1,362	2,987

Remuneration of the Group's key management personnel 9M19		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	18,063	-	-	-	18,063
	Non-financial	704	-	-	-	704
Amounts paid for activities in the Company's Supervisory Board	Financial	-	900	-	-	900
	Non-financial	-	163	-	-	163
Amounts paid for activities in the Company's Audit Committee	Financial	-	-	216	-	216
	Non-financial	-	-	-	-	-
Amounts paid for other activities within the Group	Financial	4,228	4,343	1,005	10,431	20,007
	Non-financial	-	270	43	151	464

4.15.3 OTHER RELATED PARTY TRANSACTIONS

The short-term loan of CZK 202,287 thousand was provided to the parent company in June 2019 and was repaid in July 2019. Interest rate was concluded at market terms and was fixed.

Except for above stated, there were no other transactions concluded with the Group's related parties (those outside the consolidation group) in 9M20 and 9M19.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.16. FINANCIAL INSTRUMENTS

4.16.1 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.

30.9.2020	Financial assets at amortised cost CZK'000	Derivatives at fair value through OCI CZK'000	Financial liabilities at amortised cost CZK'000	Total CZK'000
Trade and other receivables	1,019,818	-	-	1,019,818
Cash and cash equivalents	771,938	-	-	771,938
Derivatives (i)	-	(18,546)	-	(18,546)
Bank credits and loans	-	-	(3,846,347)	(3,846,347)
Lease liabilities	-	-	(467,527)	(467,527)
Trade and other payables	-	-	(1,440,591)	(1,440,591)
Total	1,791,756	(18,546)	(5,754,465)	(3,981,255)

(i) Fair value of derivatives

In 2018, the Group concluded an interest rate swaps (IRS) contract and established a hedge accounting and revaluation of derivatives in relation to the effective portion of the hedging relationship is accounted through Other comprehensive income (OCI).

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.

31.12.2019	Financial assets at amortised cost CZK'000	Derivatives at fair value through OCI CZK'000	Financial liabilities at amortised cost CZK'000	Total CZK'000
Trade and other financial receivables	1,148,603	-	-	1,148,603
Cash and cash equivalents	774,495	-	-	774,495
Derivatives (ii)	-	6,786	-	6,786
Bank credits and loans	-	-	(3,012,962)	(3,012,962)
Lease liabilities	-	-	(419,791)	(419,791)
Trade and other financial liabilities	-	-	(1,311,659)	(1,311,659)
Total	1,923,098	6,786	(4,744,412)	(2,814,528)

(ii) Fair value of derivatives

In 2018, the Group concluded an interest rate swaps (IRS) contract and established a hedge accounting and revaluation of derivatives in relation to the effective portion of the hedging relationship is accounted through Other comprehensive income.

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.

4.17. ACQUISITION OF SUBSIDIARIES

ACQUISITION OF SUBSIDIARIES ONDRÁŠOVKA A.S. AND KARLOVARSKÁ KORUNNÍ S.R.O.

Both acquired companies represent, in line with IAS 36, one cash-generating unit.

On April 14, 2020, the Company concluded an agreement to purchase a 100% stake in ONDRÁŠOVKA a.s. and Karlovarská Korunní s.r.o., producers of the mineral waters.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	354,073	-	354,073
Intangible assets	7,022	427,253	434,275
Deferred tax assets	6,257	-	6,257
Inventories	56,104	-	56,104
Trade receivables and other receivables	87,296	-	87,296
Cash and cash equivalents	48,095	-	48,095
Issued bonds (non-current)	(88,008)	(15,792)	(103,800)
Bank credits and loans (non-current)	(57,820)	-	(57,820)
Lease liabilities (non-current)	(19,694)	-	(19,694)
Deferred tax liabilities	(5,889)	(81,178)	(87,067)
Other liabilities (non-current)	(21,000)	-	(21,000)
Lease liabilities (current)	(8,414)	-	(8,414)
Trade liabilities and other liabilities	(120,520)	-	(120,520)
Total identifiable net assets acquired	237,502	330,283	567,785

The following table summarizes the consideration transferred, net assets acquired and goodwill.

