This version of consolidated annual report has not been prepared in a single electronic reporting format ("the ESEF") and represents unofficial version of the official consolidated annual report published in accordance with ESEF in XHTML format. The Company made all the steps to ensure this version fully corresponds with the original version, except for usage of machine readable XBRL tagging, which are included only in the official XHTML version. In case of any difference in the presented information, opinions or interpretations the official version in XHTML format is legally binding.

The official consolidated annual report prepared in ESEF format is accessible on the following link: [https://investor.kofola.cz.](https://investor.kofola.cz)

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kofola


RAJEC
Vinea
kofola

1. KOFOLA AT A GLANCE

KOFOLA GROUP

one of top producers of branded non-alcoholic beverages in Central and Eastern Europe

CZK 6.6 BN 2021
REVENUES

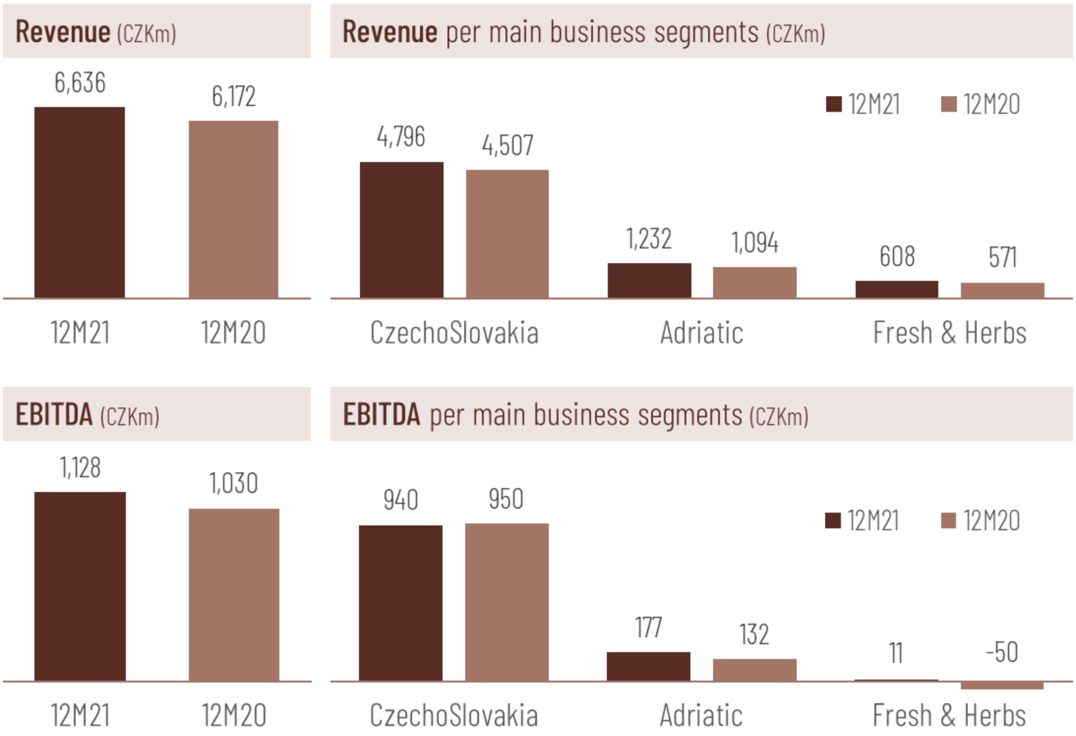
11
PRODUCTION PLANTS

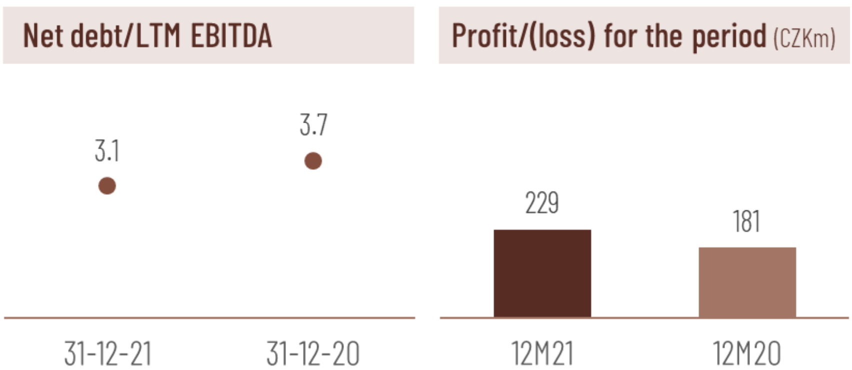
2,006
EMPLOYEES

LISTED ON
PRAGUE STOCK EXCHANGE

CZECHIA	SLOVAKIA	SLOVENIA	CROATIA
No. 2 player in the soft drinks market	**No. 1** player in the soft drinks market	**No. 1** player in the soft drinks market	**No. 2** water brand
No. 2 water brand	**No. 1** water brand	**No. 1** water brand	

FOR THE 12M PERIOD





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

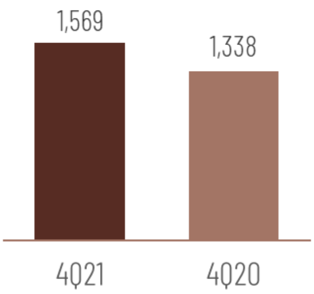
1. KOFOLA AT A GLANCE

MAIN INFORMATION IN 2021:

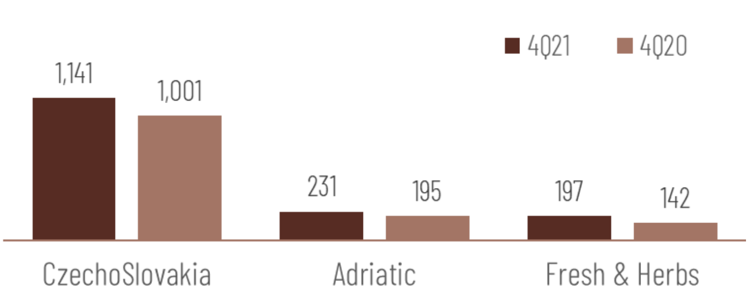
- GROUP´S REVENUE INCREASED BY CZK 464.7 MIL. (7.5%).
- GROUP´S EBITDA INCREASED BY CZK 97.8 MIL. (9.5%).
- OUTSTANDING RESULTS CONSIDERING THE SIGNIFICANT NEGATIVE COVID-19 IMPACT IN FIRST HALF OF THE YEAR.
- SIGNIFICANT SAVINGS IN CAPEX.
- NET PROFIT INCREASED BY CZK 47.7 MIL (26.3%).
- DEMONSTRATION OF STRENGTH OF THE GROUP'S PORTFOLIO AND CUSTOMERS' LOYALTY TO KOFOLA BRANDS DURING DIFFICULT TIMES.
- THE BEST SUMMER MONTHS RESULT EVER.

FOR THE 4Q PERIOD

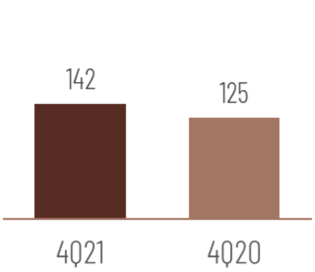
Revenue (CZKm)



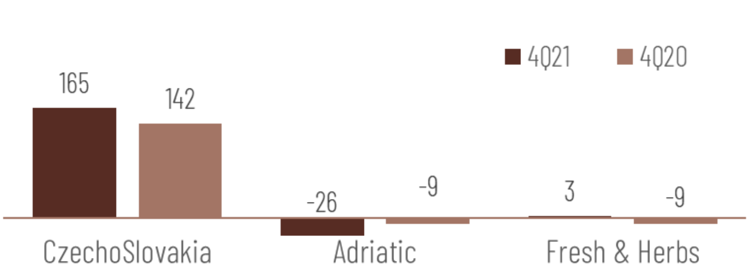
Revenue per main business segments (CZKm)



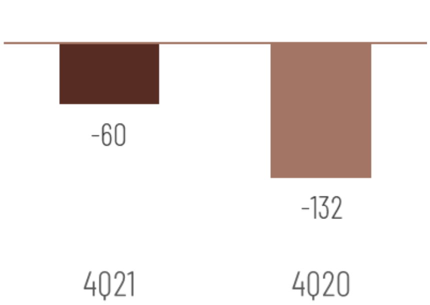
EBITDA (CZKm)



EBITDA per main business segments (CZKm)



Profit/(loss) for the period (CZKm)



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

1. KOFOLA AT A GLANCE

MAIN INFORMATION IN 4Q21:

- GROUP´S REVENUE INCREASED BY CZK 230.4 MIL. (17.2%).
- GROUP´S EBITDA INCREASED BY CZK 17.2 MIL. (13.8%).
- NO SIGNIFICANT COVID-19 RESTRICTIONS IN 4Q21 AS COMPARED TO 4Q20.
- SIGNIFICANT SAVINGS IN CAPEX.
- NET RESULT BETTER BY CZK 71.7 MIL (54.4%).
- SUCCESSFUL PERFORMANCE ALLOWED A DIVIDEND DISTRIBUTION.

2. CHAIRMAN´S STATEMENT

Dear investors,

Commenting on our results in the annual report for the last two years has felt more like a lecture on the historical events of the last century. There is a lot going on. What was true a month ago is different today. A few weeks ago, the world seemed to be returning to normal after the pandemic years. Even our sales in the first quarter of 2022 were back to 2019 levels. But then came the news from Ukraine and the world changed again.

The Russia-Ukraine conflict is something that haunts me... I experience it very personally. Perhaps because my father, my grandparents, our entire Greek family went through similar horrors of fratricidal war more than 70 years ago. It's like it's echoing somewhere in my genes now. The civil war in Greece disrupted society and I can now say with hindsight that it took two or three generations for the old wrongs to heal. For decades there are tarnished relationships, broken family ties and scars on the soul of the whole country.

I imagine that families caught up in the war in Ukraine will now have to experience something similar. I try not to give in to emotion. It is difficult, the media is influencing us, people are dying and emotions are heightened by the uncertainty of future developments.

The aftermath of all wars is long and recovery from them is difficult. But let us try not to lose faith, to overcome fear, not to succumb to despair, apathy, and excitement. Let us try to keep our emotions in check and cultivate the good in ourselves and in those around us. Because everyone's personal attitude and disposition is always the most important thing for overcoming difficult times.

But now for the results. The year 2021 was as we expected. Revenues grew by 7.5% and EBITDA exceeded CZK 1.1 billion. All this despite major Covid restrictions in the hotel, restaurant, and cafe segment. Due to rising input prices, we had to make our products more expensive and we will certainly not avoid further price increases in 2022.

As we had anticipated, bottled water sales accounted for a third of our revenues in 2021. Our portfolio was thus divided into notional thirds - sodas, waters, and other categories. From a diversification perspective, this is certainly a good thing. In particular, it reduces our cost dependence on sweeteners.

Our financial position has also stabilised and at the end of the year our debt was 3.1 times EBITDA. We partially covered the increase in interest rates with early hedging. We continue to operate with healthy working capital.

I'm probably repeating myself, but it all took a lot of work. And I want to thank our employees for that. Their efforts are extremely important to us.

Last year's biggest growth driver was the Adriatic region, particularly Croatia. We added Trepallini coffee to Slovenia and developed a special mobile app for menus, ordering, and payment in restaurants. All of this helped us grow.

Our Fresh & Herbs segment also performed well. The restructured UGO has returned to positive EBITDA and is poised for healthy growth. Herb-scented LEROS expanded its portfolio and continues its ambitious growth plan.

Kofola in Czechoslovakia remained our strongest segment. It increased sales by more than 6% and achieved EBITDA of CZK 940 million*. Our new products Targa Florio and the mineral water Kláštorná Kalcia performed very well. The Kofola brand then showed its strength, especially in the summer season. In CzechoSlovakia, we also improved our F.H. Prager handcrafted ciders and launched the Semtex Republic project, an innovative approach to Semtex brand marketing.

I am pleased that at the end of the year we signed an agreement to buy a one-third stake in General Plastic, a Slovak PET bottle recycler, and we are now awaiting approval from the competition authorities. This is an important element in our sustainable business. These days you can also see our new product in the shops - drinks in a returnable one-litre glass bottle ("Cirkulka"). Consumers can now buy Kofola, Vinea, or Rajec drinks in more environmentally-friendly packaging.

Finally, I would like to thank everyone who helped us succeed in 2021. Our consumers, customers, suppliers, and all our employees. 2022 will not be an easy year due to the macroeconomic situation, but I firmly believe that together we will once again bring it to a successful conclusion.

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

** After one-off adjustments*

3. KOFOLA GROUP

3.1. KOFOLA ČESKOSLOVENSKO

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

3.2. KOFOLA GROUP

BASIC INFORMATION

Nature of Group's operations and principal activities is production and sale of non-alcoholic beverages.

Kofola ČeskoSlovensko a.s. is part of the Kofola Group, one of the leading producers and distributors of non-alcoholic beverages in Central and Eastern Europe that belongs to the top players in CzechoSlovakia.

The Group produces its products with care and love in eleven 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" distributed in KEG which is considered as one of our most environmentally friendly packaging. The Group distributes its products through Retail, HoReCa and Impulse channels.

KEY BRANDS

Key own brands include carbonated beverages Kofola and Vinea, waters Radenska, Studenac, Rajec, Ondrášovka, Korunní and Kláštorná Kalcia, syrup Jupí, beverages for children Jupík, Semtex energy drink, UGO fresh juices and salads, Leros teas and coffee brand Café Reserva and Trepallini. 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.

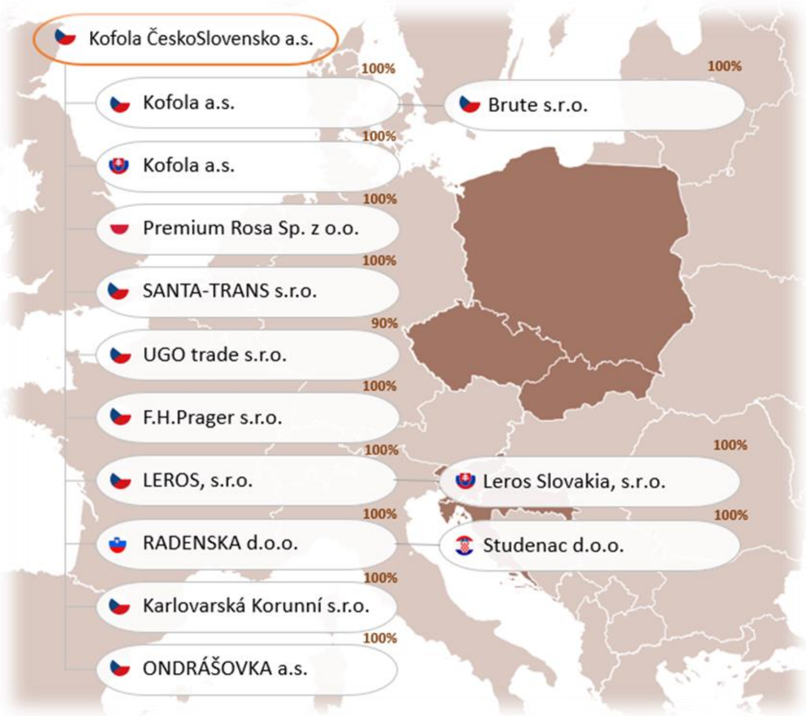
Main brands by categories are shown in the visualisation below:

CATEGORY	MAIN OWN BRANDS	DISTRIBUTED AND LICENCED BRANDS
Carbonated Beverages	kofola, Vinea, Top Topic, Chito, ora, INKA, nara	Royal Crown Cola, Orangina
Waters	RAJEC, Radenska, Kláštorná Kalcia, Studenac, studena., Korunní, Ondrášovka	evian, BADOIT, Vincentka
Non-carbonated Beverages	Jupík, PREMIUM ROSA, NASZE DOMOWE	RAUCH
Syrups	Jupí, Vocko, Lero	
Fresh & Salad Bars	UGO	
Other	SEMTEX, LEROS, CAFÉ RESERVA, PRAGER, Trepallini	Dilmah

3. KOFOLA GROUP

3.3. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2021



DESCRIPTION OF THE GROUP COMPANIES

Name of entity	Place of business	Segment (Note B 4.1)	Principal activities	Ownership interest and voting rights 31.12.2021	31.12.2020
Holding companies					
Kofola ČeskoSlovensko a.s.	Czech Republic	CzechoSlovakia	top holding company		
Alofok Ltd***	Cyprus	n/a	liquidated	n/a	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%
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%
F.H.Prager s.r.o.	Czech Republic	CzechoSlovakia	production and distribution of ciders	100.00%	100.00%
Minerálka s.r.o. - in liquidation*	Slovakia	CzechoSlovakia	liquidated	n/a	100.00%
ONDRÁŠOVKA a.s.	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Karlovarská Korunní s.r.o.	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Brute s.r.o.**	Czech Republic	CzechoSlovakia	marketing activities	100.00%	n/a
Transportation					
SANTA-TRANS s.r.o.	Czech Republic	CzechoSlovakia	road cargo transport	100.00%	100.00%

* Liquidated on 2 April 2021. ** Acquired on 17 June 2021. Since January 2022 renamed to Semtex Republic s.r.o. *** Liquidated on 3 December 2021.

3.4. SUCCESSES AND AWARDS

Randstad Award 2021
Kofola ČeskoSlovensko has been ranked among the Top 10 most attractive employers in the Czech Republic in 2021.

Package of the year 2021
Targa Florio has received two prizes - for the bottle and the label. Leros was awarded for the introduction of a new packaging concept.

LEMUR - Czech Public Relations Award 2021
The PR campaign Kláštorná Kalcia won two awards in the prestigious Czech PR competition Lemur for the project “Dříč roku” (Hard worker of the year). It won in two categories: B2C and Consumer Goods. These are two of the most occupied categories.

Most Trusted Brand 2021
Kofola maintained a stable position on the Most Trusted Brands list. Again, it was the highest ranked brand in the Carbonated Soft Drinks category.

Golden Semicolon 20/21
Rajec won an award for the campaign “Kouzlo pramene” (Magic of the spring) and an award for communication projects and corporate media in the Czech Republic – first in the FMCG category and a bronze in the Structure, Content and Storytelling category.

Agra 2021
RADENSKA received a gold medal for Oraketa from international agri-food fair Agra in Gornja Radgona.

Taste Awards 2021
The Fine Waters International water tasting competition, Taste awards 2021, was held in Bled, Slovenia. In the category of natural carbonated mineral waters, Kraljevi vrelec won a silver award.

Trusted Brand 2021
For the 15th time, independent survey was made by Mladinska knjiga and Institute Mediana when the most trusted brands were selected by Slovenian citizens. Again, Radenska won in a bottled water category.

Slovenian Advertising Festival 2021
TV spot for Oraketa won a silver medal in the Slovenian Advertising Festival in Film category.

PROKOP 2021 - Slovak PR award
Kláštorná Kalcia won two first prizes in the categories Business to Consumer and Data in PR for its PR campaign The Most Demanding Crafts.

Native Advertising Award 2022
A joint campaign by Rajec and Seznam Brand Studio won gold at this year's international Native Advertising Awards 2022 in the category of the best native advertising from the perspective of user activation for the Thirst for Movement campaign.

TOP employers 2022
Kofola ČeskoSlovensko is one of the TOP employers in the Czech Republic elected by students at Czech universities. It took 6^{th} place in the Consumer Industry category.

Oraketa is Product of the Year 2022
Oraketa was selected in the independent research among Slovenian consumers who evaluated market novelties of past year. It was organized by ACNielsen agency on a national representative consumer panel.

4. BUSINESS OVERVIEW AND OTHER MATTERS

4.1. BUSINESS OVERVIEW

REVENUE DEVELOPMENT IN 2021

Year 2021, and especially its second half, set a very positive message for the next period. The main season highest sales in the history demonstrated how strong is the presence of Kofola Group in its domestic markets. A focus on most marginal brands and enormous effort of all employees were crucial. Big thanks go to our sales and logistic teams. As a result, the Group year over year sales increased by CZK 464.7 million (7.5%).

Revenue in the CzechoSlovakia business segment, increased by CZK 288.6 million (6.4%) which is the biggest growth in the absolute terms and also a very satisfactory growth in percentage terms. Increase was driven mainly by summer season but there was also a very significant growth in 4Q21 when COVID-19 related restrictions were only limited as compared to 4Q20.

Adriatic region contributed to 2021 Group's growth in a very significant extent, thanks to a return of tourists to their favourite destinations in Croatia and Slovenia. As a result, the segment's revenue increased by CZK 138.0 million which represents a double-digit growth of 12.6%.

The total sales of CzechoSlovakia and Adriatic segments represented 90.9% of total Group sales (90.7% in 2020).

The Fresh & Herbs segment grew by CZK 38.1 million (6.7%) mainly thanks to LEROS and Premium Rosa. UGO remained in terms of revenues on similar level as in 2020 but with increased profitability.

ADJUSTMENTS OF REPORTED PERFORMANCE AND POSITION

Presented below is a description of the financial performance and financial position of Kofola Group in 2021. It 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 in the following sections of part A.

4. BUSINESS OVERVIEW AND OTHER MATTERS

4.1.1 ADJUSTED CONSOLIDATED FINANCIAL RESULTS

Adjusted consolidated financial results	2021 CZK´000 000	One-off adjustments CZK´000 000	2021 adjusted CZK´000 000
Revenue	6,636.2	-	6,636.2
Cost of sales	(3,710.2)	-	(3,710.2)
Gross profit	**2,926.0**	**-**	**2,926.0**
Selling, marketing and distribution costs	(2,033.6)	-	(2,033.6)
Administrative costs	(466.4)	-	(466.4)
Other operating income/(costs), net	109.4	(16.4)	93.0
Operating profit/(loss)	**535.4**	**(16.4)**	**519.0**
Depreciation and amortisation	618.2	(9.1)	609.1
EBITDA	**1,153.6***	**(25.5)**	**1,128.1****
Finance income/(costs), net	(170.3)	3.6	(166.7)
Income tax	(124.7)	1.5	(123.2)
Profit/(loss) for the period	**240.4**	**(11.3)**	**229.1**
- attributable to owners of Kofola ČeskoSlovensko a.s.	248.7	(11.3)	237.4

* 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 property, plant and equipment, financial assets, goodwill and intangible assets, relocation costs and the costs of Group layoffs.

The result of the Kofola Group for the 12-month period ended 31 December 2021 was affected by the following one-off items:

In Other operating income/(costs), net:

- Litigations costs of CZK 13.5 million (CzechoSlovakia segment).
- Net costs connected with the closed Grodzisk Wielkopolski plant of CZK 2.9 million (Fresh & Herbs segment).
- The impairment of Property, plant and equipment of CZK 2.3 million (mainly Fresh & Herbs segment).
- Costs connected with the earlier termination of rental contracts of CZK 2.1 million (Fresh & Herbs segment).
- Restructuring costs of CZK 1.7 million (Fresh & Herbs segment).
- Costs arising on integration of acquired subsidiaries of CZK 0.7 million (CzechoSlovakia segment).
- Advisory costs – CzechoSlovakia segment incurred costs of CZK 0.5 million.
- Release of impairment of CZK 0.5 million (CzechoSlovakia segment) and CZK 29.0 million (Fresh & Herbs segment).
- Net gain on sold items of Property, plant and equipment of CZK 10.6 million recognized in all business segments (mainly CzechoSlovakia).

In Finance income/(costs), net:

- Net loss from bonds sold of CZK 3.6 million (CzechoSlovakia segment).

4. BUSINESS OVERVIEW AND OTHER MATTERS

Adjusted consolidated financial results	2020 CZK´000 000	One-off adjustments CZK´000 000	2020 adjusted CZK´000 000
Revenue	6,171.5	-	6,171.5
Cost of sales	(3,349.5)	-	(3,349.5)
Gross profit	**2,822.0**	**-**	**2,822.0**
Selling, marketing and distribution costs	(2,041.7)	-	(2,041.7)
Administrative costs	(425.7)	-	(425.7)
Other operating income/(costs), net	(61.4)	117.0	55.6
Operating profit/(loss)	**293.2**	**117.0**	**410.2**
Depreciation and amortisation	632.5	(12.4)	620.1
EBITDA	**925.7***	**104.6**	**1,030.3****
Finance income/(costs), net	(101.4)	0.1	(101.3)
Income tax	(126.0)	(1.5)	(127.5)
Profit/(loss) for the period	**65.8**	**115.6**	**181.4**
- attributable to owners of Kofola ČeskoSlovensko a.s.	80.5	115.6	196.1

* 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 property, plant and equipment, financial assets, goodwill and intangible assets, relocation costs and the costs of Group layoffs.

The result of the Kofola Group for the 12-month period ended 31 December 2020 was affected by the following one-off items:

In Other operating income/(costs), net:

- The impairment of CZK 35.5 million related to the production of UGO bottles (mainly the production line) and of CZK 8.8 million related to Grodzisk Wielkopolski plant (Fresh & Herbs segment).
- Restructuring costs (mainly payroll expenses) in CzechoSlovakia segment of CZK 33.0 million and in Fresh & Herbs segment of CZK 4.4 million.
- Advisory costs – CzechoSlovakia segment incurred costs of CZK 13.9 million.
- Costs arising on integration of newly acquired subsidiaries of CZK 7.4 million (CzechoSlovakia segment).
- Costs for support of the parties impacted by COVID-19 of CZK 6.0 million, e.g. #zlasky (CzechoSlovakia segment).
- Costs connected with the maintenance of closed Grodzisk Wielkopolski plant of CZK 16.2 million (Fresh & Herbs segment).
- Costs arising on merger between LEROS and Espresso (Fresh & Herbs segment) of CZK 1.5 million.
- Net gain on sold items of Property, plant and equipment of CZK 9.7 million recognized in all business segments (mainly CzechoSlovakia).

4. BUSINESS OVERVIEW AND OTHER MATTERS

4.1.2 FINANCIAL PERFORMANCE

Adjusted consolidated financial results	2021 CZK´000 000	2020 CZK´000 000	Change CZK´000 000	Change %
Revenue	6,636.2	6,171.5	464.7	7.5%
Cost of sales	(3,710.2)	(3,349.5)	(360.7)	10.8%
Gross profit	**2,926.0**	**2,822.0**	**104.0**	**3.7%**
Selling, marketing and distribution costs	(2,033.6)	(2,041.7)	8.1	(0.4%)
Administrative costs	(466.4)	(425.7)	(40.7)	9.6%
Other operating income/(costs), net	93.0	55.6	37.4	67.3%
Operating profit/(loss)	**519.0**	**410.2**	**108.8**	**26.5%**
EBITDA	**1,128.1**	**1,030.3**	**97.8**	**9.5%**
Finance income/(costs), net	(166.7)	(101.3)	(65.4)	64.6%
Income tax	(123.2)	(127.5)	4.3	(3.4%)
Profit/(loss) for the period	**229.1**	**181.4**	**47.7**	**26.3%**
- attributable to owners of Kofola ČeskoSlovensko a.s.	237.4	196.1	41.3	21.1%

REVENUE

Increase of Group's revenue demonstrates the strength of its brands on their local market where the demand was driven by the very well managed focus on our strong brands and also release of COVID-19 related restrictions.

Business segments	2021		2020		Change	
	Revenue	Share	Revenue	Share		
	CZK´000 000	%	CZK´000 000	%	CZK´000 000	%
CzechoSlovakia	4,795.7	72.3%	4,507.1	73.0%	288.6	6.4%
Adriatic	1,231.7	18.6%	1,093.7	17.7%	138.0	12.6%
Fresh & Herbs	608.8	9.1%	570.7	9.3%	38.1	6.7%
Total	**6,636.2**	**100.0%**	**6,171.5**	**100.0%**	**464.7**	**7.5%**

CzechoSlovakia segment sales grew mainly in the second quarter but there was a significant growth also in the fourth quarter thanks to limited Covid related restrictions when compared to 2020. Kofola, Rajec and Kláštorná Kalcia grew the most among CzechoSlovakia brands. On the Go format grew the most among CzechoSlovakia segments.

Sales realized by the Adriatic segment grew among the Group's segments the most due to return of tourists to their favourite destinations. The biggest increase was achieved by the Studena brand. From the market segments, impulsive purchases and, of course, coast sales in the HoReCa channels grew the most.

Fresh & Herbs segment revenue was driven by LEROS and Premium Rosa. UGO was significantly impacted in the beginning of the year 2021 due to lockdown and ended-up with the similar revenue level as in 2020.

Product lines	2021		2020		Change	
	Revenue	Share	Revenue	Share		
	CZK´000 000	%	CZK´000 000	%	CZK´000 000	%
Carbonated beverages	2,527.9	38.1%	2,384.5	38.6%	143.4	6.0%
Waters	2,213.8	33.4%	2,013.3	32.6%	200.5	10.0%
Non-carbonated beverages	601.4	9.1%	570.8	9.2%	30.6	5.4%
Syrups	513.2	7.7%	494.3	8.0%	18.9	3.8%
Fresh bars & Salads	243.7	3.7%	236.4	3.8%	7.3	3.1%
Other	536.2	8.0%	472.2	7.8%	64.0	13.6%
Total	**6,636.2**	**100.0%**	**6,171.5**	**100.0%**	**464.7**	**7.5%**

The activities of the Group concentrate on the production of beverages in four market categories: carbonated beverages (including cola beverages), non-carbonated beverages, types of bottled water and syrups. Together these categories accounted for 88.3% of the Group's revenue in 2021 (in 2020: 88.4%).

Water segment increase includes the effect of the acquisition of ONDRÁŠOVKA and Karlovarská Korunní (acquired in 2Q20). Increase in Other is mainly attributable to sales of products of LEROS and Premium Rosa but also sales of Semtex energy drink.

4. BUSINESS OVERVIEW AND OTHER MATTERS

Sales by countries (per end customer)	2021		2020		Change	
	Revenue	Share	Revenue	Share		
	CZK´000 000	%	CZK´000 000	%	CZK´000 000	%
Czech Republic	3,615.9	54.5%	3,330.2	54.0%	285.7	8.6%
Slovakia	1,662.5	25.1%	1,636.1	26.5%	26.4	1.6%
Slovenia	757.5	11.4%	713.9	11.6%	43.6	6.1%
Croatia	372.5	5.6%	300.8	4.9%	71.7	23.8%
Poland	93.0	1.4%	78.4	1.3%	14.6	18.6%
Other	134.8	2.0%	112.1	1.7%	22.7	20.2%
Total	**6,636.2**	**100.0%**	**6,171.5**	**100.0%**	**464.7**	**7.5%**

The allocation of revenue to a particular country segment is based on the geographical location of customers.

Czech Republic sales increased mainly due to sales of Kofola. The increase also includes the effect of the acquisition of ONDRÁŠOVKA and Karlovarská Korunní (acquired in 2Q20).

Croatia is a typical and very attractive tourist destination and it had a very successful season due to release of Covid related restrictions.

Poland´s revenue is represented mainly by Premium Rosa which produces and distributes syrups and jams from fruits and herbs. These products support the healthy lifestyle and as such were subject to increased demand. We are also successfully developing own brands business in Poland.

COST OF SALES

Group's Cost of sales increased more than sales mainly due to increased material prices (sweeteners, PET).

GROSS PROFIT

Gross profit margin decreased by 1.6 ppt mainly due to above mentioned increase of material prices.

SELLING, MARKETING AND DISTRIBUTION COSTS

Selling, marketing and distribution costs remained relatively flat which is a combined effect of increased logistic costs (due to higher sales) and savings in marketing.

ADMINISTRATIVE COSTS

Administrative costs increased mainly due to higher personnel costs (higher headcount, employee bonuses and expenses related to the new option scheme plan).

OPERATING PROFIT

The operating result increased by CZK 108.8 million (26.5%) mainly due to higher gross profit, savings in marketing, but also an effect of subsidies.

EBITDA

Adjusted EBITDA	2021	2020
	CZK´000 000/%	CZK´000 000/%
EBITDA*	1,128.1	1,030.3
EBITDA margin**	17.0%	16.7%

* EBITDA refers to operating profit/(loss) plus depreciation and amortisation.
** Calculated as (EBITDA/Revenue)*100%.

Adjusted EBITDA by business segments	2021		2020		Change	
	EBITDA	EBITDA margin	EBITDA	EBITDA margin		
	CZK´000 000	%	CZK´000 000	%	CZK´000 000	%
CzechoSlovakia	939.7	19.6%	949.5	21.1%	(9.8)	(1.0%)
Adriatic	177.2	14.4%	131.5	12.0%	45.7	34.8%
Fresh & Herbs	11.2	1.8%	(49.8)	(8.7%)	61.0	122.5%
Other	-	n/a	(0.9)	n/a	0.9	100.0%
Total	**1,128.1**	**17.0%**	**1,030.3**	**16.7%**	**97.8**	**9.5%**

Adriatic had an outstanding main season which crystalized in the above-mentioned EBITDA growth. CzechoSlovakia business segment is not that much dependent on tourists and in combination with increased input prices of material and salary costs it ended-up almost flat when compared to last year. Fresh & Herbs segment's EBITDA increase was driven by UGO (including also an effect of subsidies that compensated the sale outage during lockdowns).

FINANCE INCOME/(COSTS), NET

Worse financial result was influenced mainly by FX losses from EUR receivables (total FX impact amounted to CZK 72.0 million). This was compensated by decreasing interest from loans (by CZK 9.5 million). The Group has sold bonds before their maturity. The sale partially decreased interest income realized on these bonds in previous years, it however provided cash for the Group that was preferred due to persisting Covid related restrictions.

INCOME TAX

Income tax was on the level similar to 2020.

NET PROFIT/LOSS FOR THE PERIOD

Based on above mentioned, the Group was able to increase the Profit for the period by CZK 47.7 million (26.3%).

4.1.3 FINANCIAL PERFORMANCE IN 4Q

Adjusted consolidated financial results	**4Q21** CZK´000 000	**4Q20** CZK´000 000	**Change** CZK´000 000	**Change** %
Revenue	1,568.5	1,338.1	230.4	17.2%
Cost of sales	(942.3)	(786.8)	(155.5)	19.8%
Gross profit	**626.2**	**551.3**	**74.9**	**13.6%**
Selling, marketing and distribution costs	(526.3)	(514.2)	(12.1)	2.4%
Administrative costs	(122.0)	(109.3)	(12.7)	11.6%
Other operating income/(costs), net	12.3	27.8	(15.5)	(55.8%)
Operating profit/(loss)	**(9.8)**	**(44.4)**	**34.6**	**77.9%**
EBITDA	**141.7**	**124.5**	**17.2**	**13.8%**
Finance income/(costs), net	(51.3)	(69.9)	18.6	(26.6%)
Income tax	1.0	(17.5)	18.5	(105.7%)
Profit/(loss) for the period	**(60.1)**	**(131.8)**	**71.7**	**54.4%**
- attributable to owners of Kofola ČeskoSlovensko a.s.	(57.3)	(126.8)	69.5	54.8%

Development in Gross profit in 4Q is in line with development in 12M.

Selling, marketing and distribution costs increased in 4Q because the marketing savings described within 12M results were executed in preceding quarters.

Development in Administrative costs in 4Q is in line with development in 12M.

Other operating income was higher in 4Q20 due to Covid related subsidies of CZK 18.3 million.

Finance costs in 4Q were lower mainly due to lower FX losses in 4Q21 (by CZK 22.7 million).

Lower Income tax is a result of lower taxable profits in Group companies.

4. BUSINESS OVERVIEW AND OTHER MATTERS

Business segments	Revenue CZK´000 000	4Q21 Share %	Revenue CZK´000 000	4Q20 Share %	Change CZK´000 000	Change %
CzechoSlovakia	1,141.3	72.8%	1,001.2	74.8%	140.1	14.0%
Adriatic	231.0	14.7%	195.2	14.6%	35.8	18.3%
Fresh & Herbs	196.2	12.5%	141.7	10.6%	54.5	38.5%
Total	**1,568.5**	**100.0%**	**1,338.1**	**100.0%**	**230.4**	**17.2%**

Revenue increase in 4Q is mainly attributable to the impacts of COVID-19 related business restrictions in 4Q20 with the biggest impact on UGO (Fresh & Herbs segment).

Product lines	Revenue CZK´000 000	4Q21 Share %	Revenue CZK´000 000	4Q20 Share %	Change CZK´000 000	Change %
Carbonated beverages	599.6	38.2%	500.8	37.4%	98.8	19.7%
Waters	464.7	29.6%	402.9	30.1%	61.8	15.3%
Non-carbonated beverages	142.4	9.1%	127.9	9.6%	14.5	11.3%
Syrups	134.8	8.6%	127.6	9.5%	7.2	5.6%
Fresh bars & Salads	75.3	4.8%	36.0	2.7%	39.3	109.2%
Other	151.7	9.7%	142.9	10.7%	8.8	6.2%
Total	**1,568.5**	**100.0%**	**1,338.1**	**100.0%**	**230.4**	**17.2%**

Development of revenue by product lines is in line with the information already presented above. In 4Q21, the highest increase in revenue came from Kofola and Rajec. Syrups represented a typical category that rose during the COVID-19 pandemic in 4Q20.

Sales by countries (per end customer)	Revenue CZK´000 000	4Q21 Share %	Revenue CZK´000 000	4Q20 Share %	Change CZK´000 000	Change %
Czech Republic	926.3	59.1%	737.7	55.1%	188.6	25.6%
Slovakia	372.2	23.7%	367.0	27.4%	5.2	1.4%
Slovenia	158.0	10.1%	133.9	10.0%	24.1	18.0%
Croatia	55.2	3.5%	46.7	3.5%	8.5	18.2%
Poland	33.6	2.1%	29.5	2.2%	4.1	13.9%
Other	23.2	1.5%	23.3	1.8%	(0.1)	(0.4%)
Total	**1,568.5**	**100.0%**	**1,338.1**	**100.0%**	**230.4**	**17.2%**

Development of revenue divided by countries is in line with the information already presented above. Other represents export and represents a minor part of Group's revenue.

Adjusted EBITDA	4Q21 CZK´000 000/%	4Q20 CZK´000 000/%
EBITDA*	141.7	124.5
EBITDA margin**	9.0%	9.3%

* EBITDA refers to operating profit/(loss) plus depreciation and amortisation.
** Calculated as (EBITDA/Revenue)*100%.

Adjusted EBITDA by business segments	EBITDA CZK´000 000	4Q21 EBITDA margin %	EBITDA CZK´000 000	4Q20 EBITDA margin %	Change CZK´000 000	Change %
CzechoSlovakia	164.7	14.4%	142.4	14.2%	22.3	15.7%
Adriatic	(25.6)	(11.1%)	(8.9)	(4.6%)	(16.7)	(187.6%)
Fresh & Herbs	2.6	1.3%	(8.5)	(6.0%)	11.1	130.6%
Other	-	n/a	(0.5)	n/a	0.5	100.0%
Total	**141.7**	**9.0%**	**124.5**	**9.3%**	**17.2**	**13.8%**

In Adriatic, the effect of increased material prices was combined with increased maintenance costs, brand costs and marketing activities related costs.

CzechoSlovakia business segment had a successful 4Q21 after lockdown in 4Q20. The same applies to Fresh & Herbs segment.

4.1.4 FINANCIAL POSITION

Consolidated statement of financial position	31.12.2021 CZK´000 000	31.12.2020 CZK´000 000	Change CZK´000 000	Change %
Total assets	**7,235.5**	**7,537.3**	**(301.8)**	**(4.0%)**
Non-current assets	**5,306.3**	**5,683.6**	**(377.3)**	**(6.6%)**
Property, plant and equipment	3,221.4	3,448.6	(227.2)	(6.6%)
Intangible assets	1,249.4	1,339.2	(89.8)	(6.7%)
Goodwill	648.1	647.0	1.1	0.2%
Deferred tax assets	27.3	40.1	(12.8)	(31.9%)
Other	160.1	208.7	(48.6)	(23.3%)
Current assets	**1,929.2**	**1,853.7**	**75.5**	**4.1%**
Inventories	641.2	519.2	122.0	23.5%
Trade and other receivables	866.8	783.4	83.4	10.6%
Cash and cash equivalents	391.5	543.9	(152.4)	(28.0%)
Other	29.7	7.2	22.5	312.5%
Total equity and liabilities	**7,235.5**	**7,537.3**	**(301.8)**	**(4.0%)**
Equity	**1,297.0**	**1,307.2**	**(10.2)**	**(0.8%)**
Non-current liabilities	**3,436.0**	**3,993.3**	**(557.3)**	**(14.0%)**
Bank credits and loans	2,783.7	3,252.2	(468.5)	(14.4%)
Lease liabilities	301.9	322.4	(20.5)	(6.4%)
Deferred tax liabilities	293.5	286.0	7.5	2.6%
Other	56.9	132.7	(75.8)	(57.1%)
Current liabilities	**2,502.5**	**2,236.8**	**265.7**	**11.9%**
Bank credits and loans	633.3	685.2	(51.9)	(7.6%)
Lease liabilities	125.2	132.4	(7.2)	(5.4%)
Trade and other payables	1,632.6	1,320.9	311.7	23.6%
Other	111.4	98.3	13.1	13.3%

ASSETS

Property, plant and equipment decreased mainly as a net result of additions of CZK 405.5 million, significant downward FX revaluation of foreign Group entities' assets of CZK 87.6 million and depreciation charge of CZK 545.9 million. The most significant additions realized by the Group in 2021 were represented by investments into the production machinery, vehicles and new premises capitalized under IFRS 16 (leases).

Intangible assets decreased mainly as a result of amortization charge of CZK 80.1 million.

Other non-current assets contain mainly prepayments, deferred expenses and receivable from derivatives. The decrease is mainly a net effect of the increase of receivable from derivatives (increased interest rates) and decrease of the receivable related to the government grant due to management decision not to utilize the entitlement from the government grant in relation to the new administrative premises. However, the management still plans to continue with the project. Decrease of the balance was also caused by the sale of bonds.

Trade and other receivables increased mainly due to higher trade receivables (CZK 41.3 million) and the increase of receivable from derivatives (CZK 88.2 million).

Inventories increased due to higher sales (there were COVID-19 related restrictions at the end of 2020) and also due to increased material prices.

LIABILITIES

Decrease of Bank credits and loans is a result of regular repayments and also a partial repayment of the Group's overdraft.

The Group´s provisions increased due to higher employee bonuses and the provision related to litigation (refer to section Subsequent events for more information).

Decrease of other non-current liabilities is connected with the release of the receivable from the government grant (as described above).

Trade and other payables increased due to higher trade payables, CAPEX payables and higher advances received for the returnable packages.

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 3,452.6 million as at 31 December 2021, which represents a decrease of CZK 395.7 million compared to CZK 3,848.3 million as at 31 December 2020. Decrease is attributable mainly to better operating performance and also decreased CAPEX.

The Group´s consolidated net debt / Adjusted LTM EBITDA as at 31 December 2021 was of 3.1 (as of 31 December 2020: 3.7).

4.1.5 CASHFLOWS

Cash flows from operating activities increased mainly due to better operating result and due to changes in working capital.

Cash flows from investing activities were higher mainly due to significant cash outflows connected with the acquisitions in 2020. There were also significant CAPEX savings in 2021.

Cash flows from financing activities were lower mainly due to significant cash inflows connected with the acquisitions in 2020 (loan financing).

From the total balance of Repayment of loans and bank credits presented within the Consolidated statement of cash flows, amount of CZK 45.9 million (2020: CZK 130.5 million) represents the decrease of Group’s overdraft.

4.1.6 EXPECTED DEVELOPMENT IN SUBSEQUENT PERIOD

CzechoSlovakia segment will continue to build and further enhance its competence of being comprehensive supplier with the complete offer of beverages. In the Retail channel, CzechoSlovakia segment will mainly support its most significant brands Kofola, Rajec, Jupí and others while the focus will also be given on the further development of mineral waters Kláštorná and redesigned Ondrášovka and Korunní. Kofola, Rajec and Vinea brands will be introduced in returnable 1l glass in the Retail channel. In the HoReCa channel, the priority will be given to draught Kofola, to coffee business with brands Café Reserva and Trepallini, and to our latest portfolio innovations represented by F.H.Prager ciders and Targa Florio lemonade. The HoReCa channel will gradually recover from the COVID situation and as such the revenue from this channel will continuously increase with the aim to improve market share, our presence and visibility. CzechoSlovakia segment will manage increased costs by translating them into sales prices and by seeking further internal optimizations.

In the Adriatic region, we will continue to increase market and profit share, our focus will be on the Croatian market in the water category. We are working on recipe changes of our main brand, which will help us in cost optimization, especially in Croatia. Entering a new category in our business, Trepallini coffee, will increase our visibility and market share in the HoReCa channel. On the sustainability side, we will continue to increase the percentage of rPET material in our main portfolio.

In LEROS and Premium Rosa, we will be challenged with the unpredictability of costs, but we are prepared for these challenges. 1Q22 shows the best revenues ever in both companies thanks to successfully introduced price increases.

In UGO, after successful consolidation and productivity improvements in all divisions during 2021, main focus will be on revenue increases and continuation of digitalization. In QSR, we plan to achieve revenues on 2019 level, higher visits frequency, new acquisitions and the delivery growth through own e-commerce or through Dáme Jídlo partnership. Continuing Point of Sales development, integration of delivery services and enhancement of a loyalty system are planned for 2022. Production plants are optimally equipped and we will continue in supplying of our customers with high quality ultra-fresh packaged products. We aim to acquire new customers not only in Czech and Slovak Republics, but also to initiate an export into closest countries, such as Poland and Austria. Portfolio management and its enlargement is a very important 2022 growth base.

We will further continue in our significant contributions to the environmental protection and we take ESG as a very important part of our business. We plan to further support a development of our own brands and also a distribution of our partners’ brands with focus on CEE region.

Hopefully, we will not be dealing with the impacts of COVID-19 pandemic situation anymore. However, there can be new challenges in place because of the war at Ukraine.

4.1.7 ALTERNATIVE PERFORMANCE INDICATORS

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

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

* In both current and non-current liabilities.

PURPOSE OF APM:

A. EBITDA

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

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

B. NET DEBT

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

C. NET DEBT/EBITDA

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

4.1.8 DIVIDEND POLICY

On 21 October 2021, the Board of Directors of the Company approved the Company's dividend policy for the periods of 2021 to 2023. The intention of the Board of Directors is to maintain the current trend and distribute approximately CZK 300 million to shareholders in each financial year. This currently represents approximately CZK 13.46 per share before tax. The realisation of this intention is conditional on sufficient funds being available for distribution (distributable resources) without jeopardising the Company's financial stability. This dividend policy was announced at the General Meeting on 29 November 2021.

4.2. AUDITORS REMUNERATION

The Group was for the year ended 31 December 2021 audited by KPMG (for the year ended 31 December 2020 by KPMG). By KPMG have been provided audit services and immaterial audit-related other services. The following amounts were charged by professional advisors and auditors in 2021:

Auditors' remuneration	Charged to the Company CZK´000 000	Charged to other Group entities CZK´000 000	Total CZK´000 000
Audit (KPMG)	1.1	2.6	3.7
Audit (Other companies)	-	0.1	0.1
Tax services (Other companies)	2.0	1.5	3.5
Other audit-related services (KPMG)	-	0.4	0.4
Other services (Other companies)	-	0.6	0.6
Total	**3.1**	**5.2**	**8.3**

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

4.3. INTELLECTUAL PROPERTY AND LICENCES

INTELLECTUAL PROPERTY AND LICENSES

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

Kofola ČeskoSlovensko a.s. owns the most licenses, trademarks for branded beverages and similar copyrights, for the use of which the other Group companies pay royalties. The Vinea and Kláštorná Kalcia trademarks are the exception and are owned by Kofola a.s. (SK). Slovenian brands Radenska and Ora are owned by RADENSKA d.o.o. and are mainly sold in the Adriatic region. Café Reserva is owned by LEROS, s.r.o.

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

The Group uses a number of registered Internet domains, including "kofola.cz" & "kofola.sk", "jupik.com", "rajec.com", "ugo.cz" & "ugo.sk", "radenska.si", "ondrasovka.cz", "korunni.cz", "semtex-energy.cz" or "targaflorio.cz" and "targaflorio.sk".

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

- distribution agreements under which the Group has the exclusive right to distribute Rauch's products in the territory of the Czech Republic and Slovakia,
- distribution agreement under which the Group has the exclusive right to distribute Evian and Badoit products (water) in the territory of the Czech Republic and Slovakia,
- distribution agreement under which the Group has the exclusive right to distribute Vincentka (natural mineral water) in the territory of the Czech Republic,
- licensor agreement under which the Group has the exclusive right to purchase beverage concentrates to manufacture, bottle and sell carbonated beverage RC Cola,
- licensor agreement under which the Group has the exclusive right to purchase beverage concentrates to manufacture, bottle and sell carbonated beverage Orangina,
- licensor and distribution agreement under which the Group has the exclusive right to produce and distribute the PepsiCo portfolio products in the Slovenian market and since January 2016 also in the Croatian market.

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

4.4. RESEARCH AND DEVELOPMENT AND OTHER INFORMATION

In 2021, the Group carried out research and development activities and incurred costs of CZK 9.6 million (2020: CZK 6.7 million).

The Company does not operate an organisational unit abroad.

4. BUSINESS OVERVIEW AND OTHER MATTERS

4.5. TECHNOLOGY AND PRODUCTION AND OTHER NON-CURRENT ASSETS

The Group manufactures its products in eleven main production plants located in the Czech Republic (six plants – Krnov, Mnichovo Hradiště, Strážnice, Jažlovice, Ondrášov and Stráž nad Ohří), Slovakia (two plants - Rajecká Lesná, Kláštor pod Znievom), Poland (one plant - Zlotoklos), Slovenia (one plant - Radenci) and Croatia (one plant - Lipik).

The Group uses state-of-the-art, modern production equipment. Total CAPEX (excluding acquisitions, including lease addition) in the last 3 years amounted to CZK 1,893.9 million. The Group has also invested substantial amounts in equipment used in the HoReCa distribution channel, supporting further growth in this channel (kegs, fridges etc.). As a consequence, the Group's manufacturing facilities do not need major investments in the next few years. In addition, the Group has spare production capacities that allow, if necessary, quickly increase its production. Production lines are constructed by renowned producers such as Sidel, KHS and Kronnes. The Group has implemented modern management methodologies: WCM (World Class Management), SPC (Statistics Process Control) and TPM (Total Productive Maintenance).

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

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

4.6. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES AND THEIR CONDITION

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

Additions of Property, plant, equipment (PPE) and Intangible assets (IA)*	2019** CZK´000 000	2020 CZK´000 000	2021 CZK´000 000
Land	12.0	9.7	8.2
Buildings and constructions	315.6	131.2	76.9
Plant and equipment	312.9	228.7	168.7
Vehicles	132.0	49.4	76.0
Leasehold improvement	9.6	18.0	0.1
Returnable packages	34.5	66.5	21.1
Other non-current assets	0.3	0.4	0.2
Non-current assets under construction, Prepayments for PPE	58.3	62.3	54.3
Goodwill	0.2	-	-
Patents, licences	-	0.1	-
Software	13.3	16.2	7.3
Trademarks and other rights	0.3	0.5	1.7
Intangible assets under development, Prepayments for IA	4.3	1.0	2.1
Total	**893.3**	**584.0**	**416.6**

* excluding acquisitions, including lease additions ** Initial application of IFRS 16 (Leases).

Allocation of Property, plant, equipment and Intangible assets additions*	2019** CZK´000 000	2020 CZK´000 000	2021 CZK´000 000
Czech Republic	556.2	319.4	293.1
Slovakia	189.1	165.5	80.8
Slovenia	67.1	53.0	30.0
Croatia	77.7	45.6	12.0
Poland	3.2	0.5	0.7
Total	**893.3**	**584.0**	**416.6**

* excluding acquisitions, including lease additions ** Initial application of IFRS 16 (Leases).

Condition of Group's assets is in line with their useful life, they are subject to regular maintenance and replacement at the end of their useful life.

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

4. BUSINESS OVERVIEW AND OTHER MATTERS

4.7. CAPITAL SOURCES

Group's activities are financed through various sources of capital as presented within the statement of financial position. Particular material balances are further described in part B and part C of this report. Bank credits and loans represent the significant source of finance to both Company and Group and payment schedules of already provided bank loans are dependent on Group's fulfilment of specified financial indicators (covenants).

4.8. REGULATORY ENVIRONMENT

The Group produces and distributes non-alcoholic beverages in many countries. As a consequence, the Group's operations are subject to the regulation of various legal systems. In particular, this refers to taxation (including VAT rates), labour law, social insurance regulations, matters relating to the granting of licences and permits, advertisement regulation, beverage industry regulations, etc.

Since the Company´s shares have been admitted to trading on the Prague Stock Exchange, the shareholders have certain disclosure requirements arising from the provisions of the Czech Capital Markets Act. The financial statements have to be prepared in line with International Financial Reporting Standards ("IFRS") and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company is also subject to supervision of relevant regulatory authorities (such as Czech National Bank). Moreover, the Company is subject to certain aspects of the European Union regulations.

The ESEF (European Single Electronic Format) Regulation requires that all issuers with securities listed on an EU regulated market prepare their annual financial reports in xHTML and mark-up the IFRS consolidated financial statements contained therein using XBRL tags and the iXBRL technology. However, the users will be still able to find also standard pdf format version of this annual report on the Company's website http://investor.kofola.cz.

4.9. COVID-19 AND UKRAINE CRISES

For two years, we were witnessing the impacts of COVID-19 pandemic which limited free cross-border travelling. Lockdowns impacted mostly Group's sales in the HoReCa segment and also sales in UGO salateries and freshbars during 2021, which in 2019 (pre-COVID times), represented approximately 40% of the Group's revenue. Since 2020, the Group´s revenue share in HoReCa is lower, thanks to successful acquisition of companies ONDRÁŠOVKA and Karlovarská Korunní.

HoReCa segment was closed for whole 1Q 2021 (except for Croatia) and part of 2Q 2021.

Currently, the Group is facing increasing prices of raw materials and energy. Ongoing war in Ukraine brings new risks and uncertainty to our business. The Group's management is very closely monitoring the development of the war conflict between Russia and Ukraine. The Group has already provided various forms of support to Ukrainian civilians and intends to continue in these activities as it cares about people in need. The whole situation impacts people, companies and states all around the world. For now, the Group wasn't directly affected by the conflict as it has no material direct exposure either to Russia or Ukraine. The war however impacts whole European economy and the increasing inflation rate is perceived also by the Group. Increasing input prices do not, however, represent a threat to the Group's ability to continue as a going concern as it has sufficient financial resources and is able to control its costs (e.g. by savings in marketing expenses) to a certain level. In case of the ongoing cost pressure, the Group may also increase the output prices to ensure profitability level expected by its stakeholders.

As of the date of this report, the production is in operation, we have continuing supplies of materials and energy (we are in close contact with our key suppliers), we have increased hygienic precautions in our production plants, our administrative employees may work from home. The Group is using modern technology for distant access and videoconferences which enables us to protect the health of our employees. There were necessary savings in CAPEX and OPEX and we plan to continue in this trend in the upcoming period based on actual development.

It is possible that, based on above stated, the Group won't be able to fulfil some of bank loan covenants in 2022. The Group believes to have sufficient resources from current cash balance and overdrafts. We have an open and long-term relationship with our supportive banking group to whom we communicate our business outlook regularly.

Development around COVID-19 led to the impairment of assets related to company UGO trade s.r.o. as of 31 December 2020. It didn't lead to impairments of Goodwill or trademarks with indefinite useful life. Impairment tests are sensitive mainly to changes of discount rates. No material impairment was identified as of 31 December 2021.

In 2021, the company UGO trade s.r.o. received a state compensation of losses generated in selected months of 2021 in the amount of CZK 45.8 million. The Group is able to continue in its business activity even without the state support, compensations however alleviate the adverse financial impacts on the Group.

Based on the above analysis and assumptions, including the severe but plausible scenarios, management concluded that the Group will have sufficient resources to continue its business for a period of at least 12 months from the reporting date. As a result, the Group used the going concern basis of accounting in preparing these financial statements.

4.10. SUBSEQUENT EVENTS

Companies ONDRÁŠOVKA a.s. and Karlovarská Korunní s.r.o. have successfully merged with Kofola a.s. (CZ) on 1 January 2022.

The Board of Directors of Kofola ČeskoSlovensko a.s. ("Kofola") resolved to implement the acquisition of own shares by Kofola on 7 March 2022. The sole purpose of the acquisition of own shares by Kofola 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 Kofola or of an associate company.

The conditions for the acquisition of own shares by Kofola:

a) the acquisition took place outside the regulated market, directly from the company RADENSKA d.o.o., a subsidiary company of Kofola;

b) maximum number of shares to be acquired amounted up to 22,615 shares of Kofola; and

c) the acquisition was settled on 8 March 2022 for the price equal to the closing price for which shares of Kofola were traded on the regulated market organized by the company Burza cenných papírů Praha, a.s. on the previous trading day, i.e. CZK 295 per individual share (total value of CZK 6,671 thousand). As such, the contract was concluded at market terms. The shares have nominal value of CZK 50 per individual share.

Shares have been transferred to option scheme participants in March 2021.

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

5. RISK MANAGEMENT

5.1. PRINCIPAL RISKS FACED BY THE GROUP

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

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

THE GROUP OPERATES ON MATURE MARKETS IN A HIGHLY COMPETITIVE INDUSTRY

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

Key mitigations:

The Group protects itself against this type of risk primarily by building a strong brand loyalty of its end consumers and by introducing new products in the market. Additionally, the Group mitigates this risk by increasing the percentage share of sales in the HoReCa sector (that is less prone to promotions), as well as by promoting impulse products (with higher margins) or introducing new products, for which no aggressive pricing promotions have to be used (thanks to absence of competitors' products). The Group also eliminates this risk by investing into new businesses not dependent on the soft drinks' categories.

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

In recent years, there have been changes in the shopping habits of end consumers. Retail discounter changed their behaviour and changed consumers' habits and very effectively made themselves a more attractive place to shop. This has redirected trading volumes to the fast-developing discount chains, which diminishes the significance of independent convenience stores. In addition, large retail chains tend to put pressure on prices and resist price increases. There is a risk of an inability to transfer increases in raw materials´ costs to end consumers. Due to Covid-19 pandemics there were changes in consumer behaviour, retail customers make less visits to shops but buy bigger volumes, also, digitalization trend is faster.

Key mitigations:

The companies from the Kofola Group try to minimise this risk by negotiations with major customers about price increases, adjusting its cost structure, implementing innovations leading to higher margins and by proper packing and sale channel tactics. The Group also invested into our own retail chain through UGO Freshbars & Saladbars. The Group entered a whole new distribution channel of Pharmacies via the company LEROS. The risk of changed consumer behaviour is mitigated by customized presentation on shelves, increased share of multipacks and volume discounts. The Group now operates its own e-shops and commenced its digital transformation.

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

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

Key mitigations:

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

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

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

Key mitigations:

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

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

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

Key mitigations:

These affect all companies in the sector and do not severely affect competition. The Group monitors the changes in legal regulations and adapts to them in advance. Group works closely with external advisors and trade and industry associations regarding current and future legislation changes with impact upon the business and is an active member of various legislation processes as commenting authority.

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

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

Key mitigations:

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

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

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

Key mitigations:

The Group has a solid acquisition strategy and limits this risk by continued monitoring of progress against the integration plan, including frequent and regular tracking of key performance indicators and senior leadership involved in monitoring progress and in making key decisions. The Group has a track of successful acquisitions within the last years and cooperates with advisors on a long-term basis which gives them good knowledge about sectors where the Group operates. Additionally, proven integration processes, procedures and practices are applied to ensure delivery of expected returns.

5. RISK MANAGEMENT

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

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

Key mitigations:

The Group closely monitors its results and cash flows to ensure sufficient amount of money necessary for its business activities in both short and long-term. To limit the exposure to adverse movements in interest rates, the Group concluded interest rate swaps for selected bank debts with longest maturity. Currently, the Group is renegotiating its loan obligations with its financing banks with the aim of increased share of EURIBOR based interest rates including interest rate swaps.

THE GROUP IS EXPOSED TO THE LIQUIDITY RISK

The Group generates sufficient financial resources to be able to finance its standard daily operations, capital expenditures, loan repayments and dividends. It however sometimes needs also external resources to finance bigger and one-off expenditures like acquisitions of subsidiaries. As a result, it is subject to risk of inability to obtain such resources from banks and other external parties. Payment schedules of already provided bank loans are dependent on Group’s fulfilment of specified financial indicators (covenants) and in case of breach of these covenants the financing bank can request earlier repayment of provided loans.

Key mitigations:

The Group closely monitors its business results and cash flows and on regular basis prepares both short and long-term financial projections to prevent any liquidity issues or breach of covenants. The Group has also available undrawn credit line in case of need of extra ad hoc financing.

ONGOING LEGAL PROCEEDINGS REGARDING THE DENATIONALISATION OF RADENSKA

There are pending denationalisation proceedings with respect to denationalisation claims of the legal successors of the former owners of RADENSKA. The legal outcome of these proceedings remains unclear and uncertain.

Key mitigations:

RADENSKA intensively defends against any claims of former owners. Current situation is described in section B 4.21.

THE GROUP MAY BE EXPOSED TO SUGAR TAX

In Slovakia, a national discussion about sugar tax started and in Croatia a change to the current sugar tax system was introduced in 2020. There is a risk that the tax will be paid by producers and that the Group is not able to pass these costs to end customers.

Key mitigations:

At the moment, we do not know when the sugar tax is implied and who will bear the tax in Slovakia. The Group continuously reformulates the products to have lower sugar content as well as focuses on water based soft drinks. The Group opened new categories through acquisitions – tea & coffee – outside the traditional soft drinks business, that are not subjects to sugar tax. We have also spread our Waters portfolio through the acquisition of ONDRÁŠOVKA and Karlovarská Korunní. The share of total revenue generated from the sale of Waters in 2021 was 33.4%.

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

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

Key mitigations:

The Group monitors the progress and is an active member of the implementation group in Slovakia.

THE GROUP WILL BE NEGATIVELY AFFECTED BY THE ANTI-PLASTIC TREND

The world as we know it today is changing. Environmental pollution is being discussed on all levels and climate change is rather a fact than an ecological fiction. One of the negative symbols of this movement is plastic material. Because the Group uses a lot of plastic material in various formats (PET bottles, single use packaging in our UGO operations), it may be strongly affected not only by regulations but also by a change in consumer behaviour.

Key mitigations:

The Group is monitoring and thoroughly analysing all movements and is deeply immersed into this matter. The Group believes, that plastic is very relevant material and, in some cases, there is no better solution at this moment with the biggest share of recycled PET as possible. The Group is an active member in industrial activities educating consumers and a member of the Association for the deposit system for PET and cans in the Czech Republic.

At the same time, the Group is taking progressive steps to reduce the volume of new plastic packaging, for example by using recycled rPET materials. The Group's management has also decided to support the introduction of deposit system for returnable PET bottles, which it considers to be the best solution in this area. This will help to sort out more used bottles. Most importantly, it will close the PET bottle management system. The used packaging will be turned into new packaging. In Slovakia, the system has already been in place since the beginning of 2022. In the Czech Republic, the discussion about introducing the system was opened last year thanks to the Initiative for deposit system, of which Kofola is a founding active member. The Group signed an agreement on the purchase of one third of the shares in General Plastic, a.s., a producer of hot-washed PET flakes and PET preforms in Slovakia, for the production of which it uses recycled PET bottles.

Nevertheless, The Group also focuses on other packaging formats to be in line with the anti-plastic trend, such as drafted products, syrups and returnable glass bottles (as supported by our Cirkulka project that brings a returnable glass back to Retail). The Group also invests into non-plastic businesses – tea & coffee segment.

THE GROUP WILL DEAL WITH WATER POLLUTION

Water pollution is one of the key topics of today. Agriculture is using chemical fertilizers and pesticides, that negatively affect water sources and there is a risk that in a decade most of the surface water and some of the spring waters will no longer meet the limits for drinking water.

Key mitigations:

The Group is actively cooperating with the state authorities and agricultural segment, so that our spring water sources will not be affected. We believe that our sources are in well preserved localities so that we can protect them effectively. To protect its water resources in the future, the Group has launched a project to create certified BIO localities around its production plants. The first such locality was created close to the Rajecká Lesná plant, the second near Moravský Beroun and Ondrášov. The BIO certified localities are being created in cooperation with local farmers and local authorities.

THE GROUP CARRIES HIGHER COSTS DUE TO LACK OF WATER

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

Key mitigations:

The Group mitigates the risk by building own water wells and takes deep care of current water sources it manages.

THE GROUP CARRIES HIGHER COSTS DUE TO PUBLIC PRESSURE ON ENVIRONMENTAL PROJECTS

Because climate change and environmental issues are now very trendy and there is significant demand from customers and consumers, the Group might be forced to proceed with some ecological measures to remain competitive. Implementation of this policy is rather expensive with a longer payback period.

Key mitigations:

The Group monitors the market and tries to proactively apply steps, that are easy to proceed with high impact on the environment. In general, we closely focus on the ratio between effectiveness and financial demands so that the outcome of our projects is both cost effective and environmentally friendly. It is an integral part of our CAPEX policy to have all new projects validated through the eco-friendly criteria. We also work on educating our consumers to better understand our perspective.

THERE WILL BE NO SUSTAINABLY GROWN INGREDIENTS TO MEET DEMANDING CONSUMER EXPECTATIONS

With the Group´s approach to deliver to consumers best quality products from authentic ingredients, it could happen that there will be no ingredients of such quality or that their price will be tremendously unaffordable. There is also possible rise of costs for laboratories for quality tests.

Key mitigations:

The Group´s quality standards are already above legal requirements. The Group has started to cooperate with local farmers, local authorities and other stakeholders to produce authentic ingredients for affordable price and to build good, valuable and healthy relationships that all parts can benefit from. This cooperation brings added value to all parts of the supply chain and is real example of circular economy. The Group also cooperates intensively with testing institutes and cooperates with proven suppliers with quality certificates.

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

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

Key mitigations:

The Group diversifies this risk through acquisitions, that are organic part of its strategy to have a wide range of products, not only on the soft drinks market, but also in the field of tea & coffee. In the soft drinks sector, the Group offers a broad range of products with different flavours and in various packaging formats which offers a choice to the end consumer. The Group closely monitors consumer trends in order to anticipate changes in preferences and offers diversified portfolio of its products. The Group regularly develops its products to be able to meet consumer needs.

THE GROUP MAY BE NEGATIVELY AFFECTED BY THE ANTI-SUGAR MOVEMENT

One of the social issues of today is definitely, whether soft drinks as such could be an integral part of healthy lifestyle. There are very strong movements against the intake of sugar. Non-alcoholic beverages are named as one of the significant donors to the rise in obesity of population. The soft drinks companies are blamed for influencing researches about the correlation between soft-drinks drinking and obesity. This might lead to negative social image of the Group´s products as well as legal restrictions, which could mean a significant drop in the sale of soft drinks with added sugars.

Key mitigations:

The Group takes this issue very seriously and proactively self-regulates itself to prevent official regulations. The Group has all various beverages in its portfolio – from no sugar to soft-drinks with 12g of sugar in 100ml. Our key brand is Kofola, that has 30% less sugar than average cola beverage. Where it is possible and where it makes sense, we reformulate the amount of sugar (Kofola has recently reduced the amount of sugar in its flavoured variants by 30 %) or add sugar-free variants (Kofola, Royal Crown Cola). We offer a wide range of water-based products and also focus on small packaging, that means smaller amount of sugar in one portion. We do not support or initiate any study proving that drinking soft drinks does not affect obesity because we believe, that any drink can be part of healthy lifestyle if drunk in a moderate way. The Group supports many events with physical activity (running, cycling) especially in connection to its spring/mineral water brands (Rajec, Radenska, Studena).

THE GROUP MAY BE NEGATIVELY AFFECTED BY SALES REGULATIONS OF SPECIFIC PRODUCT GROUPS

There are attempts on national, but also on the EU level to regulate the sale of specific product ranges of drinks to children or teenagers, especially energy drinks or other soft drinks that contain caffeine or high amount of added sugar. There is also a trend to prohibit the sale of these products in schools. The risk of implementing such regulations on some markets is not negligible.

Key mitigations:

The Group closely monitors this issue especially through its memberships in various professional organisations. As a responsible producer, we also naturally self-regulate our operations in this matter. We do not promote soft-drinks with higher amount of added sugar (above 4g/100ml) or caffeine to children and we do not sell them in schools in shops or vending machines. The regulation of sale of soft drinks with higher than 5g/100ml sugar content was already implemented in Czechia and the Group´s sales of restricted product groups were not affected by this law. We do not promote our products with higher amount of added sugar to kids in any of our markets. We never promote drinking energy drinks with alcohol. If any regulation of the sale of drinks steps into force, the Group is not likely to be affected because according to its strategy of comprehend portfolio, it has a wide range of drinks that comply with above mentioned regulations. However, we are certain that there is no regulation needed and we proactively act and cooperate with state authorities to prevent any restrictions taking place.

THERE WILL BE NEW RESTRICTIONS IN THE USE OF PRESERVATIVES

European Food Safety Authority (EFSA) is re-evaluating the current recommended daily amount of harmless preservatives intake and there is a reasonable assumption that there might be further restriction in the use of preservatives in beverages that might affect the Group´s beverages recipes.

Key mitigations:

It is in the Group´s strategy to limit the use of preservatives to technological minimum. The Group only cooperates with proven suppliers to have good quality raw materials with detailed content sheet. Since 2010, the Group has invested a significant amount of money into technologies to produce soft drinks without preservatives (i.e., hot fill, pascalization and aseptic line). Nevertheless, the number of used conservatives in the Group´s products, where it is not at the moment technologically possible to produce without preservatives, is in minimal amounts far from recommended daily maximum intake, so that it will not be affected by reasonable tightening of the limits.

THE GROUP MAY BE UNABLE TO ATTRACT, RETAIN AND MOTIVATE QUALIFIED PERSONNEL (EMPLOYMENT ISSUE)

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

Key mitigations:

The Group limits this risk by sustaining a strong culture of accountability, empowerment, benefit scheme and personal development as well as by building the Group’s leadership talent pipeline through strategic people resourcing. The Group continuously tracks the conditions within but also outside the company on the labour market and acts promptly according to the situation. The Group structures its compensation packages in a manner consistent with the market standard.

THE GROUP FACES GROWING PERSONAL COSTS (PRICE/WAGE SPIRAL)

Because of very low unemployment rate, the Group will be facing rising personal costs and might get into the price/wage spiral.

Key mitigations:

The Group works on this matter very deeply. The Group implemented segmented reward system as well as individual approach to wages based on employee's role and competence, without flat levelling. The Group invests into labour market data and works with those intensively to carefully benchmark itself with the labour market. The Group regularly optimizes the systemisation of jobs and also works on robotization and automation of activities.

THE GROUP MAY DEAL WITH CULTURAL AND MULTI-AGE DIFFERENCES IN THE EMPLOYEE'S STRUCTURE

The employees cultural and age diversity could lead to various problems, that could lead to higher fluctuation and lower employee satisfaction, which could cause lower productivity of the Group.

Key mitigations:

In all countries and companies that belong to the Group, we try to be as local as possible with respect to local culture and environment. We support the diversity and healthy self-confidence of our employees. We have and cherish our open multicultural (especially in the Adriatic region) and age diversive environment that does not limit or discriminate individuals by gender, age, race, or any handicap. We take care of the individual's life and personal situation and the needs of our employees. We seek for talents in our employees and push them forward. We support internal promotions and career changes of our employees, especially with expats programme, management positions replacements, new projects and acquisitions, where we fully rely on our well experienced staff. We are developing our people individually through programs and activities.

EMPLOYEES OF THE GROUP MAY FACE DISCRIMINATION OR CORRUPTION

There might be some discrimination acts in the workplace or some employees might be corrupted and act against the company.

Key mitigations:

The Group believes in its own people. In the unlikely event of discrimination, all employees are informed who to turn to. We have an open-door policy in this matter. All employees can refer to any member of management with any request and they will be treated with respect and nothing is forgotten or left unsolved. We also have a very strict policy regarding not accepting bribes or other special benefits by our employees. When selecting business partners, we follow procurement policy, when there are always at least two members of our staff and we do not favour anyone and decide honestly and transparently according to predetermined factors and rules. All money transfers are carefully monitored and need to be multi-stage approved. All our employees need to go through various trainings and are repeatedly informed about above mentioned.

THE GROUP MAY LOSE SIGNIFICANT REVENUES AS A RESULT OF COVID-19 PANDEMIC SITUATION

On 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic, and the Czech government declared a state of emergency on 12 March 2020 and repeatedly later on. Responding to the potentially serious threat the COVID – 19 presents to public health, the Czech government authorities may take measures to suppress the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the ‘lock-down’ of certain industries. In particular, airlines and railways may suspend international transport of people, schools, universities, restaurants, cinemas, theatres and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies may be closed. Significant part of Group sales is attributable to HoReCa segment which was and again may be impacted due to government restrictions (such as closures of pubs and restaurants).

Key mitigations:

As a reaction to COVID-19 virus situation, the Group has established a team that involves also Group’s top management which holds regular meetings to minimize the negative impacts on Group’s employees and results. The team has already set plenty of measures and is prepared to continue in these activities. The Group will have sufficient resources to continue its business for a period of at least 12 months from the reporting date. Management concluded that the range of possible outcomes considered at arriving at this judgment 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.

THE GROUP MAY NOT BE ABLE TO PASS INFLATION DRIVEN INCREASED COSTS TO ITS CUSTOMERS

Recent economic development lead to a significant increase of the inflation rate. Higher prices significantly increase all types of business expenses and put pressure on transferring these costs into the product prices. The Group however may not be successful in the price negotiations with its customers and it may be the case that higher input costs are not fully transferred to the customers.

Key mitigations:

The Group management deeply monitors the products margin and overall business profitability. It builds on long-term relationship with its customers and respectfully utilizes its negotiation power. The Group also continuously searches for efficiencies in its production and other internal processes.

5.2. APPROACH TO MARKET TRENDS AND DEVELOPMENT

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

HEALTHY FOOD AND BEVERAGES

- gradual conversion of products to preservative-free, healthy innovations,
- promotion of healthy life style,
- reformulation – process of changing the sugar content of a product (Flavoured Kofola LessMore has 30% less sugar, new Royal Crown Cola without sugar),
- more healthy beverages (water, children's beverages) with lower sugar content compared to other competitors and beverages with herbs and tree extracts (UGO juices, Rajec flavoured, fresh drinks),
- drinks with stevia (natural sweetener - without calories) - Kofola bez cukru (Sugar free), Jupík with stevia,
- hot filling and aseptic line allowing the new products without preservatives (for example: high fruit content drinks, functional drinks),
- use of high-pressure technology (pascalisation) - all nutritional values of fruit and vegetables in our 100% juices are retained,
- water category and small packaging focus to naturally eliminate sugar intake for consumers,
- nutritionally rich products,
- presence in segment of herbs, tea & coffee mixtures and use of own herbs from certified BIO localities near the plants.