Goodwill calculation	CZK'000
Consideration transferred	1,105,824
Net assets acquired	567,785
Goodwill	538,039

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 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 for the period since the acquisition amounted to CZK 366,476 thousand. Profit or loss for the period since the acquisition is not presented due to immateriality.

ACQUISITION OF SUBSIDIARY F.H.PRAGER S.R.O.

On January 7, 2020, the Company concluded an agreement to purchase a 100% stake in F.H.Prager s.r.o., a producer and distributor of cider drinks.

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	766	-	766
Intangible assets	-	8,027	8,027
Inventories	1,856	-	1,856
Trade receivables and other receivables	461	-	461
Cash and cash equivalents	29	-	29
Bank credits and loans	(443)	-	(443)
Deferred tax liability	-	(1,525)	(1,525)
Trade liabilities and other liabilities	(9,360)	-	(9,360)
Provisions	(144)	-	(144)
Total identifiable net assets acquired	(6,835)	6,502	(333)

The following table summarizes the consideration transferred, net assets acquired and goodwill.

Goodwill calculation	CZK'000
Consideration transferred	3,000
Net assets acquired	(333)
Goodwill	3,333

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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 result for the period since the acquisition are not presented in this note because they are immaterial.

ACQUISITION OF SUBSIDIARY ESPRESSO S.R.O.

On July 9, 2019, the Company concluded an agreement to purchase a 100% stake in Espresso s.r.o., a distributor of high-quality coffee (Café Reserva) and teas (Dilmah).

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	10,459	-	10,459
Intangible assets	-	67,200	67,200
Deferred tax assets	269	(269)	-
Inventories	18,091	(3,137)	14,954
Trade receivables and other receivables	5,802	(624)	5,178
Cash and cash equivalents	3,196	-	3,196
Lease liabilities	(6,976)	-	(6,976)
Other liabilities	(5,029)	-	(5,029)
Deferred tax liability	-	(12,768)	(12,768)
Trade liabilities and other liabilities	(9,725)	(835)	(10,560)
Total identifiable net assets acquired	16,087	49,567	65,654

The following table summarizes the consideration transferred, net assets acquired and goodwill.

Goodwill calculation	CZK'000
Consideration transferred	77,745
Net assets acquired	65,654
Goodwill	12,091

4.18. DISCONTINUED OPERATIONS

4.18.1 HOOP POLSKA

On 18 March 2019, the Group sold Hoop Polska Sp. z o.o. to ZMB Capital Sp. z o.o. Based on this fact, the consolidated statement of profit or loss is divided into continuing and discontinued operations. Profit from discontinued operations for the period of nine months ended 30 September 2019 contains the loss attributable to Hoop Polska Sp. z o.o. for the period since 1 January 2019 till 18 March 2019 of CZK 13,373 thousand, the income arising from the release of the cumulated foreign currency translation reserve attributable to Hoop Polska Sp. z o.o. of CZK 81,422 thousand and the gain on sale of CZK 7,979 thousand. The second final part of the transaction price was received in February 2020.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

Financial information relating to the discontinued operation for the nine months ended 30 September 2019 is set out below.

Analysis of the result from discontinued operation	9M19 CZK'000
Revenue	157,203
Expenses	(170,576)
Gain on sale of the subsidiary	7,979
Income on release of the foreign currency translation reserve ("FCTR")	81,422
Profit before tax from discontinued operation	76,028
Profit from discontinued operation	76,028
Exchange differences on translation of discontinued operation	(81,422)
Other comprehensive income from discontinued operation	(81,422)
Earnings per share for profit from discontinued operation attributable to the ordinary equity holders of the Company (in CZK)	3.41

Analysis of the cash flows from discontinued operation	9M19 CZK'000
Cash flows from operating activities	29,850
Cash flows from investing activities	(1,716)
Cash flows from financial activities	(2,655)

DETAILS OF THE SALE OF THE SUBSIDIARY

Analysis of gain on sale	CZK'000
Total consideration	210,422
Carrying amount of net assets sold	202,443
Gain on sale	7,979

4.18.2 MEGAPACK

OOO MEGAPACK was sold on 18 December 2019 (sale transaction became effective on 25 December 2019). As such, the transactions related to Megapack were also presented as a part of discontinued operations. Profit from discontinued operations for the period of nine months ended 30 September 2019 contains Share of profit of equity accounted investee of CZK 40,865 thousand. Transaction price was received in January 2020.