ENVIRONMENTAL PROTECTION

- carbon footprint elimination (green energy, CNG trucks, CO_{2e} offset project), towards carbon neutrality in 2030,
- water sources protection,
- energy saving policies,
- afforestation,
- cooperation with suppliers, especially local farmers,
- 100% recyclability and biodegradability of packaging and Eco modulation,
- support for a deposit system for returnable PET bottles and cans,
- packaging elimination (drafted products, syrup category focus, big volume packaging, reusable returnable packaging),
- green offices and operations policy application,
- returnable glass in Retail ("Cirkulka" project),
- single use packaging elimination.

INCREASING AMOUNT OF OUTDOOR ACTIVITIES

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

CONSOLIDATION OF RETAIL AND DRIFT OF VOLUME TO RETAIL TRADE CHANNEL

- strengthening brands to be more important for retailers,
- focus on terms and conditions with retailers,
- proper pack/channel tactics,
- operational excellence,
- opening own retail chain of UGO Freshbars & Saladbars,
- e-commerce focus,
- entering market of pharmacies via LEROS.

GLOBALISATION AND GROWING INDIVIDUALISM

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

6. NON-FINANCIAL INFORMATION

6.1. NON-FINANCIAL INFORMATION

Non-financial information will be issued as a separate document till 30 June 2022 on the following link: https://investor.kofola.cz.

7. CORPORATE GOVERNANCE

7.1. SHARES AND SHAREHOLDERS

7.1.1 SHARE CAPITAL

As at 31 December 2021, the registered share capital of Kofola ČeskoSlovensko a.s. totalled CZK 1,114,597,400 (as at 31 December 2020: CZK 1,114,597,400) and comprised 22,291,948 (as at 31 December 2020: 22,291,948) common registered shares with a nominal value of CZK 50 (as at 31 December 2020: CZK 50) each, issued as book-entry shares under Czech law in particular under the Czech Companies Act, with the ISIN CZ0009000121.

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

The General Meeting held on 29 November 2021 has approved a distribution of dividends in the amount of CZK 13.5 per share, i.e. CZK 300,941 thousand (CZK 286,296 thousand in Group financial statements due to shares owned by RADENSKA).

The General Meeting held outside of the meeting during 2 – 18 November 2020 has approved a distribution of dividends in the amount of CZK 13.5 per share, i.e. CZK 300,941 thousand (CZK 285,902 thousand in Group financial statements due to shares owned by RADENSKA).

7.1.2 SHAREHOLDERS STRUCTURE

Share capital structure			31.12.2021			31.12.2020
Name of entity	Number of shares	% in share capital	% in voting rights	Number of shares	% in share capital	% in voting rights
AETOS a.s.	14,984,204	67.22	70.66	14,984,204	67.22	70.75
RADENSKA d.o.o.	1,084,851	4.87	0.00	1,113,977	5.00	0.00
Others	6,222,893	27.91	29.34	6,193,767	27.78	29.25
Total	**22,291,948**	**100.00**	**100.00**	**22,291,948**	**100.00**	**100.00**

For transactions with shares refer to section Equity in the Consolidated financial statements and Separate financial statements.

7.1.3 RIGHTS ATTACHED TO THE SHARES

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

The rights attached to the shares arise from the provisions of Czech Companies Act and Company´s Articles of Association. During the year 2021, new obligations that have an impact on the right to exercise voting right by the shareholder who is a legal entity having registered office in the Czech Republic, arising from the Act No. 37/2021 Coll., on the register of beneficial owners, have been introduced. The Company has duly registered its beneficial owners.

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

The Company didn't issue any convertible or other shares of similar kind. Company has only concluded a program for long-term remuneration of senior managers of the Group, as described in the section 7.2 (k).

7.1.4 SHARES IN POSSESSION OF PERSONS WITH EXECUTIVE AUTHORITY

Shares in possession of persons with executive authority	31.12.2021 pcs
Members of the Board of Directors	15,052,177
Members of the Supervisory Board	-
Other persons with executive authority	44,724
Persons related to those with executive authority	-
Total	**15,096,901**

7.1.5 DIVIDEND POLICY

On 21 October 2021, the Board of Directors of the Company approved the Company's dividend policy for the periods 2021 to 2023. The intention of the Board of Directors is to maintain the current trend and distribute approximately CZK 300 million to shareholders in each financial year. This currently represents approximately CZK 13.46 per share before tax. The realisation of this intention is conditional on sufficient funds being available for distribution (distributable resources) without jeopardising the Company's financial stability. This dividend policy was announced at the General Meeting on 29 November 2021.

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

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

The equity structure is as follows:

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

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

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

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

The Company as at 31 December 2021 didn´t hold any treasury shares (as at 31 December 2020: 11 shares).

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

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

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

(b) Information about limitations on the transferability of securities

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

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

Significant shareholders as at 31 December 2021:

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

Significant shareholders as at 31 December 2020:

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

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

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

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

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

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

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

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

(e) Information about limitations on voting rights

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

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

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

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

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

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

Any special rules regulating election and recalling of the members of the Board of Directors of the Company and amendments and changes to the Articles of Association of the Company don´t apply.

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

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

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

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

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

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

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

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

Option Plan 2017 - 2019

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

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

1 The Share Acquisition Plan consisting in the participant´s option to buy Kofola shares on the market and, under the fulfilment of the specified conditions, to receive for free the same number of Kofola Pair shares.

2 The Performance Shares Plan consisting in the participant´s right to receive for free, under the fulfilment of key performance targets by the Kofola Group, the pre-determined number of Kofola shares.

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

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

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

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

Option Plan 2021 - 2026

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

The Plan consists of two separate, though complementary plans:

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

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

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

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

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

7.3. CORPORATE GOVERNANCE CODE

CZECH CORPORATE GOVERNANCE

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

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

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

7.4. STATUTORY BODIES

Kofola ČeskoSlovensko a.s. had the following bodies in 2021:

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

7.4.1 GENERAL MEETING

OVERALL INFORMATION

The General Meeting is the supreme body of the Company. The General Meeting is, according to the Articles of Association, authorised to:

- decide on changes of the Articles of Association, unless it is a change which occurred as a result of an increase in the registered capital by the authorised Board of Directors or a change which occurred as a result of other legal facts,
- adopt Procedural Rules of the General Meeting, if the Company desires to provide more details on the course of a General Meeting of the Company besides the rules stipulated by the law or the Articles of Association,
- elect and recall members of the Supervisory Board and approve their agreement on performance of office including their remuneration,
- appoint and recall a liquidator and approve its agreement on the performance of office including its remuneration,
- approve a transfer, lease or pledge of the Company’s enterprise or such a part thereof that would imply a significant change of the existing structure of the enterprise or a significant change of the scope of business or activity of the Company,
- decide on matters which are submitted by the Board of Directors to the General Meeting to be resolved by the General Meeting,
- grant instructions to the Board of Directors and Supervisory Board and approve the operating principles of the Board of Directors and the Supervisory Board, provided that these are not contrary to the law; the General Meeting may also prohibit a member of the Board of Directors and Supervisory Board from taking certain actions, if such a prohibition is in the interest of the Company,
- decide on the distribution of profit, including the distribution of dividends, or of other own sources, or decide on the settlement of loss,
- approve the Company’s auditor,
- approve the remuneration policy and the reports on remuneration under the Capital Market Undertakings Act;
- approve significant transaction under Section 121s et. Seq. of the Capital Market Undertakings Act; and

- decide on any other issues falling under the powers of the General Meeting by virtue of the Czech Companies Act or the Articles of Association.

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

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

Any decision within the competence of the General Meeting except decisions on the amendment of the Articles of Association of the Company can also be adopted outside the General Meeting (remotely). The Board of Directors defines the terms of remote vote and specifies them in the draft resolution. Announcement of upcoming remote vote shall be published on Company´s website at least 10 days before the day the draft resolution is delivered to the shareholders. The draft resolution is delivered to the shareholders by publishing in the Commercial Journal as well as Company´s website. The period for delivery of votes is 15 days after the day of delivery of the draft resolution. If a shareholder will not vote on the draft resolution, he shall be deemed to have voted against. The seventh day before the day the draft resolution is delivered to all shareholders is considered as the decisive date for the remote vote. In 2021, the General Meeting did not adopt any decision outside the General Meeting (remotely).

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

VOTING AT GENERAL MEETING

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

Each share in the capital of the Company confers the right to cast one vote, subject to the relevant provisions of the Articles of Association. The total number of votes in the Company is 22,291,948 votes. As the date of the annual report, the total number of votes in the Company is reduced by number of votes attached to the Company´s shares by which is not possible to exercise the voting right (shares owned by the company RADENSKA controlled by the Company) and amounted to 21,207,097 votes. None of the Participating Shareholders has different voting rights.

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

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

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

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

DECISION MAKING OF THE GENERAL MEETING

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

According to the Czech Companies Act, decisions adopted remotely are approved by majority of all the shareholders of the Company.

GENERAL MEETINGS IN 2021

During the year 2021, two ordinary General Meetings were held by the Company.

On 28 June 2021, the ordinary General Meeting took place which in particular:

- decided on amendment to the Articles of Association of the Company (partially effective on the day of its adoption and partially from 1 January 2022);
- decided on acknowledgement of the resignation of a Supervisory Board member Mr. Petr Pravda and election of new Supervisory Board members (Mr. Alexandros Samaras and Mr. Ladislav Sekerka);
- heard the Report of the Board of Directors on business activities of the Company and state of its assets for the year 2020 and Summary explanatory report regarding the matters pursuant to Section 118 subsec. 5 par. a) to k) of the Capital Market Undertakings Act and Conclusions of the Report on relations between controlling entity and controlled entity and between controlled entity and entities controlled by the same controlling entity for the year 2020;
- heard the Report of the Supervisory Board on the results of the control activities including information about review of the Report on relations;
- approved the Financial statements of the Company for the year 2020 and Consolidated financial statements of Kofola ČeskoSlovensko Group for the year 2020;
- approved the Report on remuneration for 2020;
- approved amendment to the Policy of remuneration of the members of the Company bodies;
- appointed an auditor for the statutory audit of accounts in calendar years 2021 – 2024 (KPMG Česká republika Audit, s.r.o.).

On 29 November 2021, second ordinary General Meeting took place which in particular:

- approved Board of Directors´ proposal on distribution of the profit generated in 2020 and other own resources of the Company in the total amount of CZK 300,941,298 among the shareholders of the Company. The dividend amounted to CZK 13.50 per one share before taxation;
- informed the shareholders about Company´s dividend policy for the period 2021 – 2023;
- approved re-election of Mr. Petr Šobotník in his position of the member of the Audit committee;
- approved the possibility of acquisition of the maximum of 1,084,851 treasury shares from the company RADENSKA d.o.o. by the Company and/or its controlled entity within four years from the adoption of the resolution. If the acquisition of treasury shares is made for consideration, the minimum purchase price shall be CZK 250 per share and the maximum CZK 1,000 per share.

7.4.2 BOARD OF DIRECTORS

BOARD OF DIRECTORS

The Board of Directors of the Company has 6 members.

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

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

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

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

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

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

Members of the Board of Directors

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

Members of the Board of Directors	Position	Appointment date	Expiration of the office term
Janis Samaras	Chairman of the Board of Directors – Chief Executive Officer	18 September 2015	30 June 2025
Daniel Buryš	Vice-Chair of the Board of Directors – General Director of CS operation	17 June 2015	30 June 2025
René Musila	Vice-Chair of the Board of Directors – Chief Operations Officer of Kofola Group	16 June 2015	30 June 2025
Marián Šefčovič	Member of the Board of Directors – Chief Executive Officer of Adriatic operation	21 June 2017	30 June 2025
Martin Pisklák	Member of the Board of Directors – Chief Financial Officer of Kofola Group	1 April 2020	1 April 2025
Martin Mateáš	Member of the Board of Directors – Chief Executive Officer of LEROS	30 June 2020	30 June 2025

Janis Samaras

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

Daniel Buryš

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

René Musila

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

Marián Šefčovič

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

Martin Pisklák

Martin Pisklák graduated in Business Finance and Accounting at Masaryk University in Brno in 2005. During his studies, he spent one semester studying International Business Relations at the Austrian FH Burgenland. He joined Kofola in December 2010. From 2011 – 2014 he was Head of Controlling, and from 2015 – 2019 he was Chief Financial Officer and Vice Chairman of the Board of Directors of RADENSKA and Studenac in the Adriatic region. Prior to joining Kofola, Martin was a transaction advisor at PwC (2008-2010), and a financial auditor at PwC (2005-2008).

Martin Mateáš

Martin Mateáš has a university degree in Management. He worked in companies ST. NICOLAUS – trade CZ and Heineken in the past, and in 2005, he joined the Kofola Group. After his first position as a Brand manager of favourite mineral water Rajec, he became a CMO of the whole Group. In 2010, he moved to Poland where for the next five years he led the entire Polish branch as its General Manager. He has been LEROS CEO since 2018.

Directorships of Members of the Board of Directors

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

Directorships of the Board of Directors members	Current and former directorships
Janis Samaras	Chairman of the BoD, Kofola ČeskoSlovensko a.s., since 2015 Chairman of the BoD, Kofola CS a.s., 2006-2016 Chairman of the BoD, KOFOLA S.A. (PL), 2008-2016 Statutory representative, PINELLI spol. s r.o, 2011-2016 Chairman of the BoD, Kofola a.s. (CZ), since 2011 BoD Member, Alofok Ltd (liquidated in 2021), 2012-2021 Chairman of the BoD, Kofola a.s. (SK), since 2004 (Chairman of the BoD since 2015) SB Member, RADENSKA d.o.o. (SI), 2015-2016 Statutory representative UGO trade s.r.o., since 2018 Chairman of the BoD, AETOS a.s., since 2017 Statutory representative and Shareholder, Palác Silesia s.r.o., since 2016 SB member, Nadační fond proti korupci, since 2012 Member of statutory body, Nadační fond Bez-DOMOVA, since 2016 Shareholder, Afton s.r.o., since 2006 Shareholder (joint property of spouses), TIERRA VERDE s.r.o., since 2021 Shareholder (joint property of spouses), TIERRA NUEVA s.r.o., since 2021

Directorships of the Board of Directors members	Current and former directorships
Daniel Buryš	Vice-Chair of the BoD, Kofola ČeskoSlovensko a.s., since 2015 (Vice-Chair of the BoD since 2018) SB Member, RADENSKA d.o.o. (SI), 2015-2016 BoD Member, Kofola a.s. (SK), since 2011 BoD Member, KOFOLA S.A. (PL), 2013-2016 Vice-Chair of the BoD, Kofola a.s. (CZ), since 2010 (Vice-Chair of the BoD since 2018) BoD Member, Kofola CS a.s., 2013-2016 Statutory representative, UGO trade s.r.o., 2012-2018 Statutory representative, F.H. Prager s.r.o., since 2020 Chairman of the BoD, ONDRÁŠOVKA a.s., since 2020 Statutory representative, Karlovarská Korunní s.r.o., since 2020 Statutory representative and liquidator, Minerálka s.r.o. (SK), 2020-2021 Member of the SB, REMA AOS, a.s., since 2020 Statutory representative, Brute s.r.o., since 2021
René Musila	Vice-Chair of the BoD, Kofola ČeskoSlovensko a.s., since 2015 (Vice Chairman of the BoD since 2018) SB Member, RADENSKA d.o.o. (SI), 2015-2016 Vice-Chair of the BoD, Kofola CS a.s., since 2011; 2006-2011 BoD member BoD Member, KOFOLA S.A. (PL), 2008-2016 Statutory representative, SANTA-TRANS s.r.o., since 2004 Vice-Chair of the BoD, Kofola a.s. (CZ), 2011-2018 SB Member, Kofola a.s. (SK), 2011-2015; 2017-2018 BoD member BoD Member, AETOS a.s., since 2017 Shareholder, Afton s.r.o., since 2006
Marián Šefčovič	BoD Member, Kofola ČeskoSlovensko a.s., since 2017 Chairman of the BoD, RADENSKA d.o.o., since 2015 Chairman of the BoD, Studenac d.o.o., since 2016
Martin Pisklák	BoD Member, Kofola ČeskoSlovensko a.s., since 2020 BoD Member, RADENSKA d.o.o., 2015-2020 BoD Member, Studenac d.o.o., 2015-2020 BoD Member, Radenska d.o.o. (liquidated in 2020), 2015-2020 BoD Member, Sicheldorfer GmbH (liquidated in 2017), 2015-2017
Martin Mateáš	BoD Member, Kofola ČeskoSlovensko a.s., since 2020 Statutory representative (shareholder since 2014), Gnósis Trade Company s.r.o., 2014-2016 Statutory representative, Espresso s.r.o., 2019-2020 Statutory representative, LEROS s.r.o., since 2018 Statutory representative (and shareholder), DENTU s.r.o. (SK), 2017-2019 Statutory representative, Leros Slovakia, s.r.o. (SK), since 2018 Statutory representative, PREMIUM FOODS s.r.o. v likvidácii (SK), 2020-2021 Statutory representative (and shareholder), GAUDIN MONK s.r.o. (SK), since 2019

Above mentioned activities are considered as significant.

7.4.3 SUPERVISORY BOARD

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

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

The Supervisory Board consists of five members (until June 2021 of 4 members). The Supervisory Board shall appoint a chairperson from amongst its members. The General Meeting may at any time suspend or dismiss Supervisory Board members.

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

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

Members of the Supervisory Board

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

Members of the Supervisory Board	Position	Appointment date	Expiration of the office term
René Sommer	Chairman of the Supervisory Board	17 June 2015	5 August 2025
Moshe Cohen-Nehemia	Member of the Supervisory Board	15 September 2015	5 August 2025
Petr Pravda	Member of the Supervisory Board	17 June 2015	28 June 2021
Tomáš Jendřejek	Member of the Supervisory Board	30 November 2018	5 August 2025
Ladislav Sekerka	Member of the Supervisory Board	28 June 2021	28 June 2026
Alexandros Samaras	Member of the Supervisory Board	28 June 2021	28 June 2026

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

René Sommer

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

Moshe Cohen-Nehemia

Moshe Cohen-Nehemia is a member of the Supervisory Board of the Company. He graduated from the Faculty of Economics at the Open University in Israel in 1995 and completed an MBA program at Ben Gurion University in 2000. Mr. Cohen-Nehemia joined the Kofola Group in 2014 as a member of the Supervisory Board of KOFOLA S.A. (PL). Mr. Cohen-Nehemia gained professional experience in the beverages industry at Jafora Tabori in Israel (1997-2004), RC Cola International in USA (2005-2018), being the Managing Director responsible for the entire commercial operation, Beverage Partners International a global beverage company in Israel (from 2019) as a Chief Operation Officer.

Petr Pravda

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

Mr. Pravda resigned from his position with the effects as to 28 June 2021.

Tomáš Jendřejek

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

Ladislav Sekerka

Ladislav Sekerka is a partner at Consilium Family Office after a decade at UBS Wealth Management out of Zurich and Vienna. As an Executive Director, he advised HNWI, UHNW and family office clients across Central Europe. He has professional experience in the international banking environment as well as on the buy-side. He had several senior roles in the wealth management industry and has experience from retail, corporate and investment banking, and asset management. He is a Harvard Business School Alumnus and holds a Master´s degree from Masaryk University (Law) and Brno University of Technology (Economics).

Alexandros Samaras

Alexandros Samaras is a Head of Unit for Monitoring & Implementing EU funded Cooperation Programmes for Balkan Peninsula and Black Sea Basin Programmes at Ministry of Development and Investments., Greece. He has an experience in Finance, Controlling and Accounting and holds a Master´s Degree in Public Law and Political Science (LL.M) and Degree in Law from Democritus University of Thrace and a degree in Economics from University of Macedonia.

Directorships of the Members of the Supervisory Board

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

Directorships of the Supervisory Board members	Current and former directorships
René Sommer	Chairman of the SB, Kofola ČeskoSlovensko a.s., since 2015 Chairman of the SB, KOFOLA S.A. (PL), 2011-2016 Chairman of the SB, AETOS a.s., since 2017 Statutory representative, Palác Silesia s.r.o., since 2016 Chairman of the SB, REMA AOS, a.s., 2015-2020 SB Member, Kofola a.s. (CZ), since 2019 Chairman of the SB, Okresní hospodářská komora Bruntál, 2015-2018 Shareholder, Afton s.r.o., since 2006
Moshe Cohen-Nehemia	SB Member, Kofola ČeskoSlovensko a.s., since 2015 SB Member, KOFOLA S.A. (PL), 2014-2016 VP for Business Development & Marketing, RC Cola International, 2010-2017 Managing director, RC Cola International, 2017-2019 CEO, Beverage Partners International, since 2019
Tomáš Jendřejek	SB Member, Kofola ČeskoSlovensko a.s., since 2018 SB Member, Kofola a.s. (CZ), since 2015 SB Member, RADENSKA d.o.o. (SI), 2015-2016 BoD Member, KOFOLA S.A. (PL), 2008-2016 Statutory representative, UGO trade s.r.o., since 2018 Statutory representative, SANTA-TRANS s.r.o., since 2013 Member of the BoD, Kofola CS a.s., 2011-2016 Member of the BoD, Kofola ČeskoSlovensko a.s., 2015-2018 SB Member, AETOS a.s., since 2017 BoD Member, Kofola a.s. (SK), since 2018 Shareholder, Afton s.r.o., since 2006 SB Member, ONDRÁŠOVKA a.s., since 2020
Petr Pravda	SB Member, Kofola ČeskoSlovensko a.s., 2015-2021 SB Member, KOFOLA S.A. (PL), 2015-2016 Chairman of the SB, Kofola CS a.s., 2015-2016 Chairman of the SB, Kofola a.s. (CZ), since 2006 SB member, Kofola a.s. (SK), 2014-2021 Chairman, SK REAL OPAVA, z.s., since 2019
Alexandros Samaras	SB Member, Kofola ČeskoSlovensko a.s., since 2021

Directorships of the Supervisory Board members	Current and former directorships
Ladislav Sekerka	SB Member, Kofola ČeskoSlovensko a.s., since 2021 SB Member, BioVendor – Laboratorní medicína a.s., since 2017 Statutory representative (and shareholder), SECO Invest s.r.o., since 2018 Statutory representative, ConsilEng s.r.o., since 2017 Statutory representative (and shareholder), DLI project I s.r.o., since 2020 Statutory representative, DLI Panorama s.r.o., since 2021 Member of the management board, Nadace rodiny Vlčkových, since 2021

Above mentioned activities are considered as significant.

7.4.4 AUDIT COMMITTEE

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

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

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

Members of the Audit Committee

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

Members of the Audit Committee	Position	Appointment date	Expiration of the office term
Petr Šobotník	Chairman of the Audit Committee	21 June 2017	29 November 2026
Zuzana Prokopcová	Member of the Audit Committee	30 November 2018	30 November 2023
Lenka Frostová	Member of the Audit Committee	30 November 2018	30 November 2023

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

Petr Šobotník

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

Zuzana Prokopcová

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

Lenka Frostová

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

Directorships of the Members of the Audit Committee

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

Directorships of the Audit Committee members	Current and former directorships
Petr Šobotník	Chairman of the AC, Kofola ČeskoSlovensko a.s., since 2017 Vice-Chair of the AC, Severomoravské vodovody a kanalizace Ostrava a.s., since 2017 Chairman of the AC, ČEPRO, a.s., since 2016 Chairman of the AC, Letiště Praha, a.s., since 2014 Chairman of the AC, Československá obchodní banka, a.s., since 2016 Member of the SB, Československá obchodní banka, a.s., 2017-2018 Statutory representative (and shareholder), AFITEC s.r.o. (dříve Šobotník & Partners, s.r.o.), 2010-2020 Member of the SB, Letiště Praha, a. s., since 2017 Member of the SB, Nadační fond Českého rozhlasu, 2014-2017 Chairman of the AC, Českomoravská stavební spořitelna, a.s., since 2019 Chairman of the AC, ČSOB Penzijní společnost, a. s., člen skupiny ČSOB, since 2016 ViceChairman of the AC, MERO ČR, a.s., since 2021 Member of the AC, Phillip Morris ČR a.s., since 2021
Zuzana Prokopcová	AC member, Kofola ČeskoSlovensko a.s., since 2018 AC member, MONETA Money Bank, a.s., since 2017 AC member, MONETA Stavební spořitelna, a.s., since 2020 Chairman of the SB, Sky Venture a.s., 2014-2016 Chairman of the SB, Czech Airlines Technics, a.s., 2014-2016 Vice-Chair of the BoD, Český Aeroholding, a.s., 2014-2016 Chairman of the SB, B. aircraft, a.s., 2014-2016 Chairman of the SB, Czech Airlines Handling, a.s., 2014-2016 Chairman of the SB, Whitelines Industries a.s., 2014-2016 Chairman of the SB, Realitní developerská, a.s., 2014-2016 Member of the management board, Nadace MONETA Clementia, since 2021 Member of the SB, PPF Group N.V., since 2021 Member of the AC, PPF Financial Holdings a.s., since 2021
Lenka Frostová	AC Member, Kofola ČeskoSlovensko a.s., since 2018

Above mentioned activities are considered as significant.

7.4.5 PERSONS WITH EXECUTIVE AUTHORITY

DEFINITION

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

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

7. CORPORATE GOVERNANCE

IDENTIFICATION

The following persons qualified as persons with executive authority:

MEMBERS OF THE BOARD OF DIRECTORS

- Janis Samaras
- Daniel Buryš
- René Musila
- Martin Pisklák
- Martin Mateáš
- Marián Šefčovič

MEMBERS OF THE SUPERVISORY BOARD

- René Sommer
- Tomáš Jendřejek
- Petr Pravda (till 28 June 2021)
- Moshe Cohen-Nehemia
- Alexandros Samaras (since 28 June 2021)
- Ladislav Sekerka (since 28 June 2021)

MEMBERS OF THE AUDIT COMMITTEE

- Petr Šobotník
- Zuzana Prokopcová
- Lenka Frostová

OTHER PERSONS WITH THE EXECUTIVE AUTHORITY

KAREL HRBEK

Karel Hrbek was a marketing director responsible for Group activities in Czech and Slovak region till October 2019. He is a marketing director in LEROS since November 2019. He is also a member of the Board of Directors of the Kofola a.s. (CZ) and Kofola a.s. (SK).

JURE ZRILIC

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

RENÉ NOVOTNÝ

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

PETR KULOVANÝ

Petr Kulovaný is a Procurement Director of Kofola CS (Kofola CZ and Kofola SK).

JAROSLAV VÍCH

Jaroslav Vích is a Sales Director of Kofola CS.

KAREL TEICHMANN

Karel Teichmann is an Operations Director of Kofola CS.

MARTIN ROSYPAL

Martin Rosypal is a CFO of Kofola CS.

EGLE WEHLE

Egle Wehle is a Marketing Director in Adriatic.

MAREK FARNÍK

Marek Farník is a General Director of UGO trade.

FRANTIŠEK BENEŠ

František Beneš is a CFO of LEROS and Premium Rosa.

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

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

REMUNERATION PRINCIPLES

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

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

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

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

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

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

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

The Company has not entered into any work or other agreement with a person with executive authority that would grant such person any special entitlements (e.g. severance payment), except for the ones granted by the legal provisions. According to the Czech law, an employee is entitled to a severance payment upon termination of his/her employment (by agreement or notice) only if:

1. the employer or a portion of the employer's organization is dissolved or relocated, or
2. the employee becomes redundant because of a decision by the employer or the respective body to change the employer's tasks or technical set-up, to reduce the number of employees for the purpose of raising work productivity, or to make

other organizational changes. If one of the above conditions is met, the employee should receive from the employer a severance payment based on his/her years of service as set out in the table below:

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

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

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

Remuneration of key management personnel of the Group and Company is described in sections B 4.22.2 and C 4.23.3.

7.5. DESCRIPTION OF DIVERSITY POLICY APPLIED TO GOVERNANCE BODIES

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

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

All the persons suitable for the positions in the governance bodies of the Company are chosen in a non-discriminatory manner. The Company´s long-term effort is to build a corporate culture that is professionally open to everyone, regardless of gender, race, colour, nationality, ethnic, origin, worldview, religion, health, age or sexual orientation.

7.6. FINANCIAL REPORTING PROCESS

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

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

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

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

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

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

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

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

8. REPORT ON RELATIONS

REPORT ON RELATIONS BETWEEN THE CONTROLLING ENTITY AND THE CONTROLLED ENTITY AND BETWEEN THE CONTROLLED ENTITY AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY FOR THE ACCOUNTING PERIOD OF 2021

Pursuant to Section 82 of Act No. 90/2012 Coll., on business corporations, the Board of Directors of Kofola ČeskoSlovensko a.s., with its registered office at Nad Porubkou 2278/31a, Poruba, 708 00 Ostrava, Czech Republic, identification number 24261980, in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735 („Controlled entity" or „Company") has prepared the following Report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity for the accounting period of twelve months ended 31 December 2021 („Indicated period").

8.1. STRUCTURE OF RELATIONS BETWEEN RELATED PARTIES AND THE DESCRIPTION OF THE ENTITIES

Based on the information known to the Board of Directors of the Company acting with due care, the Company was for the whole Indicated period part of the group controlled by AETOS a.s. („Group"). Data about the entities that were part of the Group are valid as of 31 December 2021, based on the information known to the Board of Directors acting with due care.

8.1.1 INFORMATION ABOUT THE GROUP ENTITIES

CONTROLLED ENTITY

KOFOLA ČESKOSLOVENSKO A.S.

Identification number: 24261980
Registered office: Nad Porubkou 2278/31a, 708 00 Ostrava, Czech Republic

CONTROLLING ENTITY

AETOS A.S.

Identification number: 06167446
Registered office: Nad Porubkou 2278/31a, 708 00 Ostrava, Czech Republic

OTHER ENTITIES CONTROLLED BY CONTROLLING ENTITY

KOFOLA A.S.

Identification number: 27767680
Registered office: Za Drahou 165/1, Pod Bezručovým vrchem, 794 01 Krnov, Czech Republic

KOFOLA A.S.

Identification number: 36319198
Registered office: súp. č. 1, 013 15 Rajecká Lesná, Slovakia

UGO TRADE S.R.O.

Identification number: 27772659
Registered office: Za Drahou 165/1, Pod Bezručovým vrchem, 794 01 Krnov, Czech Republic

SANTA-TRANS S.R.O.

Identification number: 25377949
Registered office: Ve Vrbině 592/1, 794 01 Krnov - Pod Cvilínem, Czech Republic

RADENSKA D.O.O.

Identification number: 5056152
Registered office: Boračeva 37, 9502 Radenci, Slovenia

ALOFOK LTD (LIQUIDATED ON 3 DECEMBER 2021)

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

STUDENAC D.O.O.

Identification number: 42128028
Registered office: Matije Gupca 120, 34551 Lipik, Croatia

PREMIUM ROSA SP. Z O.O.

Identification number: 0000295231
Registered office: ul. Św. Andrzeja Boboli 20, 05-504 Złotokłos, Poland

LEROS, S.R.O.

Identification number: 61465810
Registered office: U Národní galerie 470, Zbraslav, 156 00 Praha 5, Czech Republic

LEROS SLOVAKIA, S.R.O.

Identification number: 36230561
Registered office: súp. č. 1, 013 15 Rajecká Lesná, Slovakia

MINERÁLKA S.R.O. (LIQUIDATED ON 2 APRIL 2021)

Identification number: 50482521
Registered office: súp. č. 1, 013 15 Rajecká Lesná, Slovakia

F.H.PRAGER S.R.O.

Identification number: 29153379
Registered office: Za Drahou 165/1, Pod Bezručovým vrchem, 794 01 Krnov, Czech Republic

ONDRÁŠOVKA A.S.

Identification number: 27913805
Registered office: U Národní galerie 470, Zbraslav, 156 00 Praha 5, Czech Republic

KARLOVARSKÁ KORUNNÍ S.R.O.

Identification number: 18226990
Registered office: č.p. 77, 363 01 Stráž nad Ohří, Czech Republic

BRUTE S.R.O. (PART OF THE GROUP SINCE 17 JUNE 2021, SINCE JANUARY 2022 RENAMED TO SEMTEX REPUBLIC S.R.O.)

Identification number: 08325448
Registered office: U Národní galerie 470, Zbraslav, 156 00 Praha 5, Czech Republic

8.2. STRUCTURE OF RELATIONS AND OWNERSHIP INTERESTS BETWEEN RELATED ENTITIES AS AT 31 DECEMBER 2021

AETOS a.s. holds 67.22% share in the Company, the remaining shareholdings are presented in the chart below.

8.3. ROLE OF THE CONTROLLED ENTITY IN THE ORGANISATIONAL STRUCTURE

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

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

The Company is listed at Prague Stock Exchange.

8.4. METHOD AND MEANS OF CONTROL

With the implementation of the Articles of Association of the Company dated 15 September 2015 as amended on 2 December 2015, 30 May 2016, 20 December 2018 and 1 January 2021, the control of the Company is exercised above all through decision taken by the General Meeting of the Company, especially through appointment and removal of members of the Supervisory Board which is according to the Articles of Association of the Company entitled to appoint and remove members of the Board of Directors of the Company.

8.5. LIST OF ACTS WITH VALUE EXCEEDING 10% OF EQUITY OF CONTROLLED ENTITY

Equity value of the Company as of 31 December 2020 was CZK 1,511,484 thousand.

The Company received a dividend income from Kofola a.s. (CZ) of CZK 204,917 thousand.

The Company received a loan repayment from Kofola a.s. (CZ) of CZK 339,981 thousand.

The Company received a dividend income from Kofola a.s. (SK) of CZK 153,309 thousand.

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

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

- master service agreement and contract of mandate concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ), Kofola a.s. (SK), ONDRÁŠOVKA a.s., Karlovarská Korunní s.r.o., UGO trade s.r.o., LEROS, s.r.o., Premium Rosa Sp. z o.o., RADENSKA d.o.o., SANTA-TRANS s.r.o., Brute s.r.o. on 2.1.2021, as amended on 1.7.2021,
- agreement on reimbursement of costs in Kofola Group senior management long-term remuneration program concluded between Kofola ČeskoSlovensko a.s. and SANTA-TRANS s.r.o. on 1.6.2021,
- agreement on reimbursement of costs in Kofola Group senior management long-term remuneration program concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 1.6.2021,
- agreement on reimbursement of costs in Kofola Group senior management long-term remuneration program concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1.6.2021,
- agreement on reimbursement of costs in Kofola Group senior management long-term remuneration program concluded between Kofola ČeskoSlovensko a.s. and RADENSKA d.o.o. on 1.6.2021,
- agreement on reimbursement of costs in Kofola Group senior management long-term remuneration program concluded between Kofola ČeskoSlovensko a.s. and LEROS, s.r.o. on 1.6.2021,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS, s.r.o. on 29.4.2021, as amended on 1.7.2021 and 31.12.2021,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS, s.r.o. on 22.12.2021,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS, s.r.o. on 15.10.2021, as amended on 31.12.2021,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Premium Rosa Sp. z o.o. on 27.9.2021,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Premium Rosa Sp. z o.o. on 20.10.2021, as amended on 31.12.2021,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 13.1.2021,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 24.3.2021,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 22.12.2021,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and F.H.Prager s.r.o. on 24.9.2021,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and ONDRÁŠOVKA a.s. on 1.2.2021,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 1.5.2021,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 18.5.2021,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 1.5.2021,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 7.5.2021,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 19.5.2021,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 10.5.2021,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 17.5.2021,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 27.5.2021,
- car rental agreement concluded between UGO trade s.r.o. and Kofola ČeskoSlovensko a.s. on 29.6.2021,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 15.7.2021,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 2.8.2021,
- car rental agreement concluded between UGO trade s.r.o. and Kofola ČeskoSlovensko a.s. on 2.8.2021,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 1.11.2021,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 1.11.2021,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 15.11.2021,

- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 15.11.2021,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 15.11.2021,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 12.11.2021.

PROVIDED GUARANTEES:

Entity providing guarantees	Entity receiving guarantees	Currency (CY)	Guarantee amount CY´000	Guarantee amount CZK´000	Guarantee period	Guarantees provided for	Relationship
Kofola ČeskoSlovensko a.s.	City-Arena PLUS a.s.	EUR	8	199	8/2025	UGO trade s.r.o.	subsidiary
	ORLEN Unipetrol Doprava s.r.o.*	CZK	130	130	Until the end of contract	UGO trade s.r.o.	subsidiary
	Fatra, a.s.	CZK	100	100	Until the end of contract	UGO trade s.r.o.	subsidiary
	ČSOB Leasing, a.s.	CZK	1,807	1,807	6/2023	LEROS, s.r.o.	subsidiary
	Raiffeisen – Leasing, s.r.o.	CZK	2,263	2,263	1/2025	LEROS, s.r.o.	subsidiary

* Until 31 Jan 2021 UNIPETROL RPA, s.r.o.

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

- service agreement (controlling, financial, purchasing activities) concluded between Kofola ČeskoSlovensko a.s. and SANTA-TRANS s.r.o. on 1.12.2018, as amended on 1.1.2020,
- agreement on reimbursement of costs in Kofola Group senior management long-term remuneration program concluded between Kofola ČeskoSlovensko a.s. and LEROS, s.r.o. on 10.1.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 19.9.2017, as amended on 1.1.2019 and 31.12.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 29.1.2018, as amended on 1.1.2019 and 31.12.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS, s.r.o. on 4.5.2018, as amended on 28.10.2018, 1.1.2019, 9.11.2020 and 31.12.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS, s.r.o. on 25.3.2020, as amended on 1.7.2020 and 5.10.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Premium Rosa Sp. z o.o. on 9.8.2018, as amended on 22.10.2018, 1.1.2019 and 31.12.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Premium Rosa Sp. z o.o. on 4.3.2019, as amended on 31.12.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and RADENSKA d.o.o. on 1.3.2017, as amended on 7.4.2017, 16.5.2017, 2.8.2017, 31.12.2017, 1.1.2019 and 31.12.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and SANTA-TRANS s.r.o. on 28.12.2017, as amended on 1.1.2019 and 31.12.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 1.4.2020, as amended on 31.10.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and F.H.Prager s.r.o. on 7.1.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and F.H.Prager s.r.o. on 15.1.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and F.H.Prager s.r.o. on 13.2.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and F.H.Prager s.r.o. on 18.3.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Karlovarská Korunní s.r.o. on 28.4.2020,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and ONDRÁŠOVKA a.s. on 28.4.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 10.3.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 2.3.2020,
- car rental agreement concluded between UGO trade s.r.o. and Kofola ČeskoSlovensko a.s. on 1.4.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 1.5.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 1.5.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 1.5.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS, s.r.o. on 1.7.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 2.7.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 7.7.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 16.7.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 6.8.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 1.9.2020,

- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 1.9.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 14.8.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 4.9.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 17.9.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 22.9.2020,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 22.9.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 12.10.2020,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 19.10.2020,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 7.10.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Karlovarská Korunní s.r.o. on 1.11.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 12.11.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 20.11.2020,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 14.12.2020,
- accounting, financial, administrative and management services agreement concluded between Kofola ČeskoSlovensko a.s. and AETOS a.s. on 2.1.2019,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 27.11.2017, as amended on 1.1.2019,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS, s.r.o. on 25.5.2018, as amended on 22.7.2019,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and LEROS (fúze Espresso s.r.o.) on 8.7.2019, as amended on 10.7.2019,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 23.9.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 8.1.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 18.4.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 30.4.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 15.4.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 15.4.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 4.4.2019,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 21.5.2019,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 3.6.2019,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 1.7.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 22.7.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1.7.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 1.8.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 1.8.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 8.8.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1.9.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1.9.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 10.9.2019,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 1.10.2019,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 1.11.2019,
- accounting services agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 2.1.2018,
- accounting services agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 2.1.2018,
- car rental agreement concluded between Kofola a.s. (CZ) and Kofola ČeskoSlovensko a.s. on 1.7.2018,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and RADENSKA d.o.o. on 5.12.2018,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and RADENSKA d.o.o. on 5.12.2018,
- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1.2.2017,
- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and RADENSKA d.o.o. on 1.2.2017,
- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and Studenac d.o.o. on 1.2.2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Premium Rosa Sp. z o.o. on 10.7.2017,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 25.5.2017,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 1.6.2017,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (CZ) on 25.5.2017,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 12.10.2017,

- management services agreement concluded between Kofola CS a.s. and Radenska d.d. Radenci (original company name of RADENSKA d.o.o.) on 1.1.2016,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 11.7.2016,
- master inter-group service agreement concluded between Kofola CS a.s. and Radenska d.d. Radenci (original company name of RADENSKA d.o.o.) on 18.3.2015, as amended on 31.3.2015,
- service agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 20.1.2012,
- licence agreement concluded between PINELLI spol. s r.o. (successor of PINELLI spol. s r.o. after merger is Kofola ČeskoSlovensko a.s.) and Kofola a.s. (CZ) on 16.5.2011,
- licence agreement concluded between Kofola Holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (CZ) on 1.11.2006,
- service agency agreement concluded between Kofola Holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (CZ) on 1.11.2006,
- licence agreement concluded between Kofola Holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (SK) on 1.11.2006,
- service agency agreement concluded between Kofola Holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (SK) on 1.11.2006.

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

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

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

Controlled entity has no disadvantages from relations with Group entities.

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

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

In Ostrava, on 31 March 2022

René Musila	Martin Pisklák
Vice-Chair of the Board of Directors	Member of the Board of Directors

9. STATUTORY DECLARATION

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

To the best of our knowledge, the consolidated annual report of Kofola ČeskoSlovensko a.s. gives a true and fair view of the financial position, business activities and financial performance of Kofola ČeskoSlovensko a.s. and its Group for the year 2021 and of the outlook for future development of the financial position, business activities and financial performance.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES

12.4.2022	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**René Musila**	**Vice-Chair of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Daniel Buryš**	**Vice-Chair of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Martin Pisklák**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Martin Mateáš**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Marián Šefčovič**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*

10. INDEPENDENT AUDITOR´S REPORT

KPMG Česká republika Audit, s.r.o.
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186 00 Praha 8
Czech Republic
+420 222 123 111
www.kpmg.cz

This document is an unsigned version of the independent auditor's report that we issued on 12 April 2022 on the statutory consolidated financial statements included in the consolidated annual report of Kofola ČeskoSlovensko a.s., prepared in accordance with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the financial statements. The accompanying consolidated annual report has not been prepared in accordance with the ESEF Regulation and therefore does not represent a statutory consolidated annual report. Consequently, neither it nor this copy of the auditor's report is a legally binding document. We did not audit the consistency of the accompanying consolidated annual report with the statutory and legally binding consolidated annual report under the ESEF Regulation in Czech, and therefore we do not provide an opinion on the accompanying consolidated annual report.

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kofola ČeskoSlovensko a.s. ("the Company") and its subsidiaries (together "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note 2 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

Impairment of trademarks

As at 31 December 2021, the carrying amount of Trademarks and other rights:

MCZK 1 212; related impairment loss: nil;

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

Description of key audit matter

Included within intangible assets are trademarks with both finite and indefinite useful life (such as, primarily, Kofola, Radenska, Vinea, ONDRÁŠOVKA, Karlovarská Korunní trademarks). Pursuant to the relevant provisions of the financial reporting standards, annual impairment testing is required for intangible assets with an indefinite useful life, irrespective of whether or not any impairment triggers were identified for such assets.

In estimating the recoverable amount of the assets in question, the Group applied the relief from royalty method to arrive at their estimated fair value. A complex model is applied in the impairment test, relying on adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Significant judgment is required in making key assumptions applied in the model, including those in respect of royalty rate, growth rate, terminal growth rate and discount rate.

Complex models using forward-looking assumptions tend to be prone to greater risk of management bias, error and inconsistent application. In addition, significant uncertainty remains over how the COVID-19 pandemic will impact the Group’s business in future periods and customer demand for its products. These conditions necessitate our additional attention in the audit, in particular to address the objectivity of sources used for assumptions, and their consistent application.

Due to the above factors, this area required our increased attention in the audit and was considered by us to be a key audit matter.

Our audit approach to the key audit matter

Our audit procedures in the area included, among other things:

- We considered the appropriateness of the method and model applied by the Group in performing the annual impairment test, against the relevant requirements of the financial reporting standards;
- We assessed the integrity of the impairment model, including the accuracy of the underlying calculation formulas. We also tested design and implementation of selected internal controls within the impairment process, including those relating to the management’s review and validation of the key assumptions underlying the impairment model and the outcome of the testing, including their evaluation of the business/operating and liquidity risks arising from the COVID-19 pandemic, and plans for further actions in response to the risks identified;

- We assessed the appropriateness of the level (CGU vs. individual asset) at which the assets were tested for impairment, based on our understanding of the assets in question and the Group's operations;
- We evaluated the quality of the Group's forecasting by comparing historical projections with current year's actual outcomes;
- Assisted by our own valuation specialists, we challenged the Group's key assumptions and judgments used in estimating the assets' recoverable amount, including:
  - discount rate - by reference to publicly available market inputs, such as risk-free rate, size premium, inflation and country premium;
  - other key assumptions such as royalty rate, growth rate and perpetuity growth rate – to publicly available market information and the Management Board-approved forecasts, challenged by us by reference to the Group's supporting documentation and via corroborating inquiries of the Management Board;
  - we also assessed whether the forecast revenues applied the model properly excluded the amounts not associated with the trademarks in question.
- We considered the sensitivity of the impairment model and its outcome to reasonably possible changes in the key assumptions, such as discount rate, revenues and growth rate, to identify the assumptions at higher risk of bias or inconsistency in application;
- We assessed impairment-related disclosures in the consolidated financial statements against the requirements of the financial reporting standards.

Impairment of the UGO trade s.r.o. cash-generating unit

As at 31 December 2021, the carrying amount of all UGO trade s.r.o. CGU's net assets: MCZK 132; related impairment loss: MCZK nil;

Refer to significant accounting policies, section 3.5.5 and 3.7 and chapter 4.11.1 of the notes to the consolidated financial statements.

Description of key audit matter

UGO trade s.r.o. is the Group's subsidiary operating mainly in the Czech Republic in the area of production and sale of food and drinks consisting of 3 cash-generating units (CGUs). As described in Note 4.11.1, the entity has historically been loss-making and also incurred additional substantial losses in 2021 (mainly as a result of the government restrictions imposed in response to the COVID-19 pandemic). In the wake of the above factors, as at 31 December 2021, the Group tested the subsidiary's CGUs for impairment as required by the relevant financial reporting standards. The CGU's recoverable amounts were estimated as their value-in-use based on discounted free cash flows projections derived from financial plans approved by the Board of Directors using the multiple scenarios.

Determination of the recoverable amount requires making a number of assumptions and judgments, including those relating to discount rates applied as well as future cash flows (with key assumptions there in about growth rates and terminal rates, as well as EBITDA margin and depreciation margin).

Due to the above factors, assessment of the carrying amounts of the CGU's for impairment required our significant judgment and increased attention in the course of our audit. As a consequence, we consider the area to be our key audit matter.

Our audit approach to the key audit matter

Our audit procedures in the area included, among other things:

- We evaluated, against the requirements of the relevant financial reporting standards, the Group's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of carrying amount of the CGUs;
- We tested the design and implementation of selected internal controls within the impairment process, including those over management's review and validation of the key assumptions underlying the impairment model and the outcome of the testing, including theirs evaluation of the business/operating and liquidity risks arising from the COVID-19 pandemic, and plans for further actions in response to the risks identified;
- Assisted by our own valuation specialists, we assessed the Group's discounted cash flow model against the relevant financial reporting standards, market practice and for internal consistency. Also assisted by the specialists, we challenged the reasonableness of the Group's key assumptions and judgments used in estimating the CGU's recoverable amount, including:
  - discount rate - by reference to publicly available market inputs, such as risk-free rate, size premium, inflation and country premium;
  - other key assumptions such as the growth rate, terminal growth rate, EBITDA margin and depreciation margin – to the Management Board-approved forecasts, challenged by us by reference to the Group's supporting documentation and via corroborating inquiries of the Management Board.
- We evaluated the quality of the Group's forecasting by comparing historical projections with current year's actual outcomes;
- We assessed the susceptibility of the impairment model and the resulting impairment conclusion to management bias, by performing our own analysis of sensitivity of the impairment test results to reasonably possible changes in key assumptions;
- We assessed the appropriateness and completeness of impairment-related disclosures in the consolidated financial statements.

Other Information

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

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

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

- the other information describing matters that are also presented in the separate and the consolidated financial statements is, in all material respects, consistent with the separate and the consolidated financial statements; and

- the other information has been prepared in accordance with applicable laws and regulations.

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

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

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

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

The Supervisory Board, in collaboration with the Audit Committee, is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by the statutory body.

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

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

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

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of Kofola ČeskoSlovensko a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2021, and the separate statement of profit and loss, the separate statement of other comprehensive income, the separate statement of changes in equity and the separate cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 2 to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2021, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

Impairment of trademarks

As at 31 December 2021, the carrying amount of Trademarks and other rights: MCZK 265; related impairment loss: nil;

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

Description of key audit matter

Included within intangible assets are trademarks with both finite and indefinite useful life (such as, primarily, Kofola and Semtex trademarks). Pursuant to the relevant provisions of the financial reporting standards, annual impairment testing is required for intangible assets with an indefinite useful life, irrespective of whether or not any impairment triggers were identified for such assets.

In estimating the recoverable amount of the assets in question, the Company applied the relief from royalty method to arrive at their estimated fair value. A complex model is applied in the impairment test, relying on adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Significant judgment is required in making key assumptions applied in the model, including those in respect of royalty rate, growth rate, terminal growth rate and discount rate.

Complex models using forward-looking assumptions tend to be prone to greater risk of management bias, error and inconsistent application. These conditions necessitate our additional attention in the audit, in particular to address the objectivity of sources used for assumptions, and their consistent application. In addition, significant uncertainty remains over how the COVID-19 pandemic will impact the Company's and subsidiaries´ business in future periods and customer demand for its subsidiaries products.

These conditions necessitate our additional attention in the audit, in particular to address the objectivity of sources used for assumptions, and their consistent application.

Due to the above factors, this area required our increased attention in the audit and was considered by us to be a key audit matter.

Our audit approach to the key audit matter

Our audit procedures in the area included, among other things:

- We considered the appropriateness of the method and model applied by the Company in performing the annual impairment test, against the relevant requirements of the financial reporting standards;

- We assessed the integrity of the impairment model, including the accuracy of the underlying calculation formulas. We also tested design and implementation of selected internal controls within the impairment process, including those relating to the management's review and validation of the key assumptions underlying the impairment model and the outcome of the testing including their evaluation of the business/operating and liquidity risks arising from the COVID-19 pandemic, and plans for further actions in response to the risks identified;

- We assessed the appropriateness of the level (CGU vs. individual asset) at which the assets were tested for impairment, based on our understanding of the assets in question and the Company's operations;

- We evaluated the quality of the Company's forecasting by comparing historical projections with current year's actual outcomes;

- Assisted by our own valuation specialists, we challenged the Company's key assumptions and judgments used in estimating the assets' recoverable amount, including:

    - discount rate - by reference to publicly available market inputs, such as risk-free rate, size premium, inflation and country premium;

    - other key assumptions such as royalty rate, growth rate and terminal growth rate – to publicly available market information and the Management Board-approved forecasts, challenged by us by reference to the Company's supporting documentation and via corroborating inquiries of the Management Board;

    - we also assessed whether the forecast revenues applied in the model properly excluded the amounts not associated with the trademarks in question.

- We considered the sensitivity of the impairment model and its outcome to reasonably possible changes in the key assumptions, such as discount rate, revenues and growth rate, to identify the assumptions at higher risk of bias or inconsistency in application;

- We assessed impairment-related disclosures in the separate financial statements against the requirements of the financial reporting standards.

Impairment of the investment in UGO trade s.r.o.

As at 31 December 2021, the carrying amount of the investment in UGO trade s.r.o.: MCZK 260; related impairment loss: MCZK nil;

Refer to significant accounting policies, section 3.4.5 and 3.4.6 and chapter 4.10 of the notes to the separate financial statements.

Description of key audit matter

UGO trade s.r.o. is a subsidiary of the Company operating mainly in the Czech Republic in the area of production and sale of food and drinks. The entity has historically been loss-making and also incurred additional substantial losses in 2021 (mainly as a result of the government restrictions imposed in response to the COVID-19 pandemic). In the wake of the above factors and as described in Note 4.10, the Company tested its investment in the subsidiary for impairment as at 31 December 2021, as required by the relevant financial reporting standards. The investment's recoverable amount was estimated as its value-in-use, based on discounted free cash flow projections derived from financial plans approved by the Board of Directors using the multiple scenarios.

Determination of the recoverable amount requires making a number of assumptions and judgments, including those relating to discount rates applied as well as future cash flows (with key assumptions made about growth rates and terminal rates, as well as EBITDA margin and depreciation margin).

Due to the above factors, assessment of the carrying amount of the investment in the subsidiary for impairment required our significant judgment and increased attention in the course of our audit. As a consequence, we consider the area to be our key audit matter.

Our audit approach to the key audit matter

Our audit procedures in the area included, among other things:

— We evaluated, against the requirements of the relevant financial reporting standards, the Company's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of the investment;

— We tested the design and implementation of selected internal controls within the impairment process including those over management's review and validation of the key assumptions underlying the impairment model and the outcome of the testing including their evaluation of the business/operating and liquidity risks arising from the COVID-19 pandemic, and plans for further actions in response to the risks identified;

— Assisted by our own valuation specialists, we assessed the Company's discounted cash flow model against the relevant financial reporting standards, market practice and for internal consistency. Also assisted by the specialists, we challenged the reasonableness of the Company's key assumptions and judgments used in estimating the subsidiary's recoverable amount, including:

  - discount rate - by reference to publicly available market inputs, such as risk-free rate, size premium, inflation and country premium;
  - other key assumptions such as the growth rate, terminal growth rate, EBITDA margin and depreciation margin – to the Management Board-approved forecasts, challenged by us by reference to the Company's supporting documentation and via corroborating inquiries of the Management Board.

— We evaluated the quality of the Company's forecasting by comparing historical projections with current year's actual outcomes;

— We assessed the susceptibility of the impairment model and the resulting impairment conclusion to management bias, by performing our own analysis of sensitivity of the impairment test results to reasonably possible changes in key assumptions;

- We assessed the appropriateness and completeness of impairment-related disclosures in the separate financial statements.

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

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

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

The Supervisory Board, in collaboration with Audit Committee, is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the

Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 28 June 2021 and our uninterrupted engagement has lasted for 4 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the consolidated and separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 7 April 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

In addition to the statutory audit, the following services were provided by us to the Company and its controlled undertakings that have not been disclosed in notes to the consolidated financial statements or separate financial statements or annual report:

Name:	Description of services provided:
Kofola ČeskoSlovensko a.s.	Work related to report on remuneration
UGO trade s.r.o.	Work related to UGO trade s.r.o.´s revenues and expenses for the purpose of subsidy

Report on Compliance with the ESEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of financial statements included in the consolidated annual report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the financial statements.

Responsibilities of the Statutory Body

The Company's statutory body is responsible for the preparation of financial statements that comply with the ESEF Regulation. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation; and
- the preparation of all financial statements included in the consolidated annual report in the applicable XHTML format;

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements included in the consolidated annual report comply, in all material respects, with the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000").

The nature, timing and extent of procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with the above standard will always detect any existing material non-compliance with the ESEF Regulation.

Our selected procedures included:

- obtaining an understanding of the requirements of the ESEF Regulation;
- obtaining an understanding of the Company's internal control relevant to the application of the ESEF Regulation;
- identifying and assessing the risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- based on the above, designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The objective of our procedures was to evaluate whether the financial statements included in the consolidated annual report were prepared in the applicable XHTML format;

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company's financial statements for the year ended 31 December 2021 included in the consolidated annual report are, in all material respects, in compliance with the ESEF Regulation.

Statutory Auditor Responsible for the Engagement

Blanka Dvořáková is the statutory auditor responsible for the audit of the separate and the consolidated financial statements of Kofola ČeskoSlovensko a.s. as at 31 December 2021, based on which this independent auditor's report has been prepared.

Prague

12 April 2022

Unsigned version

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

Unsigned version

Blanka Dvořáková
Partner
Registration number 2031

CONSOLIDATED FINANCIAL STATEMENTS 2021

KOFOLA ČESKOSLOVENSKO A.S.

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the 12-month period ended 31 December 2021 and 31 December 2020 in CZK thousand.

Consolidated statement of profit or loss	Note	2021 CZK´000	2020 CZK´000
Revenue	4.2	6,636,218	6,171,455
Cost of sales	4.3	(3,710,224)	(3,349,540)
Gross profit		**2,925,994**	**2,821,915**
Selling, marketing and distribution costs	4.3	(2,033,550)	(2,041,718)
Administrative costs	4.3	(466,400)	(425,653)
Other operating income	4.4	155,650	84,871
Other operating expenses	4.5	(46,284)	(101,943)
Impairment	4.10.1	-	(44,339)
Operating profit/(loss)		**535,410**	**293,133**
Finance income	4.6	627	19,171
Finance costs	4.7	(170,893)	(120,606)
Profit/(loss) before income tax		**365,144**	**191,698**
Income tax (expense)/benefit	4.8	(124,653)	(125,899)
Profit/(loss) for the period	1.2	**240,491**	**65,799**
Attributable to:			
Owners of Kofola ČeskoSlovensko a.s.	1.5	248,797	80,518
Non-controlling interests	1.5	(8,306)	(14,719)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company (in CZK)			
Basic earnings/(loss) per share	4.9	11.16	3.61

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

1. CONSOLIDATED FINANCIAL STATEMENTS

1.2. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the 12-month period ended 31 December 2021 and 31 December 2020 in CZK thousand.

Consolidated statement of other comprehensive income	Note	2021 CZK´000	2020 CZK´000
Profit/(loss) for the period	1.1	**240,491**	**65,799**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences		**(60,797)**	**27,056**
Exchange differences on translation of foreign subsidiaries		*(60,797)*	*27,056*
Derivatives accounted through Other comprehensive income		**78,384**	**(9,325)**
Derivatives - Cash flow hedges		*96,771*	*(11,512)*
Deferred tax from Cash flow hedges	*4.8*	*(18,387)*	*2,187*
Other comprehensive income/(loss) for the period, net of tax		**17,587**	**17,731**
Total comprehensive income/(loss) for the period	1.5	**258,078**	**83,530**
Attributable to:			
Owners of Kofola ČeskoSlovensko a.s.	1.5	266,384	98,249
Non-controlling interests	1.5	(8,306)	(14,719)

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

1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021 and 31 December 2020 in CZK thousand.

Assets	Note	31.12.2021 CZK´000	31.12.2020 CZK´000
Non-current assets		**5,306,289**	**5,683,537**
Property, plant and equipment	4.10	3,221,419	3,448,570
Goodwill	4.11	648,093	647,019
Intangible assets	4.11	1,249,412	1,339,224
Other receivables	4.13	160,058	208,651
Deferred tax assets	4.8	27,307	40,073
Current assets		**1,929,309**	**1,853,712**
Inventories	4.12	641,234	519,192
Trade and other receivables	4.13	866,810	783,420
Income tax receivables		29,748	7,211
Cash and cash equivalents	4.14	391,517	543,889
Total assets		**7,235,598**	**7,537,249**

Liabilities and equity	Note	31.12.2021 CZK´000	31.12.2020 CZK´000
Equity attributable to owners of Kofola ČeskoSlovensko a.s.	1.5	**1,336,464**	**1,338,391**
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	2,533,344	2,449,921
Foreign currency translation reserve	1.5	(730)	60,067
Own shares	1.5	(477,333)	(490,151)
Retained earnings/(Accumulated deficit)	1.5	129,457	166,828
Equity attributable to non-controlling interests	1.5	**(39,505)**	**(31,199)**
Total equity	1.5	**1,296,959**	**1,307,192**
Non-current liabilities		**3,435,966**	**3,993,268**
Bank credits and loans	4.17, 4.24.1	2,783,697	3,252,207
Lease liabilities	4.20, 4.24.1	301,924	322,372
Provisions	4.16	40,241	41,315
Other liabilities	4.18	16,631	91,390
Deferred tax liabilities	4.8	293,473	285,984
Current liabilities		**2,502,673**	**2,236,789**
Bank credits and loans	4.17, 4.24.1	633,307	685,157
Lease liabilities	4.20, 4.24.1	125,239	132,422
Provisions	4.16	91,678	66,865
Trade and other payables	4.18	1,632,590	1,320,878
Income tax liabilities		19,859	31,467
Total liabilities		**5,938,639**	**6,230,057**
Total liabilities and equity		**7,235,598**	**7,537,249**

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

1. CONSOLIDATED FINANCIAL STATEMENTS

1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

for the 12-month period ended 31 December 2021 and 31 December 2020 in CZK thousand.

Consolidated statement of cash flows	Note	2021 CZK´000	2020 CZK´000
Cash flows from operating activities			
Profit/(loss) before income tax	1.1	365,144	191,698
Adjustments for:			
Non-cash movements			
Depreciation and amortisation	4.3	618,213	632,480
Net interest	4.6, 4.7	93,075	101,886
Impairment/(Release of impairment) of non-current assets	4.10.1	(27,160)	45,808
Change in the balance of provisions	4.16	26,796	(45,539)
Change in the balance of other impairments		(5,718)	64,983
(Gain)/loss on realized derivatives	4.6, 4.7	6,542	4,105
Realised (gain)/loss on sale of Property, plant and equipment and Intangible assets	4.4, 4.5	(10,999)	(10,729)
Net exchange differences		52,928	(14,263)
Other		32,838	5,546
Cash movements			
Income taxes paid		(149,430)	(130,532)
Change in operating assets and liabilities			
Change in receivables		(64,851)	196,147
Change in inventories		(124,715)	20,917
Change in payables		329,359	(277,491)
Net cash inflow/(outflow) from operating activities		**1,142,022**	**785,016**
Cash flows from investing activities			
Sale of Property, plant and equipment		26,246	36,855
Acquisition of Property, plant and equipment and Intangible assets		(277,488)	(481,458)
Proceeds from sale of subsidiary, net of cash disposed		-	138,492
Proceeds from sale of equity accounted investee		-	113,899
Acquisition of subsidiaries, net of cash acquired	4.27	(354)	(1,060,700)
Dividends and interest received		38	450
Purchase of bonds from previous owner of acquired subsidiary		-	(103,800)
Proceeds from bonds sold		21,047	7,000
Net cash inflow/(outflow) from investing activities		**(230,511)**	**(1,349,262)**
Cash flows from financing activities			
Lease payments	4.24.1	(144,400)	(123,995)
Proceeds from loans and bank credits	4.24.1	-	1,293,702
Repayment of loans and bank credits	4.24.1	(520,892)	(426,656)
Dividends paid to Company´s shareholders		(288,095)	(275,039)
Interest paid		(90,029)	(99,755)
Derivatives	4.6, 4.7	(6,542)	(4,105)
Purchase of own shares	1.5	-	(4,410)
Payments of acquired subsidiaries' liabilities to former owners		(1,100)	(27,942)
Dividends not drawn		928	-
Transaction costs connected with loan financing		-	(4,948)
Other		(1,938)	(1,847)
Net cash inflow/(outflow) from financing activities		**(1,052,068)**	**325,005**
Net increase/(decrease) in cash and cash equivalents		(140,557)	(239,241)
Cash and cash equivalents at the beginning of the period	1.3	**543,889**	**774,495**
Effects of exchange rate changes on cash and cash equivalents		(11,815)	8,635
Cash and cash equivalents at the end of the period	1.3	**391,517**	**543,889**

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

1.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 12-month period ended 31 December 2021 and 31 December 2020 in CZK thousand.

Consolidated statement of changes in equity	Note	Equity attributable to owners of Kofola ČeskoSlovensko a.s.							Equity attributable to non-controlling interests	Total equity
		Share capital	Share premium and capital reorganisation reserve	Other reserves	Foreign currency translation reserve	Own shares	Retained earnings/ (Accumulated deficit)	Total		
		CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	**CZK´000**	CZK´000
Balance as at 1 January 2021		**1,114,597**	**(1,962,871)**	**2,449,921**	**60,067**	**(490,151)**	**166,828**	**1,338,391**	**(31,199)**	**1,307,192**
Profit/(loss) for the period	1.1	-	-	-	-	-	248,797	**248,797**	(8,306)	**240,491**
Other comprehensive income/(loss)	1.2	-	-	78,384	(60,797)	-	-	**17,587**	-	**17,587**
Total comprehensive income/(loss) for the period		**-**	**-**	**78,384**	**(60,797)**	**-**	**248,797**	**266,384**	**(8,306)**	**258,078**
Dividends	4.15.3	-	-	-	-	-	(286,296)	**(286,296)**	-	**(286,296)**
Shares transfer to option scheme participants	4.15.2	-	-	(12,818)	-	12,818	-	**-**	-	**-**
Option scheme		-	-	17,857	-	-	-	**17,857**	-	**17,857**
Dividends not collected		-	-	-	-	-	128	**128**	-	**128**
Transactions with owners in their capacity as owners		**-**	**-**	**5,039**	**-**	**12,818**	**(286,168)**	**(268,311)**	**-**	**(268,311)**
Balance as at 31 December 2021		**1,114,597**	**(1,962,871)**	**2,533,344**	**(730)**	**(477,333)**	**129,457**	**1,336,464**	**(39,505)**	**1,296,959**

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

DIVIDEND DISTRIBUTION

The General Meeting held on 29 November 2021 has approved a distribution of dividends in the amount of CZK 13.5 per share, i.e. CZK 286,296 thousand in the consolidated financial statements.

Consolidated statement of changes in equity	Note	Equity attributable to owners of Kofola ČeskoSlovensko a.s.							Equity attributable to non-controlling interests	Total equity
		Share capital	Share premium and capital reorganisation reserve	Other reserves	Foreign currency translation reserve	Own shares	Retained earnings/ (Accumulated deficit)	Total		
		CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
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	-	-	-	-	-	80,518	**80,518**	(14,719)	**65,799**
Other comprehensive income/(loss)	1.2	-	-	(9,325)	27,056	-	-	**17,731**	-	**17,731**
Total comprehensive income/(loss) for the period		**-**	**-**	**(9,325)**	**27,056**	**-**	**80,518**	**98,249**	**(14,719)**	**83,530**
Dividends	4.15.3	-	-	-	-	-	(285,902)	**(285,902)**	-	**(285,902)**
Own shares purchase	4.15.2	-	-	-	-	(4,410)	-	**(4,410)**	-	**(4,410)**
Shares transfer to option scheme participants	4.15.2	-	-	(4,408)	-	4,408	-	**-**	-	**-**
Option scheme		-	-	317	-	-	-	**317**	-	**317**
Dividends not collected		-	-	-	-	-	92	**92**	-	**92**
Own shares transfer		-	-	-	-	15	-	**15**	-	**15**
Transactions with owners in their capacity as owners		**-**	**-**	**(4,091)**	**-**	**13**	**(285,810)**	**(289,888)**	**-**	**(289,888)**
Balance as at 31 December 2020		**1,114,597**	**(1,962,871)**	**2,449,921**	**60,067**	**(490,151)**	**166,828**	**1,338,391**	**(31,199)**	**1,307,192**

DIVIDEND DISTRIBUTION

The General Meeting held outside of the meeting during 2 – 18 November 2020 has approved a distribution of dividends in the amount of CZK 13.5 per share, i.e. CZK 285,902 thousand in the consolidated financial statements.

2. GENERAL INFORMATION

2.1. CORPORATE INFORMATION

GENERAL INFORMATION

Kofola ČeskoSlovensko a.s. ("the Company") is a joint-stock company registered on 12 September 2012. Its registered office is Nad Porubkou 2278/31a, Ostrava, 708 00, Czech Republic and the identification number is 24261980. The Company is recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735. The Company´s websites are 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 2021 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 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 4.22.1.

STOCK EXCHANGE LISTING

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

MANAGEMENT

As at 31 December 2021, 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
- Martin Mateáš
- Marián Šefčovič

SUPERVISORY BOARD

- René Sommer – Chairman
- Tomáš Jendřejek
- Moshe Cohen-Nehemia
- Alexandros Samaras (since 28 June 2021)
- Ladislav Sekerka (since 28 June 2021)
- Petr Pravda (till 28 June 2021)

AUDIT COMMITTEE

- Petr Šobotník – Chairman
- Zuzana Prokopcová
- Lenka Frostová

2.2. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2021

DESCRIPTION OF THE GROUP COMPANIES

Name of entity	Place of business	Segment (Note 4.1)	Principal activities	Ownership interest and voting rights 31.12.2021	31.12.2020
Holding companies					
Kofola ČeskoSlovensko a.s.	Czech Republic	CzechoSlovakia	top holding company		
Alofok Ltd***	Cyprus	n/a	liquidated	n/a	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%
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%
F.H.Prager s.r.o.	Czech Republic	CzechoSlovakia	production and distribution of ciders	100.00%	100.00%
Minerálka s.r.o. - in liquidation*	Slovakia	CzechoSlovakia	liquidated	n/a	100.00%
ONDRÁŠOVKA a.s.	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Karlovarská Korunní s.r.o.	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Brute s.r.o.**	Czech Republic	CzechoSlovakia	marketing activities	100.00%	n/a
Transportation					
SANTA-TRANS s.r.o.	Czech Republic	CzechoSlovakia	road cargo transport	100.00%	100.00%

* Liquidated on 2 April 2021. ** Acquired on 17 June 2021. Since January 2022 renamed to Semtex Republic s.r.o. *** Liquidated on 3 December 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the laws binding in the Czech Republic and with International Financial Reporting Standards (“IFRS”), as well as the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) adopted by the European Union, published and effective for reporting periods beginning 1 January 2021.

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

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

The Group’s consolidated financial statements cover the year ended 31 December 2021 and the year ended 31 December 2020 (comparatives).

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 National Bank for the end of the reporting period, and all foreign exchange gains or losses are recognized in profit or loss under:

- operating income and expense – for trading operations,
- finance income and costs – for financial operations.

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

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

Closing exchange rates	31.12.2021	31.12.2020
CZK/EUR	24.860	26.245
CZK/PLN	5.408	5.755
CZK/HRK	3.307	3.477

Average exchange rates	1.1.2021 - 31.12.2021	1.1.2020 - 31.12.2020
CZK/EUR	25.645	26.444
CZK/PLN	5.619	5.954
CZK/HRK	3.406	3.508

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

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

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

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

3.4. CONSOLIDATION METHODS

3.4.1 SUBSIDIARIES

GENERAL METHODS

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

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

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

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

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

CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

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

DISPOSAL OF SUBSIDIARIES

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

3.4.2 ASSOCIATES AND EQUITY ACCOUNTED INVESTEES

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

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

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

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

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

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

3.5. ACCOUNTING METHODS

3.5.1 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

DEPRECIATION

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

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

3.5.2 LEASES

Lease agreements that basically transfer to the Group all of the risks and rewards of owning the subject of the lease are recognised in the statement of financial position at the commencement of the lease at the lower of the following two values: the fair value of the non-current asset constituting the subject of the lease or the present value of minimum lease payments. Financial costs are charged directly to the income statement.

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

Under the IFRS 16 standard, a right-of-use asset (right to use leased item) and a financial liability to pay rentals are recognised. IFRS 16 leads to a replacement of the straight-line operating lease expense with a depreciation charge (operating costs) for right-of-use asset and an interest expense (finance costs) on lease liabilities. Although the depreciation charge is typically even, the interest expense reduces over the life of the lease which leads into a reducing total expense as individual lease matures. IFRS 16 doesn't impact the amount of cash transferred between the lessor and lessee, it however has an impact on the presentation of the statement of cash flows. Cash outflows connected with the leases are presented under financing activities. The Group has decided to utilize the following practical expedients allowed by the IFRS 16 standard:

- Leases of low value assets (i.e. those with value lower than CZK 80 thousand) are not accounted under the IFRS 16 lease model.
- Leases with a lease term of 12 months or less that do not contain a purchase option (i.e. short-term leases) are not accounted under the IFRS 16 lease model.
- Leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 (leases without extension option or with an option which is not to be used) are not accounted under the IFRS 16 lease model.
- A single discount rate is applied to a portfolio of leases with reasonably similar characteristics.

The Group's activities as a lessor are not material and hence there isn't any material impact on the consolidated financial statements.

THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases mainly the head office administrative building, premises for Fresh and Salad bars, production equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options or may be longer in case of rents of lands. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use asset is measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

If rate implicit in the lease couldn't be determined for the purpose of measurement of lease liability, the Group applies relevant incremental borrowing rate. The determined lease terms are based on contracts and reflect the management's intentions to prolong existing contracts according to relevant contract clauses. This is however not considered as a significant judgement or assumption because the decisions made about utilization are based on management's short-term and long-term business plans. The Group has included Right-of-use assets in its annual impairment considerations.

3.5.3 GOODWILL

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

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

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

3.5.4 INTANGIBLE ASSETS

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

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

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

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

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

3.5.5 RECOVERABLE VALUE OF NON–CURRENT ASSETS

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

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

3.5.6 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

FINANCIAL ASSETS/LIABILITIES

Financial assets are initially recognised at fair value. Their initial valuation is increased by transaction costs, with the exception of financial assets stated at fair value through profit or loss. The transaction costs payable in case of a possible disposal of the asset are not deducted from subsequent measurement of financial assets. The asset is recognised in the balance sheet when the Group becomes a party to the agreement (contract), out of which the financial asset arises.

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

FINANCIAL ASSETS/LIABILITIES MEASURED AT AMORTIZED COSTS

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

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

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

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

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

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

Except for interest rate swaps for which the hedge accounting is applied, the Group doesn't have any assets/liabilities measured at fair value through other comprehensive income.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

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

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

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

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

This category in general includes two groups of assets: financial assets held for trading and financial assets designated initially at fair value through profit or loss. A financial asset is included in the held for trading category if it was acquired in order to be sold in the near term, or if it is part of a portfolio in which a pattern or short-term trading exists, or if it is a derivative instrument with a positive fair value and not designated for hedges.

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

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

DERECOGNITION OF FINANCIAL ASSETS/LIABILITIES

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

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

OFFSETTING

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

3.5.7 INVENTORIES

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

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

3.5.8 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

3.5.9 CASH AND CASH EQUIVALENTS

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

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

3.5.10 EQUITY

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

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

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

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

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

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

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

NON-CONTROLLING INTEREST

Non-controlling interest is measured:

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

3.5.11 INTEREST-BEARING BANK CREDITS AND LOANS

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

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

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

3.5.12 TRADE LIABILITIES AND OTHER LIABILITIES

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

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

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

Non-financial current liabilities are measured at amounts due.