Financial information relating to the discontinued operation for the nine months ended 30 September 2019 is set out below.

Equity accounted investee's revenue and result	9M19 CZK'000
Revenue	405,966
Profit/(loss) for the period	81,730
Share of profit/(loss) attributable to Kofola ČeskoSlovensko group	40,865

Analysis of the result from discontinued operation	9M19 CZK'000
Share of profit of equity accounted investee	40,865
Profit before tax from discontinued operation	40,865
Profit from discontinued operation	40,865
Exchange differences on translation of discontinued operation	9,405
Other comprehensive income from discontinued operation	9,405
Earnings per share for profit from discontinued operation attributable to the ordinary equity holders of the Company (in CZK)	1.83

Earnings per share for profit attributable to the ordinary equity holders of the Company in relation to Megapack and Hoop Polska discontinued operations for 9M19 amounted to CZK 5.24 per share.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



4.19. SUBSEQUENT EVENTS

The General Meeting has, based on distant votes between 2 November 2020 and 18 November 2020, approved a distribution of dividends in the amount of CZK 13.5 per share, i.e. CZK 285,902 thousand (excluding own shares owned by the Group).

COVID-19

Due to negative effects of COVID-19 related emergency situation, the Group has decided to implement economical measures that lead to significant savings across all relevant Group activities, including unpleasant partial reduction of the number of Group employees. We tightly manage our costs and allocate resources to the areas where it can be the most effective. Capital expenditure has been paused or is used for what is essential or has already been committed.

On 27 April 2020, the Company utilized the governmental measures related to COVID-19 situation and has prolonged the bank loan repayment schedule by 6 months. So called "protection period" ended on 31 October 2020. As a result, planned repayments of CZK 108,825 thousand in 2Q20 and CZK 108,825 thousand in 3Q20 were postponed.

We have been witnesses to the second wave of COVID-19 pandemic precautions which was again connected with the declaration of the state of emergency. As of the date of this report, the future development is unsure. With the information about successful result with the new vaccines we become more optimistic with the expectation that the market will gradually revive, however we are also prepared for other potential fluctuations, and for such a case we have sufficient financial resources. We are reflecting the COVID-19 impacts into our daily operations, targets and strategies. From the operational point of view, we can confirm that there neither have been nor are expected any substantial difficulties in the production process, business operations, financial management or our suppliers/customers chains.

We have an open and long-term relationship with our supportive banking group to whom we communicate our business outlook.

Management concluded that the range of possible outcomes considered at arriving at this judgement does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

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 and this report.

STATUTORY DECLARATION AND APPROVAL FOR PUBLICATION



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

To the best of our knowledge, the interim report of Kofola ČeskoSlovensko a.s. gives a true and fair view of the financial position, business activities and financial performance of Kofola ČeskoSlovensko Group for the reported period ended 30 September 2020.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES

25.11.2020	Janis Samaras	Chairman of the Board of Directors	
<i>date</i>	<i>name and surname</i>	<i>position/role</i>	<i>signature</i>
25.11.2020	René Musila	Vice-Chair of the Board of Directors	
<i>date</i>	<i>name and surname</i>	<i>position/role</i>	<i>signature</i>
25.11.2020	Daniel Buryš	Vice-Chair of the Board of Directors	
<i>date</i>	<i>name and surname</i>	<i>position/role</i>	<i>signature</i>
25.11.2020	Martin Pisklák	Member of the Board of Directors	
<i>date</i>	<i>name and surname</i>	<i>position/role</i>	<i>signature</i>
25.11.2020	Martin Mateáš	Member of the Board of Directors	
<i>date</i>	<i>name and surname</i>	<i>position/role</i>	<i>signature</i>
25.11.2020	Marián Šefčovič	Member of the Board of Directors	
<i>date</i>	<i>name and surname</i>	<i>position/role</i>	<i>signature</i>