3.5.13 PROVISIONS

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

3.5.14 EMPLOYEE BENEFITS

PENSION OBLIGATIONS

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

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

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

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

TERMINATION BENEFITS

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

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

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

SHARE BASED PAYMENTS

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

3.5.15 PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

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

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

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

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

Recognition, measurement, presentation or disclosure of Group's revenue doesn't bear any significant judgements or assumptions. Group's transactions are rather clear.

SALE OF GOODS AND PRODUCTS

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

PROVISION OF SERVICES

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

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

INTEREST

Interest income is recognised gradually using the effective interest method.

3.5.16 GOVERNMENT GRANTS

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

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

3.5.17 INCOME TAX

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

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

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

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

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

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

3.5.18 EARNINGS PER SHARE

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

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).

3.6. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Several standards, amendments and interpretations apply for the first time in 2021, but do not have any material impact on the Group's financial statements.

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 31 December 2021 may be changed in the future. The main estimates pertain to the following matters:

Estimates	Type of information	Section
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.	4.10.1, 4.11.1
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.	3.5.4, 4.11
Deferred tax asset from tax losses	Historical experience, current and forward-looking information available to the management.	4.8
Income tax	Assumptions used to recognise deferred income tax assets (other than Deferred tax asset from tax losses).	4.8
Impairment of receivables	Historical experience, credit assessment, current and forward-looking information available to the management.	4.13

Valuation of Group's CGU and individual assets is highly dependent on projected discount rates and business models which reflected also possible COVID-19 implications on the Group's activities. For results of impairment testing refer to Notes 4.10.1 and 4.11.1.

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 present consolidated financial statements for publication on 12 April 2022.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1. SEGMENT INFORMATION

The Board of Directors of Kofola ČeskoSlovensko a.s. is the chief operating decision maker (“CODM”) responsible for operational decision-making and uses segment results to decide on the allocation of resources to the segments and to assess segments’ performance. After the sale of Hoop Polska Sp. z o.o., management has decided to adjust the structure of segment information. Based on this assessment, three main business segments are presented within these financial statements. These are:

- CzechoSlovakia,
- Adriatic,
- 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, 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 year ended 31 December 2021 and in the comparative year ended 31 December 2020 that generated more than 10% of the Group’s consolidated revenue.

BUSINESS SEGMENTS

1.1.2021 – 31.12.2021	CzechoSlovakia	Adriatic	Fresh & Herbs	Other*	Subtotal	Consolidation adjustments	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Revenue	**4,858,907**	**1,234,398**	**653,945**	**-**	**6,747,250**	**(111,032)**	**6,636,218**
External revenue – excl. services	4,770,179	1,212,077	595,889	-	6,578,145	-	6,578,145
External revenue – services	25,499	19,612	12,962	-	58,073	-	58,073
Inter-segment revenue	63,229	2,709	45,094	-	111,032	(111,032)	-
Operating expenses	**(4,277,864)**	**(1,169,714)**	**(764,262)**	**-**	**(6,211,840)**	**111,032**	**(6,100,808)**
Related to external revenue	(4,214,635)	(1,167,005)	(719,168)	-	(6,100,808)	-	(6,100,808)
Related to inter-segment revenue	(63,229)	(2,709)	(45,094)	-	(111,032)	111,032	-
Operating profit/(loss)	**581,043**	**64,684**	**(110,317)**	**-**	**535,410**	**-**	**535,410**
Finance income/(costs), net	(142,568)	(2,072)	(18,587)	-	(163,227)	(7,039)	(170,266)
- within segment	*(153,429)*	*(6,996)*	*(9,841)*	-	*(170,266)*	-	*(170,266)*
- inter-segment	*10,861*	*4,924*	*(8,746)*	-	*7,039*	*(7,039)*	-
Profit/(loss) before income tax	**438,475**	**62,612**	**(128,904)**	**-**	**372,183**	**(7,039)**	**365,144**
Income tax (expense)/benefit	(106,868)	(22,647)	4,862	-	(124,653)	-	(124,653)
Profit/(loss) for the period	**331,607**	**39,965**	**(124,042)**	**-**	**247,530**	**(7,039)**	**240,491**
EBITDA**	**934,984**	**176,867**	**41,772**	**-**	**1,153,623**	**-**	**1,153,623**
One-offs (4.24)	4,749	382	(30,618)	-	(25,487)	-	(25,487)
Adjusted EBITDA (4.24)	**939,733**	**177,249**	**11,154**	**-**	**1,128,136**	**-**	**1,128,136**

* 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 (1.1.2021 – 31.12.2021)	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*	287,831	42,233	86,506	-	416,570	-	416,570
Depreciation and amortisation	353,941	112,183	152,089	-	618,213	-	618,213
Other Impairment losses	7,493	4,249	18,372	-	30,114	-	30,114
Other Impairment losses reversals	(22,083)	(4,553)	(50,675)	-	(77,311)	-	(77,311)
Provisions - Increase due to creation	75,117	9,910	12,024	-	97,051	-	97,051
Provisions - Decrease due to usage/release	(54,210)	(7,497)	(8,548)	-	(70,255)	-	(70,255)

* excluding acquisitions, including lease additions

1.1.2020 – 31.12.2020	CzechoSlovakia	Adriatic	Fresh & Herbs	Other*	Subtotal	Consolidation adjustments	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Revenue	**4,601,994**	**1,094,933**	**599,926**	**-**	**6,296,853**	**(125,398)**	**6,171,455**
External revenue – excl. services	4,474,945	1,079,998	556,629	-	6,111,572	-	6,111,572
External revenue – services	32,112	13,652	14,119	-	59,883	-	59,883
Inter-segment revenue	94,937	1,283	29,178	-	125,398	(125,398)	-
Operating expenses	**(4,068,325)**	**(1,074,392)**	**(860,091)**	**(912)**	**(6,003,720)**	**125,398**	**(5,878,322)**
Related to external revenue	(3,973,388)	(1,073,109)	(830,913)	(912)	(5,878,322)	-	(5,878,322)
Related to inter-segment revenue	(94,937)	(1,283)	(29,178)	-	(125,398)	125,398	-
Operating profit/(loss)	**533,669**	**20,541**	**(260,165)**	**(912)**	**293,133**	**-**	**293,133**
Finance income/(costs), net	(75,949)	12,670	(18,712)	817	(81,174)	(20,261)	(101,435)
- within segment	*(92,958)*	*1,852*	*(11,146)*	*817*	*(101,435)*	-	*(101,435)*
- inter-segment	*17,009*	*10,818*	*(7,566)*	-	*20,261*	*(20,261)*	-
Profit/(loss) before income tax	**457,720**	**33,211**	**(278,877)**	**(95)**	**211,959**	**(20,261)**	**191,698**
Income tax (expense)/benefit	(108,223)	(22,409)	4,733	-	(125,899)	-	(125,899)
Profit/(loss) for the period	**349,497**	**10,802**	**(274,144)**	**(95)**	**86,060**	**(20,261)**	**65,799**
EBITDA**	**900,353**	**132,200**	**(106,028)**	**(912)**	**925,613**	**-**	**925,613**
One-offs (4.24)	49,170	(744)	56,214	-	104,640	-	104,640
Adjusted EBITDA (4.24)	**949,523**	**131,456**	**(49,814)**	**(912)**	**1,030,253**	**-**	**1,030,253**

* 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 – 31.12.2020)	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*	361,207	98,628	124,173	-	584,008	-	584,008
Depreciation and amortisation	366,684	111,659	154,137	-	632,480	-	632,480
Other Impairment losses	47,320	15,088	59,882	-	122,290	-	122,290
Other Impairment losses reversals	(18,899)	(3,249)	(3,892)	-	(26,040)	-	(26,040)
Provisions - Increase due to creation	54,549	8,204	8,581	-	71,334	-	71,334
Provisions - Decrease due to usage/release	(95,490)	(13,315)	(8,068)	-	(116,873)	-	(116,873)

* excluding acquisitions, including lease additions

PRODUCT LINES

1.1.2021 - 31.12.2021	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	**2,527,941**	**601,370**	**2,213,778**	**513,159**	**243,694**	**536,276**	**6,636,218**
External revenue – excl. services	2,527,941	601,370	2,213,778	513,159	235,773	486,124	6,578,145
External revenue – services	-	-	-	-	7,921	50,152	58,073
1.1.2020 - 31.12.2020	**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	**2,384,469**	**570,757**	**2,013,318**	**494,332**	**236,403**	**472,176**	**6,171,455**
External revenue – excl. services	2,384,469	570,757	2,013,318	494,332	226,778	421,918	6,111,572
External revenue – services	-	-	-	-	9,625	50,258	59,883

INFORMATION ABOUT GEOGRAPHICAL AREAS — REVENUE PER END CUSTOMER

1.1.2021 - 31.12.2021	Czech Republic CZK´000	Slovakia CZK´000	Slovenia CZK´000	Croatia CZK´000	Poland CZK´000	Other CZK´000	Total CZK´000
Revenue	**3,615,900**	**1,662,523**	**757,484**	**372,532**	**92,959**	**134,820**	**6,636,218**
External revenue – excl. services	3,594,487	1,647,896	738,023	372,500	92,181	133,058	6,578,145
External revenue – services	21,413	14,627	19,461	32	778	1,762	58,073
1.1.2020 - 31.12.2020	**Czech Republic CZK´000**	**Slovakia CZK´000**	**Slovenia CZK´000**	**Croatia CZK´000**	**Poland CZK´000**	**Other CZK´000**	**Total CZK´000**
Revenue	**3,330,234**	**1,636,075**	**713,921**	**300,760**	**78,436**	**112,029**	**6,171,455**
External revenue – excl. services	3,303,069	1,618,631	700,306	300,723	78,436	110,407	6,111,572
External revenue – services	27,165	17,444	13,615	37	-	1,622	59,883
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**
31.12.2021	3,272,167	996,359	583,169	151,566	195,654	-	**5,198,915**
31.12.2020	3,396,203	1,096,053	651,588	195,352	194,564	-	**5,533,760**

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 2021, about 17.4% (20.9% in 2020) of revenue was earned in the 1st quarter, with 27.1% (23.7% in 2020), 31.9% (33.7% in 2020) and 23.6% (21.7% in 2020) of the annual consolidated revenue earned in the 2nd, 3rd and 4th quarters, respectively. Shares in particular quarters of both 2021 and 2020 were influenced by COVID-19 pandemic.

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.

4.2. REVENUE

Revenue streams, Timing of revenue recognition	2021 CZK´000	2020 CZK´000
Revenue from contracts with customers		
- Sales of finished products/goods/materials (transferred at a point in time)	6,578,145	6,111,572
- Sales of transportation services (transferred over time)	10,653	12,915
- Franchise licences (transferred over time)	7,917	9,621
- Sales of other services (transferred over time)	39,503	37,347
Total revenue	**6,636,218**	**6,171,455**

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

Loss allowances on receivables arising from contracts with customers are presented in section 4.13.

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

4.3. EXPENSES BY NATURE

Expenses by nature	2021 CZK´000	2020 CZK´000
Depreciation of Property, plant and equipment and amortisation of Intangible assets	618,213	632,480
Employee benefits expenses (i)	1,383,567	1,320,151
Consumption of materials and energy, cost of goods and materials sold	2,856,396	2,562,300
Services	1,197,367	1,089,350
Rental costs	74,854	74,675
Taxes and fees	94,031	76,058
Insurance costs	15,920	16,037
Inventory write-down/(back)	(3,941)	9,146
Change in allowance to receivables	(3,112)	65,660
Change in finished products and work in progress	(19,332)	(19,840)
Other costs	5,336	3,326
Total expenses by nature*	**6,219,299**	**5,829,343**
Depreciation recognized in Other operating expenses	(9,125)	(12,432)
Reconciliation of expenses by nature to expenses by function	**6,210,174**	**5,816,911**
Cost of sales	3,710,224	3,349,540
Selling, marketing and distribution costs	2,033,550	2,041,718
Administrative costs	466,400	425,653
Total costs of products and services sold, merchandise and materials, sales costs and administrative costs	**6,210,174**	**5,816,911**

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

Employee benefits expenses increased mainly due to employee bonuses and expenses related to the new option scheme plan. Direct material costs, costs of goods sold, energy costs and services increased mainly due to increased revenue but also due to higher material prices. Higher services were driven mainly by higher revenue. Taxes and fees increased as a result of higher excise duties on sugar in the Adriatic region. COVID-19 led to higher loss allowance to receivables in 2020.

(i) Employee benefits expenses

Employee benefits expenses	2021 CZK´000	2020 CZK´000
Salaries	1,031,698	984,660
Social security and other benefit costs (including healthcare insurance)	162,379	153,340
Pension benefit plan expenses	189,490	182,151
Total employee benefits expenses	**1,383,567**	**1,320,151**

4.4. OTHER OPERATING INCOME

Other operating income	2021 CZK´000	2020 CZK´000
Net gain from the sale of PPE and Intangible assets	10,999	10,852
Release of impairment of Property, plant and equipment	29,644	322
Reinvoiced payments	3,160	1,968
Subsidies, grants and government support**	69,932	37,075
Rent discounts*	7,294	8,228
Compensation claims	6,500	6,066
Penalties and compensation for damages	4,359	2,505
Other tax income	1,840	3,526
Write-off of advances received for the returnable packages	5,268	1,597
Liabilities write-off	5,823	-
Other	10,831	12,732
Total other operating income	**155,650**	**84,871**

* Further information in section 4.28 (COVID-19 and Ukraine crises).
** Subsidies are, in accordance with IAS 20, presented as other operating income. There are no unfulfilled conditions in relation to these subsidies.

In both 2021 and 2020, the Subsidies, grants and government support contain mainly the support related to COVID-19 pandemic situation. Release of impairment of Property, plant and equipment in 2021 is resulting mainly from the increase of the expected value of the closed Grodzisk Wielkopolski plant (determined as fair value less costs of disposal).

4.5. OTHER OPERATING EXPENSES

Other operating expenses	2021 CZK´000	2020 CZK´000
Net loss from disposal of PPE and Intangible assets	-	123
Net costs connected with inactive plant in Poland*	2,889	16,237
Impairment of PPE	2,484	1,469
Loss from liquidation of tangible and intangible assets	358	-
Provided donations, sponsorship	4,084	4,750
Penalties and damages	907	1,241
Advisory services	519	13,915
Costs on integration of new subsidiaries	735	7,352
Restructuring costs**	1,684	37,384
Costs on support of the parties impacted by COVID-19	-	5,960
Other tax expense	1,561	-
Provisions	3,324	-
Litigations	13,500	-
Other	14,239	13,512
Total other operating expenses	**46,284**	**101,943**

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

Net costs connected with inactive plant in Poland decreased mainly due to higher rental income generated in 2021. Restructuring costs in 2020 represented a Group's response to COVID-19 pandemic.

4.6. FINANCE INCOME

Finance income	2021 CZK´000	2020 CZK´000
Interest from:		
– bank deposits	38	54
– receivables	-	362
– other	351	1,308
Exchange gains	28	17,003
Other	210	444
Total finance income	**627**	**19,171**

4.7. FINANCE COSTS

Finance costs	2021 CZK´000	2020 CZK´000
Interest from:		
– bank loans and credits	80,328	89,812
– lease	12,942	13,621
– other	194	177
Exchange losses	57,752	2,702
Bonds sold	3,601	-
Bank costs and charges	9,315	9,521
Derivatives	6,542	4,105
Other	219	668
Total finance costs	**170,893**	**120,606**

FX losses arose mainly from Company's EUR receivables.

4.8. INCOME TAX

4.8.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

Main income tax elements for the twelve-month period ended 31 December 2021 and 31 December 2020 were as follows:

Income tax	2021 CZK´000	2020 CZK´000
Current income tax expense/(benefit)	**115,988**	**114,541**
Current income tax on profits for the year	113,146	112,186
Adjustments for current income tax of prior periods	2,842	1,073
Other	-	1,282
Deferred income tax expense/(benefit)*	**8,665**	**11,358**
Related to arising and reversing of temporary differences	(5,098)	1,701
Related to tax losses	13,763	9,657
Income tax expense/(benefit)	**124,653**	**125,899**

* Deferred tax recognized in the profit or loss statement doesn't reconcile to the difference between the values recognized in the statement of financial position which is caused mainly by the foreign exchange differences arising on consolidation of foreign subsidiaries.

The income tax rate applicable to the majority of the Group's 2021 and 2020 income is 19%.

4.8.2 INCOME TAX RECOGNISED DIRECTLY IN EQUITY

Income tax elements for the twelve-month period ended 31 December 2021 and 31 December 2020 were as follows:

Income tax recognised directly in equity	2021 CZK´000	2020 CZK´000
Deferred income tax	**18,387**	**(2,187)**
Tax from Cash flow hedges	18,387	(2,187)
Income tax recognised directly in equity	**18,387**	**(2,187)**

Change in tax from Cash flow hedge arises from significant upward revaluation due to increased interest rates.

4.8.3 EFFECTIVE TAX RECONCILIATION

Effective tax	2021 CZK´000	2020 CZK´000
Profit/(loss) before income tax	**365,144**	**191,698**
Tax at the rate of 19% valid in the Czech Republic	(69,377)	(36,423)
Tax effect of:		
Non-deductible expenses	(26,316)	(40,633)
Non-recognition of deferred tax assets	(42,194)	(60,268)
Investment incentives	1,073	1,261
Non-taxable income	13,870	4,674
Current tax of prior periods	(2,839)	(1,324)
Deferred tax adjustments relating to prior periods	5,042	3,870
Previously unrecognized deferred tax asset/liability	2,294	7,354
Difference in tax rates of subsidiaries operating in other jurisdictions	(4,831)	(4,049)
Other	(1,375)	(361)
Income tax expense	**(124,653)**	**(125,899)**
Effective tax rate	**34.1%**	**65.7%**

The deferred tax asset was not recognized on tax losses for which the utilisation in future periods is not probable according to the tax planning of the particular Group companies.

4.8.4 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities			31.12.2021
	Deferred tax assets CZK´000	Deferred tax liabilities CZK´000	Net amount CZK´000
Temporary differences attributable to:			
Property, plant and equipment and Intangible assets	-	(330,820)	(330,820)
Inventories	1,770	-	1,770
Receivables	5,411	-	5,411
Tax losses	42,102	-	42,102
Trade and other liabilities and provisions	26,689	-	26,689
Deferred tax from Cash flow hedges	-	(17,489)	(17,489)
Other	6,171	-	6,171
Deferred tax assets/(liabilities)	**82,143**	**(348,309)**	**(266,166)**
Presentation offsetting	(54,836)	54,836	-
Deferred tax assets/(liabilities)	**27,307**	**(293,473)**	**(266,166)**

Deferred tax assets and liabilities			31.12.2020
	Deferred tax assets CZK´000	Deferred tax liabilities CZK´000	Net amount CZK´000
Temporary differences attributable to:			
Property, plant and equipment and Intangible assets	-	(346,692)	(346,692)
Inventories	3,239	-	3,239
Receivables	13,987	-	13,987
Tax losses	57,605	-	57,605
Trade and other liabilities and provisions	20,404	-	20,404
Other	5,546	-	5,546
Deferred tax assets/(liabilities)	**100,781**	**(346,692)**	**(245,911)**
Presentation offsetting	(60,708)	60,708	-
Deferred tax assets/(liabilities)	**40,073**	**(285,984)**	**(245,911)**

Based on management assessment and tax projections, the Group didn't recognize as of 31 December 2021 the deferred tax asset of CZK 122,481 thousand (as of 31 December 2020: CZK 100,605 thousand) that arose from tax losses. Tax losses can be utilized up to 2026 except for RADENSKA where the tax losses can be carried into the future periods without time limitation. The deferred tax asset from tax losses was not recognized in those cases when the particular entity has no sufficient taxable temporary differences or there is not convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised.

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.

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

Weighted average number of ordinary shares	2021 Pcs	2020 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	(862)	(1,280)
Weighted average number of ordinary shares used to calculate basic earnings per share	**22,291,086**	**22,290,668**

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

Basic earnings per share	2021	2020
Profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s. (CZK´000)	248,797	80,518
Weighted average number of ordinary shares used to calculate basic earnings per share (pcs)	22,291,086	22,290,668
Basic earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK/share)	**11.16**	**3.61**

4.10. PROPERTY, PLANT AND EQUIPMENT

The additions to Property, plant and equipment were of CZK 405,479 thousand in the year ended 31 December 2021.

The most significant additions realized by the Group in 2021 were represented by investments into the production machinery, vehicles and new premises capitalized under IFRS 16 (leases).

Release of impairment in 2021 is resulting mainly from the increase of the expected value of the closed Grodzisk Wielkopolski plant (determined as fair value less costs of disposal).

The additions to Property, plant and equipment were of CZK 921,704 thousand in the year ended 31 December 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 2020 were represented by assets arising from the acquisition of subsidiaries – in amount of CZK 355,510 thousand and investments into the production machinery, warehouse, returnable packages and new premises capitalized under IFRS 16 (leases).

Movements in Property, plant and equipment (PPE)	Land	Buildings and constructions	Plant and equipment	Vehicles	Leasehold improvement	Returnable packages	Other non-current assets	Non-current assets under construction, Advances	Total
1.1.2021 - 31.12.2021	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Cost - opening	**271,596**	**2,835,082**	**4,586,371**	**529,271**	**97,267**	**731,867**	**4,759**	**150,458**	**9,206,671**
Additions	7,795	20,645	168,106	2,825	121	21,134	156	54,328	275,110
Transfers from non-current assets under construction	-	42,826	33,883	1,010	-	5,805	-	(83,524)	-
Lease additions	434	56,213	530	73,192	-	-	-	-	130,369
Other increases	-	-	191	1,066	-	1,524	-	-	2,781
Sale	(780)	(15,195)	(13,523)	(53,388)	(36)	(12,555)	(5)	-	(95,482)
Disposal	-	(26,619)	(59,335)	(38,611)	(3,744)	(27,228)	(14)	(344)	(155,895)
Reclassification to other categories	-	-	(323)	323	-	-	-	-	-
Other decreases	(2,587)	-	(34)	-	-	(548)	(436)	(23)	(3,628)
Exchange difference	(10,443)	(75,541)	(146,304)	(6,716)	-	(18,764)	(230)	(1,773)	(259,771)
Cost - closing	**266,015**	**2,837,411**	**4,569,562**	**508,972**	**93,608**	**701,235**	**4,230**	**119,122**	**9,100,155**
Accumulated depreciation - opening	**(2,186)**	**(1,033,613)**	**(3,625,767)**	**(352,197)**	**(40,777)**	**(586,173)**	**(3,916)**	**-**	**(5,644,629)**
Depreciation charge	(1,231)	(139,401)	(275,582)	(62,198)	(11,557)	(55,566)	(401)	-	(545,936)
Sale	-	5,785	10,719	52,865	36	9,584	5	-	78,994
Disposal	-	11,161	59,209	37,848	3,744	27,088	14	-	139,064
Reclassification to other categories	-	-	263	(263)	-	-	436	-	436
Other movements	-	-	(69)	799	-	(1,201)	-	-	(471)
Exchange difference	24	27,517	121,101	4,333	-	14,625	198	-	167,798
Accumulated depreciation - closing	**(3,393)**	**(1,128,551)**	**(3,710,126)**	**(318,813)**	**(48,554)**	**(591,643)**	**(3,664)**	**-**	**(5,804,744)**
Impairment allowance - opening	**-**	**(77,145)**	**(35,596)**	**-**	**-**	**(686)**	**-**	**(45)**	**(113,472)**
Impairment loss	-	(486)	(305)	-	-	-	-	(1,693)	(2,484)
Release	-	33,647	3,185	-	-	671	-	45	37,548
Exchange difference	-	4,245	171	-	-	-	-	-	4,416
Impairment allowance - closing	**-**	**(39,739)**	**(32,545)**	**-**	**-**	**(15)**	**-**	**(1,693)**	**(73,992)**
Net book value - opening	**269,410**	**1,724,324**	**925,008**	**177,074**	**56,490**	**145,008**	**843**	**150,413**	**3,448,570**
Net book value - closing	**262,622**	**1,669,121**	**826,891**	**190,159**	**45,054**	**109,577**	**566**	**117,429**	**3,221,419**

Movements in Property, plant and equipment (PPE)	Land	Buildings and constructions	Plant and equipment	Vehicles	Leasehold improvement	Returnable packages	Other non-current assets	Non-current assets under construction, Advances	Total
1.1.2020 - 31.12.2020	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Cost - opening	**227,355**	**2,310,108**	**4,036,463**	**465,547**	**87,978**	**684,836**	**4,262**	**119,800**	**7,936,349**
Acquisition of subsidiaries	30,082	404,889	278,391	57,282	-	32,644	-	49,801	853,089
Additions	91	54,460	225,093	2,625	17,975	66,650	428	62,370	429,692
Transfers from non-current assets under construction	-	9,094	47,604	-	1,922	159	40	(58,819)	-
Lease additions	9,563	76,731	3,479	46,729	-	-	-	-	136,502
Other increases	-	-	-	-	-	4,067	-	-	4,067
Sale	(278)	(22,032)	(27,769)	(19,903)	-	(17,152)	(14)	(35)	(87,183)
Disposal	-	(13,485)	(83,837)	(26,794)	(1,685)	(44,194)	-	-	(169,995)
Reclassification to other categories	-	-	32,702	-	(8,924)	-	-	(23,778)	-
Other decreases	-	(2,885)	(324)	(1,235)	-	(3,635)	-	(97)	(8,176)
Exchange difference	4,783	18,202	74,569	5,020	1	8,492	43	1,216	112,326
Cost - closing	**271,596**	**2,835,082**	**4,586,371**	**529,271**	**97,267**	**731,867**	**4,759**	**150,458**	**9,206,671**
Accumulated depreciation - opening	**(402)**	**(695,388)**	**(3,137,071)**	**(287,308)**	**(40,226)**	**(551,421)**	**(3,312)**	**(20,829)**	**(4,735,957)**
Acquisition of subsidiaries	(810)	(209,740)	(228,759)	(34,378)	-	(23,744)	-	-	(497,431)
Depreciation charge	(972)	(125,549)	(285,341)	(70,040)	(11,029)	(60,055)	(579)	-	(553,565)
Sale	-	6,331	23,881	17,442	-	14,275	7	-	61,936
Disposal	-	6,999	83,426	24,058	1,685	42,495	-	-	158,663
Reclassification to other categories	-	-	(29,622)	-	8,793	-	-	20,829	-
Other movements	-	901	(504)	636	-	(1,097)	-	-	(64)
Exchange difference	(2)	(17,167)	(51,777)	(2,607)	-	(6,626)	(32)	-	(78,211)
Accumulated depreciation - closing	**(2,186)**	**(1,033,613)**	**(3,625,767)**	**(352,197)**	**(40,777)**	**(586,173)**	**(3,916)**	**-**	**(5,644,629)**
Impairment allowance - opening	**-**	**(71,527)**	**(989)**	**-**	**-**	**-**	**-**	**(858)**	**(73,374)**
Acquisition of subsidiaries	-	-	(148)	-	-	-	-	-	(148)
Impairment loss	-	(8,813)	(36,264)	-	-	(686)	-	(45)	(45,808)
Disposal	-	-	148	-	-	-	-	-	148
Release	-	-	1,787	-	-	-	-	858	2,645
Exchange difference	-	3,195	(130)	-	-	-	-	-	3,065
Impairment allowance - closing	**-**	**(77,145)**	**(35,596)**	**-**	**-**	**(686)**	**-**	**(45)**	**(113,472)**
Net book value - opening	**226,953**	**1,543,193**	**898,403**	**178,239**	**47,752**	**133,415**	**950**	**98,113**	**3,127,018**
Net book value - closing	**269,410**	**1,724,324**	**925,008**	**177,074**	**56,490**	**145,008**	**843**	**150,413**	**3,448,570**

4.10.1 IMPAIRMENT TESTING

In 2021, there wasn't identified any additional material impairment.

Release of impairment in 2021 is resulting mainly from the increase of the expected value of the closed Grodzisk Wielkopolski plant (determined as fair value less costs of disposal).

In 2020, the impairment in the amount of CZK 35,525 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 was determined as value in use. For the assumptions refer to section 4.11.1.

In 2020, the Group has also recognized the impairment to items of Property, plant and equipment retained after the sale of Hoop Polska (Grodzisk Wielkopolski plant) of CZK 8,814 thousand. The recoverable amount was determined as fair value less costs of disposal.

In case of Studenac d.o.o., the value of selected items of Property, plant and equipment as of 31 December 2020 were supported by the external valuation report issued in March 2021. This valuation is still considered as valid and supports the Property, plant and equipment value as of 31 December 2021.

4.11. INTANGIBLE ASSETS

Movements in Intangible assets (IA) 1.1.2021 - 31.12.2021	Goodwill	Patents, licenses	Software	Trademarks and other rights	IA under development, Advances	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Cost - opening	**647,019**	**7,233**	**291,362**	**1,555,766**	**1,015**	**2,502,395**
Additions	-	10	7,265	1,685	2,131	11,091
Transfer from IA under development	-	-	505	226	(731)	-
Other increases	-	-	14	-	129	143
Disposal	-	-	(2,822)	(3)	(163)	(2,988)
Exchange difference	1,074	(52)	(4,385)	(21,932)	(10)	(25,305)
Cost - closing	**648,093**	**7,191**	**291,939**	**1,535,742**	**2,371**	**2,485,336**
Accumulated amortisation - opening	**-**	**(6,766)**	**(249,286)**	**(260,100)**	**-**	**(516,152)**
Amortisation charge	-	(190)	(15,412)	(64,448)	-	(80,050)
Disposal	-	-	2,822	-	-	2,822
Exchange difference	-	42	4,231	1,276	-	5,549
Accumulated amortisation - closing	**-**	**(6,914)**	**(257,645)**	**(323,272)**	**-**	**(587,831)**
Net book value - opening	**647,019**	**467**	**42,076**	**1,295,666**	**1,015**	**1,986,243**
Net book value - closing	**648,093**	**277**	**34,294**	**1,212,470**	**2,371**	**1,897,505**
Of which:						
Goodwill						648,093
Intangible assets						1,249,412

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 ONDRÁŠOVKA 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 2021, the additions to intangible assets were of CZK 11,091 thousand. The most significant additions were connected with the investments to SAP.

In 2020, the additions to intangible assets were of CZK 1,001,489 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 and other intangible assets of CZK 442,302 thousand) and investments to SAP.

Movements in Intangible assets (IA) 1.1.2020 - 31.12.2020	Goodwill	Patents, licenses	Software	Trademarks and other rights	IA under development, Advances	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Cost - opening	**105,506**	**2,589**	**256,336**	**1,104,088**	**9,170**	**1,477,689**
Acquisition of subsidiaries	541,373	6,304	13,429	440,107	6,252	1,007,465
Additions	-	137	16,164	481	1,032	17,814
Transfer from IA under development	-	-	8,367	27	(8,394)	-
Disposal	-	-	(5,464)	-	-	(5,464)
Other decreases	-	-	-	-	(6,900)	(6,900)
Exchange difference	140	(1,797)	2,530	11,063	(145)	11,791
Cost - closing	**647,019**	**7,233**	**291,362**	**1,555,766**	**1,015**	**2,502,395**
Accumulated amortisation - opening	**-**	**(2,215)**	**(223,168)**	**(189,968)**	**-**	**(415,351)**
Acquisition of subsidiaries	-	(6,042)	(12,959)	(4,789)	-	(23,790)
Amortisation charge	-	(113)	(16,313)	(64,276)	-	(80,702)
Disposal	-	-	5,464	-	-	5,464
Exchange difference	-	1,604	(2,310)	(1,067)	-	(1,773)
Accumulated amortisation - closing	**-**	**(6,766)**	**(249,286)**	**(260,100)**	**-**	**(516,152)**
Net book value - opening	**105,506**	**374**	**33,168**	**914,120**	**9,170**	**1,062,338**
Net book value - closing	**647,019**	**467**	**42,076**	**1,295,666**	**1,015**	**1,986,243**
Of which:						
Goodwill						647,019
Intangible assets						1,339,224

4.11.1 IMPAIRMENT TESTING

In the impairment testing of trademarks and goodwill, management of the Group has decided to use value in use method. For the purpose of market valuation, the trademark royalty's method was used (value in use method). Due to the fact that management is not aware of comparable market transactions, the calculation of value in use for trademarks and goodwill is based on discounted free cash flows and estimated cash-flow projections based on financial plans approved by management of the Group for the period until 2026 (for trademarks until 2027).

Main assumptions used in financial plans and cash-flow projections:

TRADEMARKS

THE MAIN TRADEMARKS WITH INDEFINITE USEFUL LIFE

The management expects the return of revenues to pre-COVID times in mid 2023.

2021	Ondrášovka	Korunní	Kofola	Vinea	Radenska
Country of trademark	**Czechia**	**Czechia**	**Czechia**	**Slovakia**	**Slovenia**
Royalty rate	4.5%	3.0%	6.0%	6.0%	6.0%
Average revenue growth rate*	7.3%	3.6%	2.4%	2.4%	2.0%
Perpetuity growth rate	2.0%	2.0%	2.0%	2.0%	2.0%
Discount rate post-tax	7.5%	7.5%	7.5%	5.2%	5.5%

* Growth rate used for the purpose of the impairment testing from 2023 till the end of the explicit period.

2020	Ondrášovka	Korunní	Kofola	Vinea	Radenska
Country of trademark	**Czechia**	**Czechia**	**Czechia**	**Slovakia**	**Slovenia**
Royalty rate	3.1%	2.1%	6.0%	6.0%	6.0%
Average revenue growth rate*	3.9%	3.8%	2.3%	2.6%	2.0%
Perpetuity growth rate	2.0%	2.0%	2.0%	2.0%	2.0%
Discount rate post-tax	7.1%	7.1%	7.1%	6.3%	6.3%

* Growth rate used for the purpose of the impairment testing from 2023 till the end of the explicit period.

CARRYING VALUE OF ALL TRADEMARKS PER COUNTRY

	Czech Republic CZK´000	Slovakia CZK´000	Slovenia CZK´000	Poland CZK´000	Total CZK´000
31 December 2021	832,063	207,805	125,173	30,185	**1,195,226**
31 December 2020	878,223	219,382	132,147	37,476	**1,267,228**

Value of trademarks decreased as a result of regular amortization.

In 2021 and 2020, no impairment was charged.

IMPAIRMENT CONSIDERATIONS IN RELATION TO CASH-GENERATING UNITS

Impairment indicators were identified by management only in case of UGO trade s.r.o. (in both 2021 and 2020) as remaining cash generating units within the Group are generating sufficient cash flows. UGO trade s.r.o. has three main product lines which are QSR (Quick Service Restaurants), FOOD (production of salads) and PET (UGO juices packed in bottles). These are for the purpose of impairment testing considered as separate CGUs.

Current results of CGUs QSR, PET and FOOD are expected to return to profitability in the projected explicit period (the next 5 years) and the total recoverable amounts determined as value in use exceeded the carrying amounts of these CGUs as of 31 December 2021. Therefore, no impairment was recognized in relation to these CGUs in 2021 and for QSR and FOOD also in 2020.

In case of CGU PET in 2020, the impairment of CZK 35,525 thousand was recognized because the total recoverable amount determined as value in use didn't exceed the carrying amount of this CGU as of 31 December 2020. The impairment was allocated to the items of Property, plant and equipment used for the production of UGO bottles (mainly the production line).

The assumptions of the impairment tests were as follows:

2021	QSR	FOOD	PET
WACC	6.8%	6.8%	6.8%
Average revenue growth rate*	9.7%	11.0%	12.0%
Perpetuity growth rate	2.0%	2.0%	2.0%
Average EBITDA margin for 2022-2026	14.1%	3.6%	(1.1)%
CGU carrying amount in CZK thousand	104,416	12,161	15,789

* Growth rate used for the purpose of the impairment testing from 2023 till the end of the explicit period.

2020	QSR	FOOD	PET
WACC	6.3%	6.3%	6.3%
Average revenue growth rate*	10.0%	10.0%	10.0%
Perpetuity growth rate	2.0%	2.0%	2.0%
Average EBITDA margin for 2021-2025	13.1%	4.4%	4.1%
CGU carrying amount (before impairment in case of PET) in CZK thousand	140,548	30,738	63,928

* Growth rate used for the purpose of the impairment testing from 2023 till the end of the explicit period.

The management expects the return of revenues to pre-COVID times in mid 2023.

QSR SENSITIVITY ANALYSIS

In 2021, WACC increased by 6.5 ppt, average EBITDA lower by 2.9 ppt, both lead to a situation when the recoverable amount is equal to the carrying amount. When calculated the sensitivity analysis, only 1 parameter is changed.

In 2020, WACC increased by 2.0 ppt, average EBITDA lower by 1.3 ppt, both lead to a situation when the recoverable amount is equal to the carrying amount. When calculated the sensitivity analysis, only 1 parameter is changed.

PET SENSITIVITY ANALYSIS

In 2021, WACC increased by 5.4 ppt, average EBITDA lower by 3.8 ppt, both lead to a situation when the recoverable amount is equal to the carrying amount. When calculated the sensitivity analysis, only 1 parameter is changed.

FOOD SENSITIVITY ANALYSIS

In 2021, WACC increased by 3.9 ppt, average EBITDA lower by 1.5 ppt, both lead to a situation when the recoverable amount is equal to the carrying amount. When calculated the sensitivity analysis, only 1 parameter is changed.

In 2020, WACC increased by 2.0 ppt, average EBITDA lower by 0.9 ppt, both lead to a situation when the recoverable amount is equal to the carrying amount. When calculated the sensitivity analysis, only 1 parameter is changed.

GOODWILL

The Goodwill arose on acquisition of PINELLI spol. s r.o., Klimo s.r.o., LEROS, s.r.o., Minerálka s.r.o, Espresso s.r.o., F.H.Prager s.r.o., ONDRÁŠOVKA a.s. and Karlovarská Korunní s.r.o. Goodwill on acquisition of LEROS, s.r.o. of CZK 2,865 thousand and Goodwill on acquisition of Espresso s.r.o. of CZK 12,091 thousand relate to Fresh & Herbs business segment. The remaining amount of Goodwill presented in the Consolidated statement of financial position relates to the CzechoSlovakia business segment. The Goodwill is monitored by the management at the segment level. Table below summarizes the key inputs for impairment testing in relation to Goodwill attributable to CzechoSlovakia business segment.

The assumptions of the impairment tests of Goodwill in the CzechoSlovakia business segment	2021 CZK´000/%	2020 CZK´000/%
EBITDA margin	19.6%	21.1%
Perpetuity growth rate	2.0%	2.0%
Discount rate post-tax	6.8%	6.3%

The management expects the return of revenues to pre-COVID times in mid 2023.

Main assumptions adopted by the management are based on past experience and expectations as for the future market development. Discount rates used are in line with those used when preparing the Group’s results assumptions. Discount rates are post-tax and include risk related to respective operating segments and trademarks.

The Group’s management believes that the main assumptions used in impairment tests of cash generating units as at 31 December 2021 and 31 December 2020 are rational and based on the past experience, the Group’s development strategy and on market forecasts. The Group’s forecasts of future financial results are based on series of assumptions, where those relating to macroeconomic factors and actions taken by the competition, such as foreign exchange rates, prices of raw materials and interest rates are beyond the Group’s control.

SENSITIVITY ANALYSIS

Management believes that, in relation to value in use calculations for trademarks and for Goodwill monitored at segment level, no reasonable change in the adopted assumptions would result in their recoverable amounts being lower than their carrying amounts.

4.12. INVENTORIES

Inventories	31.12.2021 CZK´000	31.12.2020 CZK´000
Inventories not written-down	**641,234**	**519,157**
Material	356,896	258,922
Goods	72,503	57,474
Work in progress	29,676	26,367
Finished products	182,159	176,394
Written-down inventories	**21,184**	**26,322**
Material	18,645	24,772
Goods	1,761	734
Work in progress	145	55
Finished products	633	761
Inventories write-down	**(21,184)**	**(26,287)**
Inventories total	**641,234**	**519,192**

Material has increased due to increased prices and also higher quantity on stock.

Inventories write-down movement table	2021 CZK´000	2020 CZK´000
As at 1 January	**26,287**	**15,536**
Acquired through business combination	-	1,399
Increase due to creation	5,944	12,696
Decrease due to usage/(write-back)	(10,572)	(3,273)
Exchange differences	(475)	(71)
As at 31 December	**21,184**	**26,287**

4.13. TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables	31.12.2021		31.12.2020	
	Current CZK´000	Non-current CZK´000	Current CZK´000	Non-current CZK´000
Financial assets within Trade receivables and other receivables				
Trade receivables	712,475	-	671,171	-
Loss allowance for trade receivables	(66,127)	-	(78,022)	-
Bonds	-	-	-	25,045*
Government grant	77	-	11,581	70,938
Derivatives	32,590	59,456	-	3,817
Other financial receivables**	79,435	22,621	79,819	10,572
Loss allowance for other financial receivables	(28,633)	(2,010)	(15,472)	(668)
Total	**729,817**	**80,067**	**669,077**	**109,704**
Non-financial assets within Trade receivables and other receivables				
VAT receivable	37,864	-	28,526	-
Deferred expenses	49,202	17,851	46,413	21,114
Prepayments	50,677	70,257	50,414	92,603
Other non-financial receivables	1,947	-	1,749	-
Loss allowance for non-financial receivables	(2,697)	(8,117)	(12,759)	(14,770)
Total	**136,993**	**79,991**	**114,343**	**98,947**
Trade receivables and other receivables total	**866,810**	**160,058**	**783,420**	**208,651**

* Measured at amortized costs, repayable in December 2024. ** Mainly paid principals.

Loss allowance for trade and other financial receivables	2021		2020	
	Trade receivables CZK´000	Other financial receivables CZK´000	Trade receivables CZK´000	Other financial receivables CZK´000
As at 1 January	**78,022**	**16,140**	**55,981**	**20,576**
Exchange differences	(2,256)	(722)	984	(2,792)
Increase due to creation	15,857	18,489	30,191	5,500
Decrease due to usage/release	(25,496)	(3,264)	(9,134)	(7,144)
As at 31 December	**66,127**	**30,643**	**78,022**	**16,140**

Derivatives increased due to increased interest rates. Bonds were sold in 2021. Government grant receivable decreased due to the management decision not to utilize the entitlement from the government grant in relation to new administrative premises. However, the management still plans to continue with the project.

Further information on transactions with related parties is presented in section 4.22.

Trade receivables are not interest bearing and are usually payable within 30-60 days of recognition.

The risks associated with trade and other receivables, as well as the Group’s policy relating to managing such risks, are described in section 4.23.

Information on liens established on receivables to secure credits and loans is presented in section 4.17.

4.14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	31.12.2021 CZK´000	31.12.2020 CZK´000
Cash in bank and in hand	391,171	543,553
Other	346	336
Total cash and cash equivalents	**391,517**	**543,889**

Free funds are held at bank and invested in the form of term and overnight deposits, primarily with variable interest rates.

Split by currency	31.12.2021 CZK´000	31.12.2020 CZK´000
in CZK	138,477	296,169
in EUR	156,358	212,744
in PLN	6,903	7,417
in HRK	83,862	24,368
other	5,917	3,191
Total cash and cash equivalents	**391,517**	**543,889**

4.15. EQUITY

4.15.1 SHARE CAPITAL

SHARE CAPITAL STRUCTURE

Share capital structure	2021		2020	
Type of shares	Shares pcs	Par value CZK´000	Shares pcs	Par value CZK´000
Ordinary shares of Kofola ČeskoSlovensko a.s.	22,291,948	1,114,597	22,291,948	1,114,597
Total	**22,291,948**	**1,114,597**	**22,291,948**	**1,114,597**

Ordinary shares of Kofola ČeskoSlovensko a.s. have a par value of CZK 50 (as of 31 December 2020 value of CZK 50). Each share ranks pari passu in all respects with all other shares. The same rights are incorporated into all shares including the right to attend the General Meeting, to require and receive explanations of matters concerning the Company that are part of the agenda of the General Meeting, to submit proposals and counterproposals, and to receive a dividend and share in the liquidation surplus. In compliance with the relevant legal provisions, the voting rights attached to the shares owned by RADENSKA d.o.o. cannot be exercised.

All of the issued shares have been fully paid up.

4.15.2 OWN SHARES

The Company didn’t have any own shares as of 31 December 2021. The Company owned 11 pcs of own shares as of 31 December 2020.

RADENSKA d.o.o. as at 31 December 2021 owned 1,084,851 (as at 31 December 2020: 1,113,977) shares of the Company (which represents 4.87% of the Company´s share capital, as of 31 December 2020: 5.00%) in total value of CZK 477,333 thousand (treasury shares) (as at 31 December 2020: CZK 490,150 thousand).

COURSE OF PURCHASE OF OWN SHARES IN 2021 (TRANSACTION PERFORMED WITHIN THE GROUP)

The Board of Directors of the Company resolved to implement the acquisition of own shares by the Company on 19 February 2021.

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.

The conditions for the executed acquisition of own shares by the Company:

a) the acquisition took place outside the regulated market, directly from the company RADENSKA d.o.o., a subsidiary company of the Company;

b) number of shares that were acquired amounted to 29,126 shares of the Company which represented 0.13% of the Company´s share capital; and

c) the acquisition was settled on 5 March 2021 for the price equal to the closing price for which shares of the Company were traded on the regulated market organized by the company Burza cenných papírů Praha, a.s. on the previous trading day, i.e. CZK 256 per individual share (total value of CZK 7,456 thousand). As such, the contract was concluded at market terms. The shares have nominal value of CZK 50 per individual share.

Shares have been transferred to option scheme participants in March 2021.

COURSE OF PURCHASE OF OWN SHARES IN 2020

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 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.

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.

4.15.3 DIVIDENDS

Dividends	**2021** CZK´000	**2020** CZK´000
Dividends	286,296	285,902*
Dividends per share (CZK/share)**	13.5	13.5

* Net of dividend to own shares owned by the Company.
** Declared dividends divided by the number of shares outstanding as of dividend record date.

4.16. PROVISIONS

Movements in provisions	Litigations CZK´000	Pension benefits CZK´000	Provision for personnel expenses (bonuses) CZK´000	Other provisions CZK´000	Total CZK´000
Balance as at 1 January 2021	**-**	**23,793**	**66,798**	**17,589**	**108,180**
Increase due to creation	13,500	1,561	76,247	5,743	97,051
Decrease due to usage/release	-	(3,093)	(66,448)	(714)	(70,255)
Exchange differences	-	(1,203)	(896)	(958)	(3,057)
Balance as at 31 December 2021	**13,500**	**21,058**	**75,701**	**21,660**	**131,919**
Of which:					
Current part	13,500	-	75,701	2,477	91,678
Non-current part	-	21,058	-	19,183	40,241
Balance as at 31 December 2021	**13,500**	**21,058**	**75,701**	**21,660**	**131,919**

For further information about contingent liabilities refer to section 4.21.

4.17. BANK CREDITS AND LOANS

INDEBTEDNESS OF THE GROUP FROM THE CREDITS AND LOANS

As at 31 December 2021, the Group's total bank loans and credits amounted to CZK 3,417,004 thousand (as at 31 December 2020: CZK 3,937,364 thousand). Decrease of the balance is attributable mostly to the regular loan repayment. From the total balance of Repayment of loans and bank credits presented within the Consolidated statement of cash flows (Note 1.4), amount of CZK 45,859 thousand (2020: CZK 130,516 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 3,251,409 thousand as at 31 December 2021 (as at 31 December 2020: CZK 3,717,761 thousand) was a main component of Company´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.

As of 31 December 2021, the Group obtained a bank waiver for the breach of Debt service coverage ratio covenant (mainly due to COVID-19 related losses).

As of 31 December 2020, the Group obtained a bank waiver for the breach of Debt service coverage ratio covenant (mainly due to COVID-19 related losses).

All other bank loan covenants were met in 2021 and 2020.

Financing entity 31.12.2021	Credit currency	Credit/limit amount FCY´000	Face value CZK´000	Carrying amount* CZK´000	Interest terms	Maturity date	Collateral	Undrawn credit line CZK´000
ČSOB, a.s. + Česká spořitelna, a.s.	CZK	4,769,559	3,259,237	3,251,409	3M PRIBOR*** + margin	2/2025, 8/2026, 2/2027	buildings, receivables, movable assets, shares, bill of exchange, inventory	-
ČSOB, a.s. + Česká spořitelna, a.s.**	CZK	500,000	72,259	72,259	1M PRIBOR + margin	8/2022	buildings, receivables, movable assets, shares, bill of exchange, inventory	335,684
	EUR	-	92,057	92,057	1M EURIBOR + margin			
ČSOB Leasing, a.s. (5x)	CZK	35,165	1,212	1,212	margin	2/2022	funded property	-
MONETA Money Bank, a.s.	CZK	1,738	67	67	margin	3/2022	funded property	-
Total				**3,417,004**				**335,684**
Out of it non-current				2,783,697				
Out of it current				633,307				

* Carrying amount of borrowings on variable interest rate approximates fair value. ** Administration by Česká spořitelna, a.s. There is a shared limit of CZK 500,000 thousand for Kofola a.s. (CZ), Kofola a.s. (SK) and Kofola ČeskoSlovensko a.s. which can be drawn in CZK and EUR. *** For part of the face value the interest rate swap was concluded (refer to section 4.23.1).

Financing entity 31.12.2020	Credit currency	Credit/limit amount FCY´000	Face value CZK´000	Carrying amount* CZK´000	Interest terms	Maturity date	Collateral	Undrawn credit line CZK´000
ČSOB, a.s. + Česká spořitelna, a.s.	CZK	4,769,559	3,729,023	3,717,761	3M PRIBOR*** + margin	2/2025, 8/2026, 2/2027	buildings, receivables, movable assets, shares, bill of exchange, inventory	-
ČSOB, a.s. + Česká spořitelna, a.s.**	CZK	500,000	210,175	210,175	1M PRIBOR + margin	8/2022	buildings, receivables, movable assets, shares, bill of exchange, inventory	289,825
ČSOB Leasing, a.s. (5x)	CZK	35,165	8,450	8,450	margin	2/2022	funded property	-
MONETA Money Bank, a.s.	CZK	1,738	475	475	margin	3/2022	funded property	-
ŠkoFIN s.r.o.	CZK	2,321	167	167	margin	11/2021	funded property	-
FCE Credit, s.r.o.	CZK	520	336	336	margin	1/2025	funded property	-
Total				**3,937,364**				**289,825**
Out of it non-current				3,252,207				
Out of it current				685,157				

* Carrying amount of borrowings on variable interest rate approximates fair value. ** Administration by Česká spořitelna, a.s. There is a shared limit of CZK 500,000 thousand for Kofola a.s. (CZ), Kofola a.s. (SK) and Kofola ČeskoSlovensko a.s. which can be drawn in CZK and EUR. *** For part of the face value the interest rate swap was concluded (refer to section 4.23.1).

PLEDGES OF THE GROUP

Pledges of the Group	31.12.2021*		31.12.2020*	
	Cost	Net book value	Cost	Net book value
	CZK´000	CZK´000	CZK´000	CZK´000
Property, plant and equipment	4,099,885	1,460,872	4,326,215	1,663,700
Intangible assets (trademarks)	73,852	1,516	77,657	1,600
Inventories	342,790	341,839	271,794	271,794
Receivables**	403,074	403,074	418,536	418,536
Cash in bank	285,434	285,434	479,967	479,967
Total	**5,205,035**	**2,492,735**	**5,574,169**	**2,835,597**

*Balances related to the returnable packages are presented within Property, plant and equipment. ** Mostly trade receivables, without effect of loss allowances.

4.18. TRADE AND OTHER PAYABLES

Trade and other payables Other liabilities	31.12.2021		31.12.2020	
	Current	Non-current	Current	Non-current
	CZK´000	CZK´000	CZK´000	CZK´000
Financial liabilities within Trade payables and other liabilities				
Trade payables	1,181,578	-	897,108	-
- of that accrued expenses	*208,939*	-	*152,220*	-
Liabilities for purchased tangible and intangible assets	48,054	-	32,771	-
Derivatives (i)	-	-	8,543	-
Advances received*	184,608	-	175,857	-
Other financial liabilities	21,798	16,631	16,138	20,452
Total	**1,436,038**	**16,631**	**1,130,417**	**20,452**
Non-financial liabilities within Trade payables and other liabilities				
VAT	19,926	-	22,525	-
Payables to employees	81,081	-	75,109	-
Deferred revenue	6,764	-	6,646	-
Government grants	-	-	-	70,938
Other non-financial liabilities	88,781**	-	86,181**	-
Total	**196,552**	**-**	**190,461**	**70,938**
Trade and other payables and other liabilities total	**1,632,590**	**16,631**	**1,320,878**	**91,390**

* Mainly advances received for the returnable packages.
** Mainly payables to state authorities.

Trade payables increased due to higher purchases at the end of the year and also increased prices. Government grant payable decreased due to the management decision not to utilize the entitlement from the government grant in relation to new administrative premises. However, the management still plans to continue with the project.

Trade payables are not interest bearing and are usually paid within 30-90 days of recognition.

Other payables are not interest bearing and are payable on average within 1 month.

(i) Derivatives

In 2020 and 2018, the Group concluded new IRS contract and established a hedge accounting. Revaluation of derivatives in relation to the effective portion of the hedging relationship is accounted through OCI (refer to section 3.5 for more details).

4.19. FUTURE COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2021 the Group companies provided the following guarantees for third party entities:

Entity providing guarantees	Entity receiving guarantees	Currency	Guarantee amount	Guarantee amount	Guarantee period	Guarantees provided for	Relationship
			FCY´000	CZK´000			
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR	758	18,844	12/2022	Santa-Trans.SK s.r.o.	third party
Total guarantees issued				**18,844***			

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

As at 31 December 2020 the Group companies provided the following guarantees for third party entities:

Entity providing guarantees	Entity receiving guarantees	Currency	Guarantee amount	Guarantee amount	Guarantee period	Guarantees provided for	Relationship
			FCY´000	CZK´000			
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR	1,515	39,761	12/2022	Santa-Trans.SK s.r.o.	third party
Total guarantees issued				**39,761***			

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

4.20. LEASES

This note provides information about leases where the Group is a lessee. Leases where the Group is a lessor are immaterial.

4.20.1 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Right-of-use asset forms a part of Property, plant and equipment. Lease liabilities are presented on separate rows in the statement of financial position.

The net carrying amount at the end of the reporting period by classes of assets is provided below:

Net carrying amount by classes of assets	31.12.2021	31.12.2020
	CZK´000	CZK´000
Land	21,382	25,220
Buildings and constructions	205,826	227,020
Plant and equipment	41,961	59,430
Vehicles	159,945	134,817
Total	**429,114**	**446,487**

Additions to the right-of-use assets during the 2021 financial year were following:

Additions by classes of assets	Land	Buildings and constructions	Plant and equipment	Vehicles	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
For the period	434	56,213	753	72,969	130,369
Total	**434**	**56,213**	**753**	**72,969**	**130,369**

Additions to the right-of-use assets during the 2020 financial year were following:

Additions by classes of assets	Land	Buildings and constructions	Plant and equipment	Vehicles	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Acquisition of subsidiaries	13,466	-	883	13,759	28,108
For the period	9,563	76,731	3,479	46,729	136,502
Total	**23,029**	**76,731**	**4,362**	**60,488**	**164,610**

4.20.2 AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

Depreciation expense to the right-of-use assets during the 2021 and 2020 financial year was following:

Depreciation expense by classes of assets	Land CZK´000	Buildings and constructions CZK´000	Plant and equipment CZK´000	Vehicles CZK´000	Total CZK´000
2021	1,231	61,864	16,291	46,890	**126,276**
2020	972	57,196	25,563	49,598	**133,329**

Interest expense to lease liabilities is presented in note 4.7 Finance costs.

The statement of profit or loss further shows the following amounts relating to not capitalized leases:

Expense relating to not capitalized leases	2021 CZK´000	2020 CZK´000
Expense relating to short-term leases, leases of low-value assets and variable lease payments	74,854	74,675
Total	**74,854**	**74,675**

Total cash outflows in relation to capitalized leases are presented in the section Cash flows from financing activities within the Consolidated statement of cash flows. Future cash outflows in relation to capitalized leases are presented within section 4.23.4. Total cash outflows in relation to other leases is close to balance stated in the table above (short-term leases, leases of low-value assets and variable lease payments).

Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities are mostly represented by variable lease payments presented in the table above and their value is expected to not significantly differ from the balance presented in 2021 adjusted for newly concluded and terminated lease contracts.

Lease commitments for short-term leases and leases of low-value assets as of 31 December 2021 amounted to CZK 25,209 thousand (as of 31 December 2020: CZK 23,291 thousand).

4.21. 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. These 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 a 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 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. In February 2021, the beneficiary even withdrew the claim for the in-kind return of the RADENSKA enterprise and real estates owned by the enterprise and is now primarily requesting to be compensated by the state. The authorities recently followed such request and issued decisions according to which the beneficiary is entitled to compensation in form of state bonds, compensated by the Slovene Sovereign Holding and neutral with respect to RADENSKA and Kofola Group. Please note that such decisions, including the most recent decision are not final and thus, in theory, there’s still the risk, albeit very low, the current decisions would be reversed later in the process with potential negative consequences for RADENSKA. RADENSKA is therefore still actively participating in the process and protecting its interests.

LITIGATION WITH FORMER LAWYER

There is a litigation concerning the amount of CZK 23,070 thousand with a former lawyer Mr. Belec, who represented RADENSKA in the denationalization process and with whom RADENSKA already concluded a settlement in 2018. Currently, Mr. Belec is in a personal bankruptcy procedure and claims that the settlement in 2018 was not in his interest. The first court hearing is expected in April 2023.

OTHER PROCEEDINGS

Some of the Group companies are routinely involved in legal proceedings which arise in the ordinary course of the Group's business but which are not material to the Group. The Company is not involved in any judicial, administrative or arbitration proceedings and has not conducted such proceedings in the past.

Apart from the above denationalisation related proceedings, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Company and/or Group is aware, including any claims against the directors of the Company) which may have, or have had during the 12 months prior to the date of these financial statements, an effect on the financial position or profitability of the Company and/or the Group.

4.22. RELATED PARTY TRANSACTIONS

4.22.1 SHAREHOLDERS STRUCTURE

Share capital structure			31.12.2021			31.12.2020
Name of entity	Number of shares	% in share capital	% in voting rights	Number of shares	% in share capital	% in voting rights
AETOS a.s.	14,984,204	67.22	70.66	14,984,204	67.22	70.75
RADENSKA d.o.o.	1,084,851	4.87	0.00	1,113,977	5.00	0.00
Others	6,222,893	27.91	29.34	6,193,767	27.78	29.25
Total	**22,291,948**	**100.00**	**100.00**	**22,291,948**	**100.00**	**100.00**

Transactions with own shares are described in section 4.15.2.

4.22.2 REMUNERATION OF THE COMPANY'S KEY MANAGEMENT PERSONNEL

Presented below is the structure of the remuneration of Group´s key management personnel in 2021 and 2020.

Remuneration of the Group´s key management personnel 2021	compensation	Members of the Company´s Board of Directors CZK´000	Members of the Company´s Supervisory Board CZK´000	Members of the Company´s Audit Committee CZK´000	Other key management personnel of the Group CZK´000	Total CZK´000
Amounts paid for activities in the Company´s Board of Directors	Financial	20,377	-	-	-	**20,377**
	Non-financial	2,771	-	-	-	**2,771**
Amounts paid for activities in the Company´s Supervisory Board	Financial	-	1,200	-	-	**1,200**
	Non-financial	-	287	-	-	**287**
Amounts paid for activities in the Company´s Audit Committee	Financial	-	-	288	-	**288**
	Non-financial	-	-	-	-	**-**
Amounts paid for other activities within the Group	Financial	5,681	5,250	1,460	10,406	**22,797**
	Non-financial	1,509	913	57	1,299	**3,778**
Total expense from equity settled transactions (Option scheme)	Option scheme	6,217	-	-	11,640	**17,857**
Shares transfer to option scheme participants	Option scheme	(4,951)	(589)	-	(1,919)	**(7,459)**
Cumulated reserve from equity settled transactions	Option scheme	17,852	1,572	-	17,913	**37,337**

Remuneration of the Group´s key management personnel 2020	compensation	Members of the Company´s Board of Directors CZK´000	Members of the Company´s Supervisory Board CZK´000	Members of the Company´s Audit Committee CZK´000	Other key management personnel of the Group CZK´000	Total CZK´000
Amounts paid for activities in the Company´s Board of Directors	Financial	23,416	-	-	-	**23,416**
	Non-financial	2,643	-	-	-	**2,643**
Amounts paid for activities in the Company´s Supervisory Board	Financial	-	1,200	-	-	**1,200**
	Non-financial	-	287	-	-	**287**
Amounts paid for activities in the Company´s Audit Committee	Financial	-	-	288	-	**288**
	Non-financial	-	-	-	-	**-**
Amounts paid for other activities within the Group	Financial	6,900	7,828	1,796	13,806	**30,330**
	Non-financial	1,000	680	57	1,423	**3,160**
Total expense from equity settled transactions (Option scheme)*	Option scheme	-	-	-	-	**-**
Shares transfer to option scheme participants	Option scheme	(2,817)	(319)	-	(1,272)	**(4,408)**
Cumulated reserve from equity settled transactions	Option scheme	16,586	2,161	-	8,191	**26,938**

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

4.22.3 OTHER RELATED PARTY TRANSACTIONS

Except for dividend payment to parent company, there were no other transactions concluded with the Group's related parties (those outside the consolidation group) in 2021 and 2020.

4.23. FINANCIAL RISK MANAGEMENT

The Group's primary financial instruments consist of bank credits, lease payables, derivatives, cash and cash equivalents, deposits and loans. The main goal of holding such financial instruments is to obtain funds for business operations, or to invest the Group's available funds. In addition, the Group has other financial instruments, such as trade receivables and payables that arise as part of its operations. The accounting methods relating to those instruments are described above (section 3.5).

It is the Group's policy – now and throughout the reporting periods presented in these financial statements – not to keep the financial instruments for trading purposes.

The Group's activities are exposed to several types of financial risk: market risk (including foreign exchange risk, and cash-flow risk relating to changes in interest rates), credit risk and liquidity risk. In addition, the Group monitors the market prices risk relating to all of its financial instruments. Risks are managed by the Group's management, which recognises and assesses the above financial risks. The general risk management process is focused on the unpredictability of financial markets, and the Group tries to minimise any potential adverse effects on its financial results. The Group uses derivative financial instruments to hedge against certain types of risk, providing that the hedging instruments are considered to be cost effective. Management verifies and agrees the risk management methods with regard to every type of risk. A short description of these methods is presented below.

4.23.1 INTEREST RATE RISK

Interest rate risk is a risk that the fair value or future cash flows from a financial instrument will change due to changes in interest rates. The interest-bearing financial liabilities of the Group are mainly bank credits. The Group has credit payables with variable interest rates, which give rise to a risk of an increase in those rates compared to the rates applied at contract conclusion. In addition, the Group places its free funds on variable interest rate deposits, which would bring the profits down if the interest rates fall. The Group also uses fixed interest rate instruments, with regard to which interest rate movements have no effect on interest costs or interest income. Trade and other receivables and payables are not interest bearing and have mostly due dates of up to one year.

Management of the Group monitors its exposure to interest rate risk and interest rate forecasts. In order to protect against changes in interest rates, the Group has fixed the interest rate on part of the loan for Group financing. The balance of the loan which is covered by interest rate swaps as of 31 December 2021 was CZK 986,090 thousand (as of 31 December 2020: CZK 1,089,681 thousand). Hedge accounting is established by the Group for these derivative instruments. There was no ineffective portion of the hedging relationship for the year ended 31 December 2021 and 31 December 2020.

Interest rate swaps		31.12.2021		31.12.2020
	Net exposure	Average fixed interest rate	Net exposure	Average fixed interest rate
	CZK´000	p.a.	CZK´000	p.a.
In period from one to six months	51,795	2.7%	51,795	2.7%
In period from six to twelve months	51,795	2.7%	51,795	2.7%
More than one year	882,500	2.5%	986,091	2.5%
Total	**986,090**		**1,089,681**	

If interest rates at the balance sheet date had been 100 basis points lower/higher with all other variables held constant, profit/(loss) for the period for the year 2021 would have been increased/decreased by CZK 25,457 thousand (2020: CZK 27,304 thousand), mainly as a result of different interest expense on variable interest for financial liabilities.

4.23.2 CURRENCY RISK

The Group is exposed to the risk of changes in foreign exchange rates due to a volume of sales of finished products in local currencies of individual entities (CZK, EUR, PLN) and the fact that significant part of the costs of purchased raw materials are incurred in foreign currencies (mainly EUR). The currency risk relates primarily to the EUR exchange rates in relation to CZK. The Group's currency risk associated with other currencies is immaterial.

The effect of currency risk on the Group's position is presented in the table (sensitivity analysis) below. The sensitivity analysis is based on a reasonable change in the assumed foreign exchange rate while the other assumptions remain unchanged. In practice this is not very likely, and changes in certain assumptions may be correlated, e.g. a change in interest rate and in the foreign exchange rate. The Group manages currency risk as a whole. The sensitivity analysis prepared by management for currency risk illustrates after-tax profit or loss effect of changes in the exchange rate of the EUR, PLN and USD to CZK.

Currency risk impact on profit or loss	31.12.2021 CZK´000	31.12.2020 CZK´000
EUR strengthening by 3%	(1,716)	6,498
EUR weakening by 3%	1,716	(6,498)
PLN strengthening by 3%	4,267	3,797
PLN weakening by 3%	(4,267)	(3,797)
USD strengthening by 10%	(142)	(726)
USD weakening by 10%	142	726

4.23.3 CREDIT RISK

Credit risk arises from cash deposits in banks along with other short-term deposits, as well as from trade and other financial receivables.

The Group undertakes activities aimed at limiting credit risk, consisting of checking the creditworthiness of its customers, setting credit limits and monitoring the customers' financial position. An analysis of ageing structure of trade and other financial receivables assists with the credit risk management.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

TRADE AND OTHER FINANCIAL RECEIVABLES

The Group is exposed to credit risk, defined as a risk that its debtors will not meet their obligations and thus cause the Group to incur losses.

Presented below is the ageing structure of receivables:

Credit risk	31.12.2021		31.12.2020	
	Trade receivables CZK´000	Other financial receivables CZK´000	Trade receivables CZK´000	Other financial receivables CZK´000
Total due	**570,366**	**164,677**	**491,056**	**178,617**
Past due				
- less than 30 days overdue	71,936	561	60,799	12,700
- 30 to 90 days overdue	13,525	1,079	44,015	-
- 91 to 180 days overdue	5,417	414	14,538	-
- 181 to 360 days overdue	5,002	1,637	17,210	-
- over 360 days overdue	46,229	25,811	43,553	10,455
Total past due	**142,109**	**29,502**	**180,115**	**23,155**
Less loss allowance (-)	**(66,127)**	**(30,643)**	**(78,022)**	**(16,140)**
Total	**646,348**	**163,536**	**593,149**	**185,632**

Subject to the above, management believes that the credit risk has been accounted for in the financial statements through the creation of appropriate allowances.

CASH AND CASH EQUIVALENTS

With regard to the Group's other financial assets, such as cash and cash equivalents, credit risk arises as a result of the other party's inability to pay, and the maximum amount of the Group's exposure to this risk is equal to the balance sheet value of these amounts.

The credit risk associated with bank deposits, derivative instruments and other investments is considered to be immaterial, as the Group has concluded transactions with institutions that have a sound financial position.

Credit quality of cash in bank and in hand Credit rating	31.12.2021 CZK´000	31.12.2020 CZK´000
Aa3	19,131	15,760
A1	152,802	279,429
A2	5,053	6,116
A3	4,496	5,698
Baa1	206,015	232,806
Not on watch*	1,278	1,636
Cash in hand	2,742	2,444
Total cash in bank and in hand	**391,517**	**543,889**

* Mainly Fio banka a.s.

4.23.4 LIQUIDITY RISK

The risk for the Group arises from a potential restriction in access to financial markets or from a change in the attitude of banks in the area of granting credits, which may result in an inability to obtain new financing or refinancing of debts.

Management of the Group monitors the risk of insufficient funds by adjusting the structure of financing to prediction of future cash flows (planned investments included), diversifying of sources of financing and by keeping sufficient level of available credit lines.

It is the Group's objective to maintain a balance between financing continuity and flexibility, by using various financing sources, such as credits, loans and lease agreements. The Group controls its financial liabilities so that in each given period the amount of liabilities due within the next 12 months does not pose a threat for the Group's ability to meet its financial obligations. Despite the excess of current liabilities over current assets the Group's management believes that the value of cash and cash equivalents as at the balance sheet date, the available credit lines as at 31 December 2021 of CZK 335,684 thousand (as at 31 December 2020: CZK 289,825 thousand) and the Group's financial position are such that the risk of losing liquidity is assessed as not significant.

Analysis of financial liabilities is presented below. The amounts represent undiscounted cash flows, which represent the Group's maximum exposure to liquidity risk.

Future cash outflows related to financial liabilities:

Contractual cash flows of financial liabilities as at 31 December 2021	Less than 3 months CZK´000	Between 3-12 months CZK´000	Between 1-2 years CZK´000	Between 2-5 years CZK´000	Over 5 years CZK´000	Total contractual cash-flows CZK´000	Total carrying amount CZK´000
Trade payables	1,172,188	9,390	-	-	-	1,181,578	1,181,578
Bank credits and loans	164,547	663,130	619,341	2,510,601	33,424	3,991,043	3,417,004
Lease liabilities	34,745	99,178	130,489	152,660	40,827	457,899	427,163
Advances received	184,608	-	-	-	-	184,608	184,608
Other liabilities	54,140	15,753	2,922	2,983	11,038	86,836	86,483
Total	**1,610,228**	**787,451**	**752,752**	**2,666,244**	**85,289**	**5,901,964**	**5,296,836**

Contractual cash flows of financial liabilities as at 31 December 2020	Less than 3 months CZK´000	Between 3-12 months CZK´000	Between 1-2 years CZK´000	Between 2-5 years CZK´000	Over 5 years CZK´000	Total contractual cash-flows CZK´000	Total carrying amount CZK´000
Trade payables	887,230	9,878	-	-	-	897,108	897,108
Bank credits and loans	136,784	618,429	542,307	1,658,059	1,330,441	4,286,020	3,937,364
Lease liabilities	47,510	97,855	127,246	162,973	59,268	494,852	454,794
Advances received	175,857	-	-	-	-	175,857	175,857
Other liabilities*	48,265	9,187	3,067	5,075	12,310	77,904	77,904
Total	**1,295,646**	**735,349**	**672,620**	**1,826,107**	**1,402,019**	**5,931,741**	**5,543,027**

* Including derivatives for which the cash outflows were determined based on the latest available variable interest rate yield curves.

The cash outflows schedules above do not include financial guarantees, where the fair value was determined to be close to zero and which are listed in section 4.19.

4.24. CAPITAL MANAGEMENT

The Group manages capital by having a balanced financial policy with the objective of supplying the necessary funds to grow the business and, at the same time, secure an appropriate capital structure and financial liquidity and meet all the externally imposed capital requirements.

The Group manages net debt and monitors the net debt/adjusted EBITDA ratio.

The net debt is defined as the total value of liabilities arising out of credits, loans, bonds and leases, less cash and cash equivalents. Adjusted EBITDA is operating profit/(loss) plus depreciation and amortisation adjusted by all one-off events (all non-recurring or exceptional items not arising out of ordinary operations, such as impairment write downs, costs of relocation, extraordinary sale of non-current assets or group layoffs).

Net debt/Adjusted EBITDA calculation	**2021**	**2020**
	CZK´000	CZK´000
Bank credits and loans	3,417,004	3,937,364
Lease liabilities	427,163	454,794
Cash and cash equivalents	(391,517)	(543,889)
Net debt	**3,452,650**	**3,848,269**
Operating profit/(loss)	535,410	293,133
Adjusted for:		
One off´s (EBITDA impact)	(25,487)	104,640
Depreciation and amortisation	618,213	632,480
Adjusted EBITDA	**1,128,136**	**1,030,253**
Net debt/Adjusted EBITDA	**3.1**	**3.7**

Decrease of the ratio is attributable mainly to better result in 2021.

ONE-OFFS FOR 2021 (EBITDA IMPACT):

- Litigations costs of CZK 13,500 thousand (CzechoSlovakia segment).
- The impairment of Property, plant and equipment of CZK 2,257 thousand (mainly Fresh & Herbs segment).
- Restructuring costs of CZK 1,684 thousand (Fresh & Herbs segment).
- Costs arising on integration of acquired subsidiaries of CZK 735 thousand (CzechoSlovakia segment).
- Advisory costs – CzechoSlovakia segment incurred costs of CZK 519 thousand.
- Release of impairment of CZK 489 thousand (CzechoSlovakia segment) and of CZK 28,928 thousand in relation to plant Grodzisk Wielkopolski (Fresh & Herbs segment).
- Net income (excluding depreciation effect) connected with the closed Grodzisk Wielkopolski plant of CZK 4,124 thousand (Fresh & Herbs segment).
- Net gain on sold items of Property, plant and equipment of CZK 10,641 thousand recognized in all business segments (mainly CzechoSlovakia).

ONE-OFFS FOR 2020 (EBITDA IMPACT):

- The impairment of CZK 35,525 thousand related to the production of UGO bottles (mainly the production line) and of CZK 8,813 thousand related to Grodzisk Wielkopolski plant (Fresh & Herbs segment).
- Restructuring costs (mainly payroll expenses) in CzechoSlovakia segment of CZK 33,027 thousand and in Fresh & Herbs segment of CZK 4,357 thousand.
- Advisory costs – CzechoSlovakia segment incurred costs of CZK 13,915 thousand.
- Costs arising on integration of newly acquired subsidiaries of CZK 7,352 thousand (CzechoSlovakia segment).
- Costs for support of the parties impacted by COVID-19 of CZK 5,960 thousand, e.g. #zlasky (CzechoSlovakia segment).
- Costs (excluding depreciation) connected with the maintenance of closed Grodzisk Wielkopolski plant of CZK 3,805 thousand (Fresh & Herbs segment).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Costs arising on merger between LEROS and Espresso (Fresh & Herbs segment) of CZK 1,468 thousand.
- Net gain on sold items of Property, plant and equipment of CZK 9,582 thousand recognized in all business segments (mainly CzechoSlovakia).

4.24.1 CASH AND NON-CASH FINANCING ACTIVITIES

Net debt reconciliation	Liabilities from financing activities		Cash and cash equivalents	Net debt
	Bank credits and loans	Lease liability		
As at 1.1.2021	**3,937,364**	**454,794**	**(543,889)**	**3,848,269**
Repayment of loans and bank credits	(520,892)	-	-	(520,892)
Change in amortized costs	3,435	-	-	3,435
Repayment of lease liabilities	-	(144,400)	-	(144,400)
Lease additions	-	130,369	-	130,369
Lease terminations	-	(16,204)	-	(16,204)
Cash (inflow)/outflow	-	-	140,557	140,557
Foreign exchange adjustments	(2,903)	2,604	11,815	11,516
As at 31.12.2021	**3,417,004**	**427,163**	**(391,517)**	**3,452,650**

Net debt reconciliation	Liabilities from financing activities		Cash and cash equivalents	Net debt
	Bank credits and loans	Lease liability		
As at 1.1.2020	**3,012,962**	**419,791**	**(774,495)**	**2,658,258**
Acquisition of subsidiaries	58,263	28,108	-	86,371
Proceeds from loans and bank credits received	1,293,702	-	-	1,293,702
Repayment of loans and bank credits	(426,656)	-	-	(426,656)
Change in amortized costs	(907)	-	-	(907)
Repayment of lease liabilities	-	(123,995)	-	(123,995)
Lease additions	-	136,502	-	136,502
Lease terminations	-	(8,673)	-	(8,673)
Cash (inflow)/outflow*	-	-	239,241	239,241
Foreign exchange adjustments	-	3,061	(8,635)	(5,574)
As at 31.12.2020	**3,937,364**	**454,794**	**(543,889)**	**3,848,269**

* Includes the effect of cash and cash equivalents of acquired subsidiaries as at the acquisition date.

4.25. FINANCIAL INSTRUMENTS

4.25.1 FINANCIAL INSTRUMENTS CATEGORIES

Fair value of Trade receivables, other financial receivables, Cash and cash equivalents, Trade liabilities and other financial liabilities is close to carrying amounts since the interest payable on them is either close to market rates or they are short-term.

31.12.2021	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	717,838	-	-	717,838
Cash and cash equivalents	391,517	-	-	391,517
Derivatives	-	92,046	-	92,046
Bank credits and loans	-	-	(3,417,004)	(3,417,004)
Lease liabilities	-	-	(427,163)	(427,163)
Trade and other payables	-	-	(1,452,669)	(1,452,669)
Total	**1,109,355**	**92,046**	**(5,296,836)**	**(4,095,435)**

31.12.2020	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	774,964	-	-	774,964
Cash and cash equivalents	543,889	-	-	543,889
Derivatives	-	(4,726)	-	(4,726)
Bank credits and loans	-	-	(3,937,364)	(3,937,364)
Lease liabilities	-	-	(454,794)	(454,794)
Trade and other payables	-	-	(1,142,326)	(1,142,326)
Total	**1,318,853**	**(4,726)**	**(5,534,484)**	**(4,220,357)**

Fair value of derivatives

In 2018 and 2020, the Group has concluded interest rate swaps and established a hedge accounting. 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.

4.26. HEADCOUNT

The average headcount in the Group was as follows:

Average headcount	2021	2020
Management Board of the Company	6	6
Management Boards of the Group entities	5	8
Administration	211	222
Sales, Marketing and Logistic department	1,109	1,177
Production division	672	649
Other	3	11
Total	**2,006**	**2,073**

Total number of employees as of 31 December 2021 was 2,041 persons (as of 31 December 2020: 2,042 persons).

4.27. ACQUISITION OF SUBSIDIARIES

ACQUISITION OF SUBSIDIARY BRUTE S.R.O.

On June 17, 2021, the acquisition date, the company Kofola a.s. (CZ) concluded an agreement to purchase a 100% stake in Brute s.r.o. for a cash consideration of CZK 390 thousand. Due to immateriality, no other information is disclosed.

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 15, 2020, the acquisition date, 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.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

Fair value of assets and liabilities	Fair value CZK´000
Property, plant and equipment	354,073
Intangible assets	434,275
Deferred tax assets	6,257
Inventories	56,104
Trade receivables and other receivables	87,296
Cash and cash equivalents	48,095
Issued bonds (non-current)	(103,800)
Bank credits and loans (non-current)	(57,820)
Lease liabilities (non-current)	(19,694)
Deferred tax liabilities	(87,067)
Other liabilities (non-current)	(21,000)
Lease liabilities (current)	(8,414)
Trade liabilities and other liabilities	(120,520)
Total identifiable net assets acquired	**567,785**

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

Goodwill calculation	CZK´000
Consideration transferred (cash)	1,105,824
Net assets acquired	567,785
Goodwill	**538,039**

The Group expected and realizes significant synergies from the acquisition of the subsidiaries that will arise through the unification of operations and controls executed in purchase, production, sales, distribution, marketing and administrative departments. The Group also expected and realizes significant positive effects on its current portfolio through broadening by the well-known and established Czech mineral water brands. This significant acquisition helped us increase our market share.

Revenue of the acquirees for the period since the acquisition till 31 December 2020 amounted to CZK 505,187 thousand. Should the acquisition be performed as of 1 January 2020, the Group's estimated revenue for the 12 months ended 31 December 2020 would be CZK 6,343,365 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	Fair value CZK´000
Property, plant and equipment	766
Intangible assets	8,027
Inventories	1,856
Trade receivables and other receivables	461
Cash and cash equivalents	29
Bank credits and loans	(443)
Deferred tax liability	(1,525)
Trade liabilities and other liabilities	(9,360)
Provisions	(144)
Total identifiable net assets acquired	**(333)**

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

Goodwill calculation	CZK´000
Consideration transferred (cash)	3,000
Net assets acquired	(333)
Goodwill	**3,333**

The reason for the acquisition was the entrance into the new product segment.

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

4.28. COVID-19 AND UKRAINE CRISES

LEASE ACCOUNTING – IFRS 16

Based on amendment to IFRS 16 issued in May 2020, the lessee may elect not to assess whether COVID-19 related rental discounts are lease modifications. The Group has utilized this practical expedient and has also met all the requirements prescribed by the standard. The amount of such rental discounts is presented within section 4.4 Other operating income.

IMPAIRMENT TESTING

As a result of greater uncertainty in relation to COVID-19 pandemic, the Group has applied the multiple scenario cash-flow projections in case of impairment testing for assets / CGUs that were impacted by the pandemic the most.

OTHER INFORMATION

For two years, we were witnessing the impacts of COVID-19 pandemic which limited free cross-border travelling. Lockdowns impacted mostly Group's sales in the HoReCa segment and also sales in UGO salateries and freshbars during 2021, which in 2019 (pre-COVID times), represented approximately 40% of the Group's revenue. Since 2020, the Group´s revenue share in HoReCa is lower, thanks to successful acquisition of companies ONDRÁŠOVKA and Karlovarská Korunní.

HoReCa segment was closed for whole 1Q 2021 (except for Croatia) and part of 2Q 2021.

Currently, the Group is facing increasing prices of raw materials and energy. Ongoing war in Ukraine brings new risks and uncertainty to our business. The Group's management is very closely monitoring the development of the war conflict between Russia and Ukraine. The Group has already provided various forms of support to Ukrainian civilians and intends to continue in these activities as it cares about people in need. The whole situation impacts people, companies and states all around the world. For now, the Group wasn't directly affected by the conflict as it has no material direct exposure either to Russia or Ukraine. The war however impacts whole European economy and the increasing inflation rate is perceived also by the Group. Increasing input prices do not, however, represent a threat to the Group's ability to continue as a going concern as it has sufficient financial resources and is able to control its costs (e.g. by savings in marketing expenses) to a certain level. In case of the ongoing cost pressure, the Group may also increase the output prices to ensure profitability level expected by its stakeholders.

As of the date of this report, the production is in operation, we have continuing supplies of materials and energy (we are in close contact with our key suppliers), we have increased hygienic precautions in our production plants, our administrative employees may work from home. The Group is using modern technology for distant access and videoconferences which enables us to protect the health of our employees. There were necessary savings in CAPEX and OPEX and we plan to continue in this trend in the upcoming period based on actual development.

It is possible that, based on above stated, the Group won't be able to fulfil some of bank loan covenants in 2022. The Group believes to have sufficient resources from current cash balance and overdrafts. We have an open and long-term relationship with our supportive banking group to whom we communicate our business outlook regularly.

Development around COVID-19 led to the impairment of assets related to company UGO trade s.r.o. as of 31 December 2020. It didn't lead to impairments of Goodwill or trademarks with indefinite useful life. Impairment tests are sensitive mainly to changes of discount rates. No material impairment was identified as of 31 December 2021.

In 2021, the company UGO trade s.r.o. received a state compensation of losses generated in selected months of 2021 in the amount of CZK 45.8 million. The Group is able to continue in its business activity even without the state support, compensations however alleviate the adverse financial impacts on the Group.

Based on the above analysis and assumptions, including the severe but plausible scenarios, management concluded that the Group will have sufficient resources to continue its business for a period of at least 12 months from the reporting date. As a result, the Group used the going concern basis of accounting in preparing these financial statements.

4.29. SUBSEQUENT EVENTS

The Board of Directors of Kofola ČeskoSlovensko a.s. ("Kofola") resolved to implement the acquisition of own shares by Kofola on 7 March 2022. The sole purpose of the acquisition of own shares by Kofola 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 Kofola or of an associate company.

The conditions for the acquisition of own shares by Kofola:

a) the acquisition took place outside the regulated market, directly from the company RADENSKA d.o.o., a subsidiary company of Kofola;

b) maximum number of shares to be acquired amounted up to 22,615 shares of Kofola; and

c) the acquisition was settled on 8 March 2022 for the price equal to the closing price for which shares of Kofola were traded on the regulated market organized by the company Burza cenných papírů Praha, a.s. on the previous trading day, i.e. CZK 295 per individual share (total value of CZK 6,671 thousand). As such, the contract was concluded at market terms. The shares have nominal value of CZK 50 per individual share.

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.

12.4.2022	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**René Musila**	**Vice-Chair of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Daniel Buryš**	**Vice-Chair of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Martin Pisklák**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Martin Mateáš**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Marián Šefčovič**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*

SEPARATE FINANCIAL STATEMENTS 2021

KOFOLA ČESKOSLOVENSKO A.S.

1. SEPARATE FINANCIAL STATEMENTS

1.1. SEPARATE STATEMENT OF PROFIT OR LOSS

for the 12-month period ended 31 December 2021 and 31 December 2020 in CZK thousand.

Separate statement of profit or loss	Note	2021 CZK´000	2020 CZK´000
Revenue	4.2	443,133	431,231
Cost of sales	4.3	(31,540)	(35,570)
Gross profit		**411,593**	**395,661**
Selling, marketing and distribution costs	4.3	(167,623)	(155,506)
Administrative costs	4.3	(234,739)	(215,536)
Dividends	4.2	358,224	512,042
Other operating income	4.4	32,962	12,433
Other operating expenses	4.5	(15,760)	(27,658)
Impairment	4.10.1, 4.23.4	-	(272,333)
Operating profit/(loss)		**384,657**	**249,103**
Finance income	4.6	23,024	36,592
Finance costs	4.7	(134,018)	(99,202)
Profit/(loss) before income tax		**273,663**	**186,493**
Income tax (expense)/benefit	4.8	6,234	(5,433)
Profit/(loss) for the period		**279,897**	**181,060**
Earnings/(loss) per share (in CZK)			
Basic earnings/(loss) per share	4.9	12.56	8.12

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

1.2. SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

for the 12-month period ended 31 December 2021 and 31 December 2020 in CZK thousand.

Separate statement of other comprehensive income	Note	2021 CZK´000	2020 CZK´000
Profit/(loss) for the period	1.1	**279,897**	**181,060**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Derivatives - Cash flow hedges		96,772	(11,512)
Deferred tax from cash flow hedging	4.8	(18,387)	2,187
Other comprehensive income/(loss) for the period		**78,385**	**(9,325)**
Total comprehensive income/(loss) for the period	1.5	**358,282**	**171,735**

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

1.3. SEPARATE STATEMENT OF FINANCIAL POSITION

as at 31 December 2021 and 31 December 2020 in CZK thousand.

Assets	Note	31.12.2021 CZK´000	31.12.2020 CZK´000
Non-current assets		**4,124,606**	**4,915,703**
Property, plant and equipment	4.11	72,365	90,941
Goodwill	4.12	30,675	30,675
Intangible assets	4.12	280,746	302,687
Investments in subsidiaries	4.10	3,241,146	3,151,178
Other receivables	4.13	169,861	200,552
Loans provided to related parties	4.13, 4.23.4	329,813	1,139,670
Current assets		**969,140**	**792,639**
Inventories		4	4
Trade and other receivables	4.13	558,602	698,711
Loans provided to related parties	4.13, 4.23.4	397,120	18,305
Income tax receivables		784	779
Cash and cash equivalents	4.14	12,630	74,840
Total assets		**5,093,746**	**5,708,342**

Liabilities and equity	Note	31.12.2021 CZK´000	31.12.2020 CZK´000
Total equity	1.5	**1,579,352**	**1,511,484**
Share capital	1.5	1,114,597	1,114,597
Other reserves	1.5	109,941	21,158
Own shares	1.5	-	(2)
Retained earnings/(Accumulated deficit)	1.5	354,814	375,731
Non-current liabilities		**2,837,744**	**3,373,376**
Bank credits and loans	4.17, 4.24	2,783,697	3,250,667
Lease liabilities	4.20, 4.24	16,406	26,746
Provisions	4.16	2,400	-
Other liabilities	4.18	1,614	74,489
Deferred tax liabilities	4.8	33,627	21,474
Current liabilities		**676,650**	**823,482**
Bank credits and loans	4.17, 4.24	539,971	677,269
Lease liabilities	4.20, 4.24	15,196	15,844
Provisions	4.16	49,859	30,514
Trade and other payables	4.18	71,624	99,855
Total liabilities		**3,514,394**	**4,196,858**
Total liabilities and equity		**5,093,746**	**5,708,342**

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

1.4. SEPARATE STATEMENT OF CASH FLOWS

for the 12-month period ended 31 December 2021 and 31 December 2020 in CZK thousand.

Separate statement of cash flows	Note	2021 CZK´000	2020 CZK´000
Cash flows from operating activities			
Profit/(loss) before income tax	1.1	273,663	186,493
Adjustments for:			
Non-cash movements			
Depreciation and amortisation	4.3	51,974	57,610
Net interest	4.6, 4.7	58,475	62,981
Dividends	4.2	(358,224)	(512,042)
Change in the balance of provisions and other adjustments		(1,390)	7,201
Impairment of subsidiary	4.10.1	-	238,453
Derivatives	4.6, 4.7	6,542	4,105
Realised (gain)/loss on sale of Property, plant and equipment and Intangible assets	4.4, 4.5	(1,567)	(1,445)
Net exchange differences		36,606	(9,074)
Gain on the continuing liquidation process of the subsidiary	4.4	-	(7,376)
Other		15,700	(975)
Cash movements			
Income tax		-	-
Change in operating assets and liabilities			
Change in receivables		(93,535)	(7,033)
Change in inventories		-	85
Change in payables		(23,308)	11,916
Net cash inflow/(outflow) from operating activities		**(35,064)**	**30,899**
Cash flows from investing activities			
Sale of Property, plant and equipment		1,621	1,909
Acquisition of Property, plant and equipment and Intangible assets		(3,804)	(19,901)
Proceeds from sale of subsidiary		-	138,493
Acquisition of subsidiaries	4.26	-	(1,108,824)
Dividends and interest received		567,992	544,873
Proceeds from repaid loans		493,859	150,500
Loans granted		(90,662)	(302,558)
Bonds sold		21,047	7,000
Purchase of bonds from previous owner of acquired subsidiary	4.13	-	(103,800)
Payments of acquired subsidiary's liabilities to former owners		-	(6,942)
Cash receipts from subsidiary in the continuing liquidation process		-	162,074
Net cash inflow/(outflow) from investing activities		**990,053**	**(537,176)**
Cash flows from financing activities			
Lease payments	4.24	(16,095)	(16,411)
Proceeds from loans and bank credits	4.24	-	1,293,182
Repayment of loans and bank credits	4.24	(607,702)	(356,787)
Dividends paid to the shareholders of the Company	4.15.4	(300,544)	(287,822)
Interest paid		(77,850)	(86,812)
Derivatives		(6,542)	(4,105)
Purchase of own shares		(7,456)	(4,410)
Transaction costs connected with loan financing		-	(4,948)
Dividends not drawn		928	-
Other		(1,938)	(1,847)
Net cash inflow/(outflow) from financing activities		**(1,017,199)**	**530,040**
Net increase/(decrease) in cash and cash equivalents		(62,210)	23,763
Cash and cash equivalents at the beginning of the period	1.3	**74,840**	**51,077**
Cash and cash equivalents at the end of the period	1.3	**12,630**	**74,840**

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

1.5. SEPARATE STATEMENT OF CHANGES IN EQUITY

for the 12-month period ended 31 December 2021 and 31 December 2020 in CZK thousand.

Separate statement of changes in equity	Note	Share capital	Other reserves	Own shares	Retained earnings/ (Accumulated deficit)	Total equity
		CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Balance as at 1 January 2020		**1,114,597**	**34,573**	**-**	**495,521**	**1,644,691**
Profit/(loss) for the period	1.1	-	-	-	181,060	**181,060**
Other comprehensive income/(loss)	1.2	-	(9,325)	-	-	**(9,325)**
Total comprehensive income/(loss) for the period		**-**	**(9,325)**	**-**	**181,060**	**171,735**
Dividends	4.15.4	-	-	-	(300,941)	**(300,941)**
Option scheme		-	317	-	-	**317**
Own shares purchase		-	-	(4,410)	-	**(4,410)**
Shares transfer to option scheme participants		-	(4,408)	4,408	-	**-**
Transactions with owners in their capacity as owners		**-**	**(4,091)**	**(2)**	**(300,941)**	**(305,034)**
Uncollected dividends		-	-	-	92	**92**
Rounding		-	1	-	(1)	**-**
Balance as at 31 December 2020		**1,114,597**	**21,158**	**(2)**	**375,731**	**1,511,484**
Balance as at 1 January 2021		**1,114,597**	**21,158**	**(2)**	**375,731**	**1,511,484**
Profit/(loss) for the period	1.1	-	-	-	279,897	**279,897**
Other comprehensive income/(loss)	1.2	-	78,385	-	-	**78,385**
Total comprehensive income/(loss) for the period		**-**	**78,385**	**-**	**279,897**	**358,282**
Dividends	4.15.4	-	-	-	(300,941)	**(300,941)**
Option scheme		-	17,857	-	-	**17,857**
Own shares purchase	4.15.3	-	-	(7,456)	-	**(7,456)**
Shares transfer to option scheme participants	4.15.3	-	(7,459)	7,459	-	**-**
Transactions with owners in their capacity as owners		**-**	**10,398**	**3**	**(300,941)**	**(290,540)**
Uncollected dividends		-	-	-	128	**128**
Rounding		-	-	(1)	(1)	**(2)**
Balance as at 31 December 2021		**1,114,597**	**109,941**	**-**	**354,814**	**1,579,352**

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

DIVIDEND DISTRIBUTION

The General Meeting held on 29 November 2021 has approved a distribution of dividends in the amount of CZK 13.5 per share, i.e. CZK 300,941 thousand.

The General Meeting held outside of the meeting during 2 – 18 November 2020 has approved a distribution of dividends in the amount of CZK 13.5 per share, i.e. CZK 300,941 thousand.

2. GENERAL INFORMATION

2.1. CORPORATE INFORMATION

GENERAL INFORMATION

Kofola ČeskoSlovensko a.s. ("the Company") is a joint-stock company registered on 12 September 2012. Its registered office is Nad Porubkou 2278/31a, Ostrava, 708 00, Czech Republic and the identification number is 24261980. The Company is recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735. The Company´s websites are 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 2021 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 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 4.23.1.

STOCK EXCHANGE LISTING

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

MANAGEMENT

As at 31 December 2021, 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
- Martin Mateáš
- Marián Šefčovič

SUPERVISORY BOARD

- René Sommer – Chairman
- Tomáš Jendřejek
- Moshe Cohen-Nehemia
- Alexandros Samaras (since 28 June 2021)
- Ladislav Sekerka (since 28 June 2021)
- Petr Pravda (till 28 June 2021)

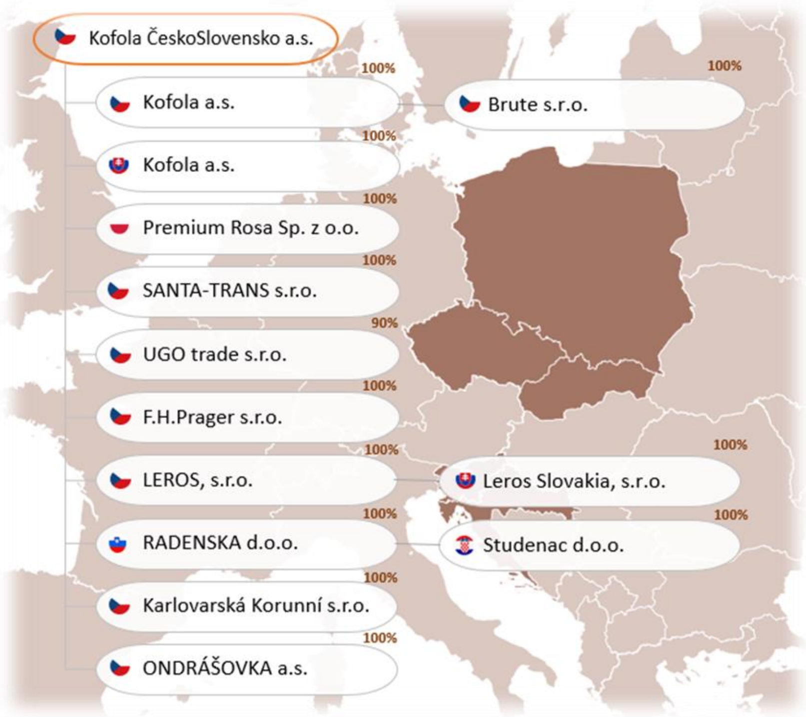
AUDIT COMMITTEE

- Petr Šobotník – Chairman
- Zuzana Prokopcová
- Lenka Frostová

2. GENERAL INFORMATION

2.2. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2021



DESCRIPTION OF THE GROUP COMPANIES

Name of entity	Place of business	Segment	Principal activities	Ownership interest and voting rights 31.12.2021	31.12.2020
Holding companies					
Kofola ČeskoSlovensko a.s.	Czech Republic	CzechoSlovakia	top holding company		
Alofok Ltd***	Cyprus	n/a	liquidated	n/a	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%
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%
F.H.Prager s.r.o.	Czech Republic	CzechoSlovakia	production and distribution of ciders	100.00%	100.00%
Minerálka s.r.o. - in liquidation*	Slovakia	CzechoSlovakia	liquidated	n/a	100.00%
ONDRÁŠOVKA a.s.	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Karlovarská Korunní s.r.o.	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Brute s.r.o.**	Czech Republic	CzechoSlovakia	marketing activities	100.00%	n/a
Transportation					
SANTA-TRANS s.r.o.	Czech Republic	CzechoSlovakia	road cargo transport	100.00%	100.00%

* Liquidated on 2 April 2021. ** Acquired on 17 June 2021. Since January 2022 renamed to Semtex Republic s.r.o. *** Liquidated on 3 December 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

BASIS OF PREPARATION

The separate financial statements have been prepared in accordance with the laws binding in the Czech Republic and with International Financial Reporting Standards ("IFRS"), as well as the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") adopted by the European Union, published and effective for reporting periods beginning 1 January 2021.

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

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

The separate financial statements cover the year ended 31 December 2021 and contain comparatives for the year ended 31 December 2020.

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

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

3.2. FUNCTIONAL AND PRESENTATION CURRENCY

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

3.3. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

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

- operating income and expense – for trading operations,
- finance income and costs – for financial operations.

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

Foreign exchange gains and losses recognized in profit or loss are offset.

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

Closing exchange rates	31.12.2021	31.12.2020
CZK/EUR	24.860	26.245
CZK/PLN	5.408	5.755
CZK/HRK	3.307	3.477

Average exchange rates	1.1.2021 - 31.12.2021	1.1.2020 - 31.12.2020
CZK/EUR	25.645	26.444
CZK/PLN	5.619	5.954
CZK/HRK	3.406	3.508

3.4. ACCOUNTING METHODS

3.4.1 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

Items of income and expense related to sold property, plant and equipment are offset.

DEPRECIATION

Items of property, plant and equipment, or their significant and separate components, are depreciated using the straight-line method to allocate their costs to their residual values over their economic useful lives. Land is not depreciated. The Company assumes the following economic useful lives for the following categories of non-current assets:

Asset category	Useful life
Buildings and constructions	20 – 40 years
Technical improvement on leased property	10 years in average
Plant and equipment	2 – 15 years
Vehicles	4 – 6 years

3.4.2 LEASES

Lease agreements that basically transfer to the Company as the lessee all of the risks and rewards of owning the subject of the lease are recognised in the statement of financial position at the commencement of the lease at the lower of the following two values: the fair value of the non-current asset constituting the subject of the lease or the present value of minimum lease payments. Financial costs are charged directly to the income statement.

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

Under the IFRS 16 standard, a right-of-use asset (right to use leased item) and a financial liability to pay rentals are recognised. IFRS 16 leads to a replacement of the straight-line operating lease expense with a depreciation charge (operating costs) for right-of-use asset and an interest expense (finance costs) on lease liabilities. Although the depreciation charge is typically even, the interest expense reduces over the life of the lease which leads into a reducing total expense as individual lease matures. IFRS 16 doesn't impact the amount of cash transferred between the lessor and lessee, it however has an impact on the presentation of the statement of cash flows. Cash outflows connected with the leases are presented under financing activities. The Company has decided to utilize the following practical expedients allowed by the IFRS 16 standard:

- Leases of low value assets (i.e. those with value lower than CZK 80 thousand) are not accounted under the IFRS 16 lease model.
- Leases with a lease term of 12 months or less that do not contain a purchase option (i.e. short-term leases) are not accounted under the IFRS 16 lease model.
- Leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 (leases without extension option or with an option which is not to be used) are not accounted under the IFRS 16 lease model.
- A single discount rate is applied to a portfolio of leases with reasonably similar characteristics.

The Company's activities as a lessor are not material and hence there isn't any material impact on the separate financial statements.

THE COMPANY'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Company leases mainly the head office administrative building and vehicles. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use asset is measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

If rate implicit in the lease couldn't be determined for the purpose of measurement of lease liability, the Company applies relevant incremental borrowing rate. The determined lease terms are based on contracts and reflect the management's intentions to prolong existing contracts according to relevant contract clauses. This is however not considered as a significant judgement or assumption because the decisions made about utilization are based on management’s short-term and long-term business plans. The Company has included Right-of-use assets in its annual impairment considerations.

3.4.3 GOODWILL

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

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

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

3.4.4 INTANGIBLE ASSETS

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

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

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

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

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

3.4.5 INVESTMENTS IN SUBSIDIARIES

The Company accounts for investments in subsidiaries at cost.

3.4.6 RECOVERABLE VALUE OF NON-CURRENT ASSETS

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

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

3.4.7 FINANCIAL INSTRUMENTS

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

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

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

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

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

- loan payables,
- derivative instruments (swap contracts),
- trade payables,
- lease liabilities.

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

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

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

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

FINANCIAL ASSETS/LIABILITIES

Financial assets are initially recognised at fair value. Their initial valuation is increased by transaction costs, with the exception of financial assets stated at fair value through profit or loss. The transaction costs payable in case of a possible disposal of the asset are not deducted from subsequent measurement of financial assets. The asset is recognised in the balance sheet when the Company becomes a party to the agreement (contract), out of which the financial asset arises.

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

FINANCIAL ASSETS/LIABILITIES MEASURED AT AMORTIZED COSTS

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

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

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

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

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

Except for interest rate swaps for which the hedge accounting is applied, the Company doesn't have any other assets/liabilities measured at fair value through other comprehensive income.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

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

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

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

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

This category in general includes two groups of assets: financial assets held for trading and financial assets designated initially at fair value through profit or loss. A financial asset is included in the held for trading category if it was acquired in order to be sold in the near term, or if it is part of a portfolio in which a pattern or short-term trading exists, or if it is a derivative instrument with a positive fair value and not designated for hedges.

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

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

DERECOGNITION OF FINANCIAL ASSETS/LIABILITIES

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

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

OFFSETTING

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

3.4.8 TRADE AND OTHER RECEIVABLES

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

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

An impairment loss is recognised in profit or loss at the difference between an asset´s carrying amount and the present value of the estimated cash flows discounted at the asset´s original effective interest rate. For the measurement of loss allowance for financial assets refer to section 3.4.7.

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

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

3.4.9 CASH AND CASH EQUIVALENTS

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

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

3.4.10 EQUITY

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

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

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

Other elements of equity are: Other reserves and Retained earnings.

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

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

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

3.4.11 INTEREST-BEARING BANK CREDITS AND LOANS

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

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

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

3.4.12 TRADE LIABILITIES AND OTHER LIABILITIES

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

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

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

Non-financial current liabilities are measured at amounts due.

3.4.13 PROVISIONS

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

3.4.14 EMPLOYEE BENEFITS

SHARE BASED PAYMENTS

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

Equity-settled share-based payments granted by the Company to the employees of its subsidiaries are recognized in equity with a corresponding increase of the investments in the subsidiary.

3.4.15 PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

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

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

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

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

Recognition, measurement, presentation or disclosure of Company's revenue doesn't bear any significant judgements or assumptions. Company's transactions are rather clear.

PROVISION OF SERVICES

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

INTEREST

Interest income is recognised gradually using the effective interest method.

DIVIDENDS

Dividends are recognised once the shareholders' right to receive them is established.

3.4.16 GOVERNMENT GRANTS

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

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

3.4.17 INCOME TAX

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

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

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

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

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

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

3.4.18 EARNINGS PER SHARE

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

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).

3.5. NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

Several standards, amendments and interpretations apply for the first time in 2021, but do not have any material impact on the Company's financial statements.

3.6. SIGNIFICANT ESTIMATES AND KEY MANAGEMENT JUDGEMENTS

Since some of the information contained in the separate financial statements cannot be measured precisely, the Company´s management must perform estimates to prepare the separate financial statements. Management verifies the estimates based on changes in the factors considered at their calculation, new information or past experience. For this reason, the estimates made as at 31 December 2021 may be changed in the future. The main estimates pertain to the following matters:

Estimates	Type of information	Section
Impairment of goodwill and individual tangible and intangible assets	Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates.	4.12.1
Impairment of investments in subsidiaries	Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates.	4.10.1
Useful life of trademarks	The history of the trademark on the market, market position, useful life of similar products, the stability of the market segment, competition.	3.4.4, 4.12
Deferred tax asset from tax losses	Historical experience, current and forward-looking information available to the management.	4.8
Income tax	Assumptions used to recognise deferred income tax assets (other than Deferred tax asset from tax losses).	4.8

Valuation of Company's investments is highly dependent on subsidiaries' projected discount rates and business models which reflected also possible COVID-19 implications on their activities. For results of impairment testing refer to section 4.10.1.

3.7. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

3.8. APPROVAL OF SEPARATE FINANCIAL STATEMENTS

The Board of Directors approved the present separate financial statements for publication on 12 April 2022.

4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

4.1. SEGMENT INFORMATION

The Board of Directors of the Company, as the chief decision maker, does not use segment results of the Company, neither in the decision-making process nor in the allocation of resources and assessment of the performance.

4.2. REVENUE

Revenue streams, Timing of revenue recognition	2021 CZK´000	2020 CZK´000
Revenue from contracts with customers	**443,133**	**431,231**
- Sales of services (transferred over time)	443,133	431,231
Other revenue	**358,224**	**512,042**
- Dividend income (transferred at a point in time)	358,224	512,042
Total revenue	**801,357**	**943,273**

Revenue from contracts with customers is represented mostly by revenue from shared services and brand fees.

Loss allowances on receivables arising from contracts with customers are present in section 4.13.

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

4.3. EXPENSES BY NATURE

Expenses by nature	2021 CZK´000	2020 CZK´000
Depreciation of Property, plant and equipment and amortisation of Intangible assets	51,974	57,610
Employee benefits expenses (i)	254,568	219,497
Consumption of materials and energy	8,057	8,304
Services	113,830	112,565
Rental costs	1,722	1,606
Taxes and fees	1,088	1,031
Insurance costs	1,629	1,865
Change in allowance to receivables	-	3,677
Other costs	1,034	457
Total expenses by nature*	**433,902**	**406,612**
Cost of sales	31,540	35,570
Selling, marketing and distribution costs	167,623	155,506
Administrative costs	234,739	215,536
Total costs of products sold, merchandise and materials, sales costs and administrative costs	**433,902**	**406,612**

* Excluding Other operating expenses and Impairment.

Employee benefits expenses increased mainly due to higher headcount, employee bonuses and expenses related to the new option scheme plan.

(i) Employee benefits expenses

Employee benefits expenses	2021 CZK´000	2020 CZK´000
Salaries	190,620	165,457
Social security and other benefit costs (including healthcare insurance)	28,524	25,451
Pension benefit plan expenses	35,424	28,589
Total employee benefits expenses	**254,568**	**219,497**

4.4. OTHER OPERATING INCOME

Other operating income	2021 CZK´000	2020 CZK´000
Net gain from the sale of PPE and Intangible assets	1,567	1,445
Subsidies	485	645
Compensation claims	1,026	2,275
Penalties and damages	-	86
Tax return	120	159
Rent discounts*	170	170
Gain on the liquidation of the subsidiary	-	7,376
Liabilities write-off	5,671	-
Loss allowance write-back	23,134	-
Other	789	277
Total other operating income	**32,962**	**12,433**

* Further information in section 4.27 (COVID-19 and Ukraine crises).

In 2020, the Company has started a liquidation process of its subsidiary Alofok that has been finalized in 2021. The resulting gain represented a difference between the decrease of the carrying amount of investment to zero (CZK 155,000 thousand) and income from Alofok in 2020 (CZK 162,376 thousand). Loss allowance write-back represents the release of the loss allowance to loan receivable from Premium Rosa.

4.5. OTHER OPERATING EXPENSES

Other operating expenses	2021 CZK´000	2020 CZK´000
Provided donations, sponsorship	1,307	2,380
Advisory services	169	13,915
Restructuring costs*	-	9,257
Litigations	13,500	-
Other	784	2,106
Total other operating expenses	**15,760**	**27,658**

* mainly payroll expenses

4.6. FINANCE INCOME

Finance income	2021 CZK´000	2020 CZK´000
Interest from:		
– credits and loans granted	18,286	23,354
– purchased bonds	4,524	4,332
Exchange gains	-	8,541
Gain from guarantees	214	365
Total finance income	**23,024**	**36,592**

4.7. FINANCE COSTS

Finance costs	2021 CZK´000	2020 CZK´000
Interest from:		
– credits and loans granted	80,058	89,402
– lease	1,064	1,102
– other	163	163
Exchange losses	38,696	-
Bonds sold	3,642	-
Bank costs and charges	3,853	4,430
Derivatives	6,542	4,105
Total finance costs	**134,018**	**99,202**

FX losses arose from Company's EUR receivables.

4.8. INCOME TAX

4.8.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

Main income tax elements for the twelve-month period ended 31 December 2021 and 31 December 2020 were as follows:

Income tax	2021 CZK´000	2020 CZK´000
Current income tax expense	**-**	**1,060**
Other	-	1,060
Deferred income tax expense/(benefit)	**(6,234)**	**4,373**
Related to arising and reversing of temporary differences	(6,234)	4,373
Income tax expense/(benefit)	**(6,234)**	**5,433**

The income tax rate applicable to the Company in 2021 and 2020 income is 19%.

4.8.2 INCOME TAX RECOGNISED DIRECTLY IN EQUITY

Income tax elements for the twelve-month period ended 31 December 2021 and 31 December 2020 were as follows:

Income tax recognised directly in equity	2021 CZK´000	2020 CZK´000
Deferred income tax	**18,387**	**(2,187)**
Tax from Cash flow hedges	18,387	(2,187)
Income tax recognised directly in equity	**18,387**	**(2,187)**

4.8.3 EFFECTIVE TAX RECONCILIATION

Effective tax	2021 CZK´000	2020 CZK´000
Profit/(loss) before income tax	**273,663**	**186,493**
Tax at the rate of 19% valid in the Czech Republic	(51,996)	(35,434)
Tax effect of:		
Non-deductible expenses	(12,931)	(13,467)
Non-recognition of deferred tax assets	(1,434)	(3,484)
Non-taxable income*	72,595	98,695
Impairment	-	(51,743)
Income tax (expense)/benefit	**6,234**	**(5,433)**
Effective tax rate	**(2.3%)**	**2.9%**

* mostly from dividends

Deferred tax asset was not recognized on tax losses for which the utilisation in future periods is not probable according to the tax planning of the Company.

4.8.4 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities			31.12.2021
	Deferred tax assets CZK´000	Deferred tax liabilities CZK´000	Net amount CZK´000
Temporary differences attributable to:			
Property, plant and equipment and Intangible assets	-	(44,066)	(44,066)
Receivables	608	-	608
Tax losses	13,227	-	13,227
Provisions and payables	9,625	-	9,625
Deferred tax from Cash flow hedges	-	(17,489)	(17,489)
Other	4,468	-	4,468
Deferred tax assets/(liabilities)	**27,928**	**(61,555)**	**(33,627)**
Presentation offsetting	(27,928)	27,928	-
Deferred tax assets/(liabilities)	**-**	**(33,627)**	**(33,627)**

Based on management assessment and tax projections, the Company didn't recognize as of 31 December 2021 the deferred tax asset from tax losses of CZK 8,561 thousand (as 31 December 2020: CZK 20,691 thousand). Tax losses can be utilized up to 2026.

Deferred tax assets and liabilities			31.12.2020
	Deferred tax assets CZK´000	Deferred tax liabilities CZK´000	Net amount CZK´000
Temporary differences attributable to:			
Property, plant and equipment and Intangible assets	-	(45,696)	(45,696)
Receivables	608	-	608
Tax losses	13,227	-	13,227
Provisions and payables	5,983	-	5,983
Other	4,404	-	4,404
Deferred tax assets/(liabilities)	**24,222**	**(45,696)**	**(21,474)**
Presentation offsetting	(24,222)	24,222	-
Deferred tax assets/(liabilities)	**-**	**(21,474)**	**(21,474)**

4.9. EARNINGS PER SHARE

The basic earnings per share ratio is calculated by dividing the profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s. by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share ratio is calculated by dividing the profit/(loss) for the period attributable to ordinary shareholders (after deducting the interest on redeemable preferred shares convertible to ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted by the effect of diluting options and own shares not subject to dividends). The diluted earnings per share ratio is not applicable to the Company because it didn't issue any of above-mentioned financial instruments.

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

Weighted average number of ordinary shares	2021 pcs	2020 pcs
Weighted average number of ordinary shares for EPS calculation	22,291,948	22,291,948
Effect of own shares	(862)	(1,280)
Weighted average number of ordinary shares used to calculate basic earnings per share	**22,291,086**	**22,290,668**

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

Basic earnings per share	2021	2020
Profit/(loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s. (CZK´000)	279,897	181,060
Weighted average number of ordinary shares used to calculate basic earnings per share (pcs)	22,291,086	22,290,668
Basic earnings/(loss) per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK/share)	**12.56**	**8.12**

4.10. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries	Ownership interest		Cost		Carrying amount	
Name of entity	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	%	%	CZK´000	CZK´000	CZK´000	CZK´000
Kofola a.s. (CZ)	100.00	100.00	197,498	197,498	197,498	197,498
Kofola a.s. (SK)	100.00	100.00	51,023	51,023	51,023	51,023
SANTA-TRANS s.r.o.	100.00	100.00	8,760	8,760	8,760	8,760
UGO trade s.r.o.	90.00	90.00	498,362	424,362	259,909	185,909
RADENSKA d.o.o.	100.00	100.00	1,324,280	1,324,280	1,324,280	1,324,280
Premium Rosa Sp. z o.o.	100.00	100.00	68,160	68,160	68,160	68,160
LEROS, s.r.o.	100.00	100.00	199,040	199,040	199,040	199,040
Alofok Ltd	n/a	100.00	-	354,450	-	-
ONDRÁŠOVKA a.s.	100.00	100.00	900,000	900,000	900,000	900,000
Karlovarská Korunní s.r.o.	100.00	100.00	205,824	205,824	205,824	205,824
F.H.Prager s.r.o.	100.00	100.00	13,000	3,000	13,000	3,000
Option scheme (Kofola a.s. (SK), RADENSKA d.o.o., LEROS, s.r.o., SANTA-TRANS s.r.o., UGO trade s.r.o.)	n/a	n/a	13,652	7,684	13,652	7,684
Total investments in subsidiaries			**3,479,599**	**3,744,081**	**3,241,146**	**3,151,178**

In 2021, the investment in UGO trade s.r.o. was increased through in-kind contribution by CZK 74,000 thousand and the investment in F.H.Prager s.r.o. was increased through in-kind contribution by CZK 10,000 thousand.

In 2020, the investment in UGO trade s.r.o. was increased through in-kind contribution by CZK 115,000 thousand and decreased by the impairment charge described in the section 4.10.1.

There was a decrease of Carrying amount of investment in Alofok in 2020 (due to started process of liquidation of this subsidiary that was finalized on 3 December 2021) by CZK 155,000 thousand which was compensated by the income in the total amount of CZK 162,376 thousand. As such, the Company realized the gain of CZK 7,376 thousand (Note 4.4).

Acquisitions of subsidiaries are described in section 4.26.

4.10.1 IMPAIRMENT TESTING

Investments in subsidiaries were subject of impairment testing. Value in use method is utilized for the determination of the recoverable amount.

In 2021, there wasn't identified any impairment.

In 2021, the management identified impairment indicators in case of subsidiaries UGO trade s.r.o. and Premium Rosa Sp. z o.o. However, results of the subsidiaries tested for impairment were expected to return to profitability in the projected explicit period (next 5 years) and the total recoverable amount determined as value in use as of 31 December 2021 exceeded the carrying amount of investments.

The assumptions of the impairment test models of the investments in UGO trade s.r.o. and Premium Rosa Sp. z o.o. in 2021 were as follows:

- WACC: UGO trade s.r.o. - 6.8%, Premium Rosa Sp. z o.o. - 7.0%,
- Perpetuity growth rate: UGO trade s.r.o. - 2.0%, Premium Rosa Sp. z o.o. - 2.0%,
- Average EBITDA margin for 2022-2026: UGO trade s.r.o. - 5.5%, Premium Rosa Sp. z o.o. - 6.8%.

The impairment test for UGO trade s.r.o. based on above mentioned assumptions resulted in no impairment charge in 2021. Sensitivity analysis was performed - WACC increased by 0.8 ppt, average EBITDA lower by 0.7 ppt, both lead to a situation when the recoverable amount is equal to the carrying amount. When calculated the sensitivity analysis, only 1 parameter is changed.

The impairment test for Premium Rosa Sp. z o.o. based on above mentioned assumptions resulted in no impairment charge in 2021. Sensitivity analysis was performed - WACC increased by 1.7 ppt, average EBITDA lower by 1.7 ppt, both lead to a situation when the recoverable amount is equal to the carrying amount. When calculated the sensitivity analysis, only 1 parameter is changed.

The revenues of tested subsidiaries are expected to return to pre-COVID times in mid 2023.

In 2020, the Company recognized an impairment to its investment in UGO trade s.r.o. in the amount of CZK 238,453 thousand. The reason for the impairment was mainly significant adverse development due to COVID-19 crisis. The management also identified impairment indicators in case of subsidiary Premium Rosa Sp. z o.o. However, results of the subsidiary tested for impairment were expected to return to profitability in the projected explicit period (next 5 years) and the total recoverable amount determined as value in use as of 31 December 2020 exceeded the carrying amount of investment.

The assumptions of the impairment test models of the investments in UGO trade s.r.o. and Premium Rosa Sp. z o.o. in 2020 were as follows:

- WACC: UGO trade s.r.o. - 6.3%, Premium Rosa Sp. z o.o. - 6.8%,
- Perpetuity growth rate: UGO trade s.r.o. - 2.0%, Premium Rosa Sp. z o.o. - 2.0%,
- Average EBITDA margin for 2021-2025: UGO trade s.r.o. - 7.2%, Premium Rosa Sp. z o.o. - 6.0%.

The impairment test for Premium Rosa Sp. z o.o. based on above mentioned assumptions resulted in no impairment charge in 2020. Sensitivity analysis was performed - WACC increased by 0.3 ppt, average EBITDA lower by 0.3 ppt, both lead to a situation when the recoverable amount is equal to the carrying amount. When calculated the sensitivity analysis, only 1 parameter is changed.

4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

4.11. PROPERTY, PLANT AND EQUIPMENT

Tables below summarize Property, plant and equipment movements in the current and comparative period.

The most significant additions in the current period were purchases of cars.

Movements in Property, plant and equipment	Land	Buildings and constructions	Plant and equipment	Vehicles	Leasehold improvement	Non-current assets under construction, Prepayments	Total
2021	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Cost – opening	**4,957**	**32,138**	**58,605**	**71,723**	**5,672**	**20,044**	**193,139**
Additions	-	-	1,851	19	61	500	2,431
Transfers from non-current assets under construction	-	-	652	-	-	(652)	-
Lease additions	-	714	-	6,914	-	-	7,628
Sale	-	-	(167)	(5,731)	-	-	(5,898)
Disposal	-	-	(534)	(3,081)	-	-	(3,615)
Cost – closing	**4,957**	**32,852**	**60,407**	**69,844**	**5,733**	**19,892**	**193,685**
Accumulated depreciation – opening	**-**	**(15,329)**	**(34,646)**	**(47,600)**	**(4,623)**	**-**	**(102,198)**
Depreciation charge	-	(7,825)	(9,038)	(8,899)	(295)	-	(26,057)
Sale	-	-	115	5,725	-	-	5,840
Disposal	-	-	534	3,081	-	-	3,615
Other movements	-	-	-	(2,520)	-	-	(2,520)
Accumulated depreciation – closing	**-**	**(23,154)**	**(43,035)**	**(50,213)**	**(4,918)**	**-**	**(121,320)**
Net book value – opening	**4,957**	**16,809**	**23,959**	**24,123**	**1,049**	**20,044**	**90,941**
Net book value – closing	**4,957**	**9,698**	**17,372**	**19,631**	**815**	**19,892**	**72,365**

The most significant additions in 2020 were lease capitalization, purchases of cars and server hardware.

Movements in Property, plant and equipment	Land	Buildings and constructions	Plant and equipment	Vehicles	Leasehold improvement	Non-current assets under construction, Prepayments	Total
2020	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Cost – opening	**4,957**	**24,273**	**59,338**	**77,103**	**5,672**	**19,664**	**191,007**
Additions	-	-	4,652	9	-	1,476	6,137
Transfers from non-current assets under construction	-	-	1,096	-	-	(1,096)	-
Lease additions	-	7,865	-	5,764	-	-	13,629
Sale	-	-	(915)	(8,005)	-	-	(8,920)
Disposal	-	-	(5,566)	(3,148)	-	-	(8,714)
Cost – closing	**4,957**	**32,138**	**58,605**	**71,723**	**5,672**	**20,044**	**193,139**
Accumulated depreciation – opening	**-**	**(7,673)**	**(31,208)**	**(45,599)**	**(4,208)**	**-**	**(88,688)**
Depreciation charge	-	(7,656)	(9,631)	(11,183)	(415)	-	(28,885)
Sale	-	-	723	7,771	-	-	8,494
Disposal	-	-	5,470	1,411	-	-	6,881
Accumulated depreciation – closing	**-**	**(15,329)**	**(34,646)**	**(47,600)**	**(4,623)**	**-**	**(102,198)**
Net book value – opening	**4,957**	**16,600**	**28,130**	**31,504**	**1,464**	**19,664**	**102,319**
Net book value – closing	**4,957**	**16,809**	**23,959**	**24,123**	**1,049**	**20,044**	**90,941**

4.12. INTANGIBLE ASSETS

Tables below summarize Intangible assets movements in the current and comparative period.

The most significant addition was technical enhancement of SAP software.

Movements in Intangible assets (IA) 2021	Goodwill	Software	Trademarks and other rights	IA under development	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Cost – opening	**30,675**	**169,453**	**396,055**	**109**	**596,292**
Additions	-	3,117	382	477	3,976
Transfer from IA under development	-	-	81	(81)	-
Cost – closing	**30,675**	**172,570**	**396,518**	**505**	**600,268**
Accumulated amortisation – opening	**-**	**(149,106)**	**(113,824)**	**-**	**(262,930)**
Amortisation charge	-	(8,719)	(17,198)	-	**(25,917)**
Accumulated amortisation – closing	**-**	**(157,825)**	**(131,022)**	**-**	**(288,847)**
Net book value – opening	**30,675**	**20,347**	**282,231**	**109**	**333,362**
Net book value – closing	**30,675**	**14,745**	**265,496**	**505**	**311,421**
Of which:					
Goodwill					30,675
Intangible assets					280,746

The Goodwill arose on merger with PINELLI spol. s r.o. acquired in April 2011. Amortisation of trademarks and other rights is charged to Selling, marketing and distribution costs.

The value of trademarks includes, among others, the value of such trademarks as: Kofola, Citrocola, Semtex energy drink and Erektus.

In 2020, the most significant addition was technical enhancement of SAP software.

Movements in Intangible assets (IA) 2020	Goodwill	Software	Trademarks and other rights	IA under development	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Cost – opening	**30,675**	**163,458**	**395,813**	**2,505**	**592,451**
Additions	-	5,779	215	81	6,075
Transfer from IA under development	-	1,855	27	(1,882)	-
Disposal	-	(1,639)	-	(595)	(2,234)
Cost – closing	**30,675**	**169,453**	**396,055**	**109**	**596,292**
Accumulated amortisation – opening	**-**	**(139,180)**	**(96,664)**	**-**	**(235,844)**
Amortisation charge	-	(11,565)	(17,160)	-	(28,725)
Disposal	-	1,639	-	-	1,639
Accumulated amortisation – closing	**-**	**(149,106)**	**(113,824)**	**-**	**(262,930)**
Net book value – opening	**30,675**	**24,278**	**299,149**	**2,505**	**356,607**
Net book value – closing	**30,675**	**20,347**	**282,231**	**109**	**333,362**
Of which:					
Goodwill					30,675
Intangible assets					302,687

4.12.1 IMPAIRMENT TESTING

In impairment testing of trademarks, management of the Company has decided to use value in use method. For the purpose of market valuation, the trademark royalty's method was used. Due to the fact that management is not aware of comparable market transactions, the calculation of value in use for trademarks is based on discounted free cash flows and uses the estimated cash-flow projections based on financial plans approved by management of the Company on the basis of plans drawn up by management of the Company for the period until 2027.

Main assumptions used in financial plans and cash-flow projections:

TRADEMARKS

THE MAIN TRADEMARK WITH INDEFINITE USEFUL LIFE

Kofola	2021	2020
Royalty rate	6.0%	6.0%
Average revenue growth rate*	2.4%	2.3%
Perpetuity growth rate	2.0%	2.0%
Discount rate post-tax	7.5%	7.1%

* Growth rate used for the purpose of the impairment testing from 2023 till the end of the explicit period.

CARRYING VALUE OF ALL TRADEMARKS

	CZK´000
31 December 2021	264,887
31 December 2020	282,018

Company's trademarks generate historically positive results and are expected to continue in this trend also in future periods.

SENSITIVITY ANALYSIS

Management believes that, in relation to value in use for Company's trademarks which are tested for impairments, no rational change in the above-adopted assumptions would result in their recoverable amounts being lower than their carrying amounts.

4.13. TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables	31.12.2021		31.12.2020	
	Current	Non-current	Current	Non-current
	CZK´000	CZK´000	CZK´000	CZK´000
Financial assets within Trade and other receivables				
Trade receivables	147,337	-	89,848	-
Loss allowance for trade receivables	(800)	-	(800)	-
Loans provided to related parties	407,866	329,813	18,305	1,173,550
Loss allowance for loans provided to related parties	(10,746)	-	-	(33,880)
Dividends receivable	345,867	-	559,917	-
Bonds	251	98,706*	251	125,597**
Government grant	-	-	459	70,938
Derivatives	32,590	59,456	-	3,817
Other financial receivables	32,873	12,296	48,156	797
Loss allowance for other financial receivables	(2,400)	(597)	(2,400)	(597)
Total	**952,838**	**499,674**	**713,736**	**1,340,222**
Non-financial assets within Trade and other receivables				
VAT receivable	-	-	383	-
Deferred expenses	1,567	-	1,683	-
Prepayments	1,317	-	1,214	-
Total	**2,884**	**-**	**3,280**	**-**
Trade and other receivables total	**955,722**	**499,674**	**717,016**	**1,340,222**

* Measured at amortized costs, repayable in December 2027. ** Measured at amortized costs, repayable in December 2024 and December 2027.

Changes in Loans provided to related parties result from repayments and reclassifications to short term as for some of the loans the repayment date is at the end of 2022. Derivatives receivable increased due to significant increase of interest rates determined by the Czech National Bank (precaution focused to return the inflation to the targeted range). Bonds were sold in 2021. Government grant receivable decreased due to the management decision not to utilize the entitlement from the government grant in relation to new administrative premises. However, the management still plans to continue with the project.

In 2020, the amount of bonds increased mainly as a result of purchase of the bonds issued by the newly acquired subsidiary Karlovarská Korunní (CZK 103,800 thousand). Bonds were purchased from the previous owner of this subsidiary.

Loss allowance for financial assets within trade and other receivables	2021	2020
	CZK´000	CZK´000
As at 1 January	**37,677**	**6,856**
(Recovery)/Increase of the loss allowance	(23,134)	30,821
As at 31 December	**14,543**	**37,677**

Decrease of the loss allowance is represented by the decrease of the loss allowance for the loan provided to Premium Rosa of CZK 23,134 thousand (in 2020 write-down: CZK 33,880 thousand).

Further information on transactions with related parties is presented in section 4.23.

Trade receivables are not interest bearing and are usually payable within 30-60 days of recognition.

The risks associated with trade and other receivables, as well as the Company's policy relating to managing such risks, are described in section 4.21.

Information on liens established on receivables to secure credits and loans is presented in section 4.17.

4.14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	31.12.2021	31.12.2020
	CZK´000	CZK´000
Cash in bank and in hand	12,630	74,840
Total cash and cash equivalents	**12,630**	**74,840**

Free funds are held at bank and invested in the form of term and overnight deposits, primarily with variable interest rates.

Split by currency	31.12.2021	31.12.2020
	CZK´000	CZK´000
in CZK	5,586	21,957
in PLN	2,417	2,383
in EUR	4,627	50,500
Total cash and cash equivalents	**12,630**	**74,840**

4.15. EQUITY

4.15.1 SHARE CAPITAL AND SHARE PREMIUM

SHARE CAPITAL STRUCTURE

Share capital structure	31.12.2021		31.12.2020	
Type of shares	Shares	Par value	Shares	Par value
	pcs	CZK´000	pcs	CZK´000
Ordinary shares of Kofola ČeskoSlovensko a.s.	22,291,948	1,114,597	22,291,948	1,114,597
Total	**22,291,948**	**1,114,597**	**22,291,948**	**1,114,597**

Ordinary shares of Kofola ČeskoSlovensko a.s. have as at 31 December 2021 a par value of CZK 50 (as of 31 December 2020 value of CZK 50). Each share in the Company ranks pari passu in all respects with all other shares. The same rights are incorporated into all the Company's shares including the right to attend the General Meeting, to require and receive explanations of matters concerning the Company that are part of the agenda of the General Meeting, to submit proposals and counterproposals, and to receive a dividend and share in the liquidation surplus. In compliance with the relevant legal provisions, the voting rights attached to the shares owned by the Company and by RADENSKA d.o.o. cannot be exercised.

All of the issued shares have been fully paid up.

4.15.2 OTHER RESERVES

Other reserves are created based on statutory requirements (in accordance with binding legal regulations) or voluntarily (in accordance with the entity’s by-laws) using funds from decreased share capital, generated profits and contributions made by the shareholders. It is used to cover losses, refund capital contributions, and redeem shares. Other reserves also contain balances accounted based on IFRS requirements (e.g. option scheme).

Other reserves contain balances related to:

- option scheme programme, and
- valuation of the interest rate swaps (hedge accounting).

4.15.3 OWN SHARES

The Company didn’t have any own shares as of 31 December 2021. The Company owned 11 pcs of own shares as of 31 December 2020.

COURSE OF PURCHASE OF OWN SHARES IN 2021

The Board of Directors of the Company resolved to implement the acquisition of own shares by the Company on 19 February 2021.

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.

The conditions for the executed acquisition of own shares by the Company:

a) the acquisition took place outside the regulated market, directly from the company RADENSKA d.o.o., a subsidiary company of the Company;

b) number of shares that were acquired amounted to 29,126 shares of the Company which represented 0.13% of the Company´s share capital; and

c) the acquisition was settled on 5 March 2021 for the price equal to the closing price for which shares of the Company were traded on the regulated market organized by the company Burza cenných papírů Praha, a.s. on the previous trading day, i.e. CZK 256 per individual share (total value of CZK 7,456 thousand). As such, the contract was concluded at market terms. The shares have nominal value of CZK 50 per individual share.

Shares have been transferred to option scheme participants in March 2021.

COURSE OF PURCHASE OF OWN SHARES IN 2020

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 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.

4.15.4 DIVIDENDS

Dividends	2021 CZK´000	2020 CZK´000
Dividends*	300,941	300,941
Dividend per share (CZK/share)**	13.5	13.5

* Net of dividends to own shares.
** Dividend divided by the number of shares outstanding as of dividend record date.

4.16. PROVISIONS

Movements in provisions	Litigations	Provision for personnel expenses (bonuses)	Other provisions	Total
	CZK´000	CZK´000	CZK´000	CZK´000
Balance as at 1 January 2021	**-**	**30,514**	**-**	**30,514**
Increase due to creation	13,500	36,359	2,400	52,259
Decrease due to usage/release	-	(30,514)	-	(30,514)
Balance as at 31 December 2021	**13,500**	**36,359**	**2,400**	**52,259**
Of which:				
Current part	13,500	36,359	-	49,859
Non-current part	-	-	2,400	2,400
Balance as at 31 December 2021	**13,500**	**36,359**	**2,400**	**52,259**

4.17. BANK CREDITS AND LOANS

INDEBTEDNESS OF THE COMPANY FROM THE CREDITS AND LOANS

As at 31 December 2021, the Company's total bank loans and credits amounted to CZK 3,323,668 thousand (as at 31 December 2020: CZK 3,927,936 thousand). Decrease of the balance is attributable mostly to the regular loan repayment. From the total balance of Repayment of loans and bank credits presented within the Separate statement of cash flows (Note 1.4), amount of CZK 137,916 thousand (2020: CZK 130,516 thousand) represents the decrease of Company'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 3,251,409 thousand as at 31 December 2021 (as at 31 December 2020: CZK 3,717,761 thousand) was a main component of Company´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 Company 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 Company is required to meet specified covenants. In accordance with the requirements of IAS 1, a breach of credit terms that may potentially limit unconditional access to credits in the nearest year makes it necessary to classify such liabilities as current.

As of 31 December 2021, the Company obtained a bank waiver for the breach of Debt service coverage ratio covenant (mainly due to COVID-19 related losses).

As of 31 December 2020, the Company obtained a bank waiver for the breach of Debt service coverage ratio covenant (mainly due to COVID-19 related losses).

All other bank loan covenants were met in 2021 and 2020.

Financing entity 31.12.2021	Credit currency	Credit/limit amount FCY´000	Face value CZK´000	Carrying amount* CZK´000	Interest terms	Maturity date	Collateral
ČSOB, a.s. + Česká spořitelna, a.s.**	CZK	500,000	72,259	72,259	1M PRIBOR + margin	8/2022	buildings, receivables, movable assets, shares, bill of exchange, inventory
ČSOB, a.s. + Česká spořitelna, a.s.	CZK	4,769,559	3,259,237	3,251,409	3M PRIBOR*** + margin	2/2025, 8/2026, 2/2027	buildings, receivables, movable assets, shares, bill of exchange, inventory
Total			**3,331,496**	**3,323,668**			
Out of it non-current				2,783,697			
Out of it current				539,971			

* Carrying amount of borrowings on variable interest rate approximates fair value.
** Administration by Česká spořitelna, a.s. There is a shared limit of CZK 500,000 thousand for Kofola a.s. (CZ), Kofola a.s. (SK) and Kofola ČeskoSlovensko a.s. which can be drawn in CZK and EUR.
*** For part of the face value the interest rate swap was concluded (refer to section 4.21.1).

Financing entity 31.12.2020	Credit currency	Credit/limit amount FCY´000	Face value CZK´000	Carrying amount* CZK´000	Interest terms	Maturity date	Collateral
ČSOB, a.s. + Česká spořitelna, a.s.**	CZK	500,000	210,175	210,175	1M PRIBOR + margin	8/2022	buildings, receivables, movable assets, shares, bill of exchange, inventory
ČSOB, a.s. + Česká spořitelna, a.s.	CZK	4,769,559	3,729,023	3,717,761	3M PRIBOR*** + margin	2/2025, 8/2026, 2/2027	buildings, receivables, movable assets, shares, bill of exchange, inventory
Total			**3,939,198**	**3,927,936**			
Out of it non-current				3,250,667			
Out of it current				677,269			

* Carrying amount of borrowings on variable interest rate approximates fair value.
** Administration by Česká spořitelna, a.s. There is a shared limit of CZK 500,000 thousand for Kofola a.s. (CZ), Kofola a.s. (SK) and Kofola ČeskoSlovensko a.s. which can be drawn in CZK and EUR.
*** For part of the face value the interest rate swap was concluded (refer to section 4.21.1).

Undrawn credit lines as of 31 December 2021 amounted to CZK 335,684 thousand (as of 31 December 2020: CZK 289,825 thousand).

PLEDGES OF THE COMPANY

Pledges of the Company	31.12.2021		31.12.2020	
	Cost CZK´000	Net book value CZK´000	Cost CZK´000	Net book value CZK´000
Investments in subsidiaries*	3,691,753	3,230,301	3,474,014	3,082,892
Cash in bank	11,506	11,506	74,818	74,818
Total	**3,703,259**	**3,241,807**	**3,548,832**	**3,157,710**

* including Studenac (the financial investment of RADENSKA)

4.18. TRADE AND OTHER PAYABLES

Trade and other payables Other liabilities	31.12.2021		31.12.2020	
	Current CZK´000	Non-current CZK´000	Current CZK´000	Non-current CZK´000
Financial liabilities within Trade payables and Other liabilities				
Trade payables	32,239	-	56,011	-
- of that accrued expenses	*3,604*	*-*	*7,875*	*-*
Liabilities for purchased PPE and Intangible assets	5,438	-	2,307	-
Derivatives (i)	-	-	8,543	-
Other financial liabilities	2,932	1,614	2,143	3,551
Total	**40,609**	**1,614**	**69,004**	**3,551**
Non-financial liabilities within Trade and other payables				
VAT	120	-	-	-
Payables to employees	10,689	-	9,662	-
Government grant	-	-	-	70,938
Other non-financial liabilities	20,206	-	21,189	-
Total	**31,015**	**-**	**30,851**	**70,938**
Trade and other payables and Other liabilities total	**71,624**	**1,614**	**99,855**	**74,489**

Government grant payable decreased due to the management decision not to utilize the entitlement from the government grant in relation to new administrative premises. However, the management still plans to continue with the project.

Trade payables are not interest bearing and are usually paid within 30-90 days of recognition.

Other payables are not interest bearing and are payable on average within 1 month.

(i) Derivatives

In 2020 and 2018, the Company concluded an IRS contract and established a hedge accounting. Revaluation of derivatives in relation to the effective portion of the hedging relationship is accounted through OCI (refer to section 3.4 for more details).

4.19. FUTURE COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2021 the Company provided the following guarantees for other entities:

Entity providing guarantees	Entity receiving guarantees	Currency (CY)	Guarantee amount CY´000	Guarantee amount CZK´000	Guarantee period	Guarantees provided for	Relationship
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR	758	18,844	12/2022	Santa-Trans.SK s.r.o.	third party
	City-Arena PLUS a.s.	EUR	8	199	8/2025	UGO trade s.r.o.	subsidiary
	ORLEN Unipetrol Doprava s.r.o.**	CZK	130	130	Until the end of contract	UGO trade s.r.o.	subsidiary
	Fatra, a.s.	CZK	100	100	Until the end of contract	UGO trade s.r.o.	subsidiary
	ČSOB Leasing, a.s.	CZK	1,807	1,807	6/2023	LEROS, s.r.o.	subsidiary
	Raiffeisen - Leasing, s.r.o.	CZK	2,263	2,263	1/2025	LEROS, s.r.o.	subsidiary
Total guarantees issued				**23,343***			

* The fair value of the guarantees is close to zero (fair valuation in level 3). ** Until 31 Jan 2021 UNIPETROL RPA, s.r.o.

As at 31 December 2020 the Company provided the following guarantees for other entities:

Entity providing guarantees	Entity receiving guarantees	Currency (CY)	Guarantee amount CY´000	Guarantee amount CZK´000	Guarantee period	Guarantees provided for	Relationship
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR	1,515	39,761	12/2022	Santa-Trans.SK s.r.o.	third party
	City-Arena PLUS a.s.	EUR	8	210	8/2025	UGO trade s.r.o.	subsidiary
	UNIPETROL RPA, s.r.o.**	CZK	130	130	Until the end of contract	UGO trade s.r.o.	subsidiary
	Fatra, a.s.	CZK	100	100	Until the end of contract	UGO trade s.r.o.	subsidiary
	ČSOB Leasing, a.s.	CZK	4,436	4,436	6/2023	LEROS, s.r.o.	subsidiary
	Raiffeisen - Leasing, s.r.o.	CZK	1,502	1,502	1/2025	LEROS, s.r.o.	subsidiary
Total guarantees issued				**46,139***			

* The fair value of the guarantees is close to zero (fair valuation in level 3). ** Since 1 Feb 2021 renamed to ORLEN Unipetrol Doprava s.r.o.

4.20. LEASES

This note provides information about leases where the Company is a lessee. Leases where the Company is a lessor are immaterial.

4.20.1 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Right-of-use asset forms a part of Property, plant and equipment. Lease liabilities are presented on separate rows in the statement of financial position.

The net carrying amount at the end of the reporting period by classes of assets is provided below:

Net carrying amount by classes of assets	31.12.2021 CZK´000	31.12.2020 CZK´000
Buildings and constructions	9,583	16,675
Plant and equipment	6,865	9,219
Vehicles	14,952	16,255
Total	**31,400**	**42,149**

Additions to the right-of-use assets during the 2021 financial year were following:

Additions by classes of assets	Buildings and constructions CZK´000	Plant and equipment CZK´000	Vehicles CZK´000	Total CZK´000
For the period	714	-	6,914	7,628
Total	**714**	**-**	**6,914**	**7,628**

Additions to the right-of-use assets during the 2020 financial year were following:

Additions by classes of assets	Buildings and constructions CZK´000	Plant and equipment CZK´000	Vehicles CZK´000	Total CZK´000
For the period	7,865	-	5,764	13,629
Total	**7,865**	**-**	**5,764**	**13,629**

4.20.2 AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

Depreciation expense to the right-of-use assets during 2021 and 2020 financial years was following:

Depreciation expense by classes of assets	Buildings and constructions CZK´000	Plant and equipment CZK´000	Vehicles CZK´000	Total CZK´000
2021	7,806	2,354	5,696	**15,856**
2020	7,638	2,354	6,602	**16,594**

Interest expense to lease liabilities is presented in note 4.7 Finance costs.

The statement of profit or loss further shows the following amounts relating to not capitalized leases:

Expense relating to not capitalized leases	2021 CZK´000	2020 CZK´000
Expense relating to short-term leases and leases of low-value assets	1,722	1,606
Total	**1,722**	**1,606**

Total cash outflows in relation to capitalized leases is presented in the section Cash flows from financing activities within the Separate statement of cash flows. Total cash outflows in relation to other leases is close to balance stated in the table above (short-term leases and leases of low-value assets).

There are no material future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities.

Lease commitments for short-term leases and leases of low-value assets as of 31 December 2021 amounted to CZK 221 thousand (as of 31 December 2020: CZK 29 thousand).

4.21. FINANCIAL RISK MANAGEMENT

The Company's primary financial instruments consist of cash and cash equivalents, dividends and loans. The main goal of holding such financial instruments is to obtain funds for business operations, or to invest the Company's available funds. In addition, the Company has other financial instruments, such as trade receivables and payables that arise as part of its operations. The accounting methods relating to those instruments are described in section 3.4.

It is the Company's policy – now and throughout the reporting periods presented in these financial statements – not to trade in financial instruments.

The Company's activities are exposed to several types of financial risk: market risk (including foreign exchange risk, and cash-flow risk relating to changes in interest rates), credit risk and liquidity risk. In addition, the Company monitors the market prices risk relating to all of its financial instruments. Risks are managed by the Company's management, which recognises and assesses the above stated financial risks. The general risk management process is focused on the unpredictability of financial markets, and the Company tries to minimise any potential adverse effects on its financial results. The Company uses derivative financial instruments to hedge against certain types of risk, providing that the hedging instruments are considered to be cost effective. Management verifies and agrees the risk management methods with regard to every type of risk. A short description of these methods is presented below.

4.21.1 INTEREST RATE RISK

Interest rate risk is a risk that the fair value or future cash flows from a financial instrument will change due to changes in interest rates. The interest-bearing financial liabilities of the Company are mainly bank credits. The Company has credit payables with variable interest rates, which give rise to a risk of an increase in those rates compared to the rates applied at contract conclusion. In addition, the Company places its free funds on variable interest rate deposits, which would bring the profits down if the interest rates fall. Trade and other receivables and payables are not interest bearing and have due dates of up to one year.

Management of the Company monitors its exposure to interest rate risk and interest rate forecasts. In order to protect against changes in interest rates, the Company has fixed the interest rate on part of the loan for Group financing. The balance of the loan which is covered by interest rate swaps as of 31 December 2021 was CZK 986,090 thousand (as of 31 December 2020: CZK 1,089,681 thousand). Hedge accounting is established by the Company for below stated derivative instruments. There was no ineffective portion of the hedging relationship for the year ended 31 December 2021 and 31 December 2020.

Interest rate swaps		31.12.2021		31.12.2020
	Net exposure	Average fixed interest rate	Net exposure	Average fixed interest rate
	CZK´000	p.a.	CZK´000	p.a.
In period from one to six months	51,795	2.7%	51,795	2.7%
In period from six to twelve months	51,795	2.7%	51,795	2.7%
More than one year	882,500	2.5%	986,091	2.5%
Total	**986,090**		**1,089,681**	

If interest rates at the balance sheet date had been 100 basis points lower/higher with all other variables held constant, profit/(loss) for the period for the year 2021 would have been increased/decreased by CZK 16,672 thousand (2020: CZK 15,153 thousand), mainly as a result of different interest expense on variable interest for financial liabilities.

4.21.2 CURRENCY RISK

The Company is exposed to the risk of changes in foreign exchange rates, mainly due to foreign exchange receivables. The currency risk relates primarily to the EUR and PLN exchange rate in relation to CZK. The Company's exposure associated with other currencies is immaterial.

The effect of currency risk on the Company's position is presented in the table (sensitivity analysis) below. The sensitivity analysis is based on a reasonable change in the assumed foreign exchange rate while the other assumptions remain unchanged. In practice this is not very likely, and changes in certain assumptions may be correlated, e.g. a change in interest rate and in the foreign exchange rate. The Company manages currency risk as a whole. The sensitivity analysis prepared by management for currency risk illustrates after-tax profit or loss effect of changes in the exchange rate of the EUR to CZK and PLN to CZK.

Currency risk impact on profit or loss	31.12.2021	31.12.2020
	CZK´000	CZK´000
EUR strengthening by 3%	8,137	14,887
EUR weakening by 3%	(8,137)	(14,887)
PLN strengthening by 3%	4,305	3,817
PLN weakening by 3%	(4,305)	(3,817)

4.21.3 CREDIT RISK

Credit risk arises from cash deposits in banks along with other short-term deposits, as well as from trade and other financial receivables.

The Company undertakes activities aimed at limiting credit risk, consisting of checking the creditworthiness of its customers, setting credit limits and monitoring the customers' financial position. An analysis of ageing structure of trade and other financial receivables assists with the credit risk management.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

TRADE AND OTHER FINANCIAL RECEIVABLES

The Company is exposed to credit risk, defined as a risk that its debtors will not meet their obligations and thus cause the Company to incur losses.

Presented below is the ageing structure of receivables:

Credit risk	31.12.2021 Trade receivables	31.12.2021 Other financial receivables	31.12.2020 Trade receivables	31.12.2020 Other financial receivables
Neither past due	CZK´000	CZK´000	CZK´000	CZK´000
Third parties	1,933	134,218	960	146,085
Intercompany	95,082	1,173,933	56,167	1,852,576
Total neither past due	**97,015**	**1,308,151**	**57,127**	**1,998,661**
Past due				
Third parties				
- less than 30 days overdue	-	-	-	-
- 30 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- 181 to 360 days overdue	-	-	-	-
- over 360 days overdue	800	2,997	800	597
Intercompany	49,522	8,570	31,921	2,529
Total past due	**50,322**	**11,567**	**32,721**	**3,126**
Third parties	(800)	(2,997)	(800)	(2,997)
Intercompany	-	(10,746)	-	(33,880)
Less loss allowance (-)	**(800)**	**(13,743)**	**(800)**	**(36,877)**
Total	**146,537**	**1,305,975**	**89,048**	**1,964,910**

Subject to the above, management believes that the credit risk has been accounted for in the financial statements through the creation of appropriate allowances.

CASH AND CASH EQUIVALENTS

With regard to the Company's other financial assets, such as cash and cash equivalents, credit risk arises as a result of the other party's inability to pay, and the maximum amount of the Company's exposure to this risk is equal to the balance sheet value of these amounts.

The credit risk associated with bank deposits is considered to be immaterial, as the Company has concluded transactions with institutions that have a sound financial position.

Credit quality of cash in bank and in hand	31.12.2021	31.12.2020
Credit rating	CZK´000	CZK´000
A1	11,505	73,724
Not on watch	1,093	1,094
Cash in hand	32	22
Total cash in bank and in hand	**12,630**	**74,840**

4.21.4 LIQUIDITY RISK

The risk for the Company arises from a potential restriction in access to financial markets or from a change in the attitude of banks in the area of granting credits, which may result in an inability to obtain new financing or refinancing of debts.

Management of the Company monitors the risk of insufficient funds by adjusting the structure of financing to prediction of future cash flows (planned investments included), diversifying of sources of financing and by keeping sufficient level of available credit lines. Current liabilities exceed current assets, nevertheless, the Company´s business plan is based on future cash inflows from dividends, licence fees, shared service fees and repayments of loans to related parties. The management is not aware of any going concern risk.

It is the Company's objective to maintain a balance between financing continuity and flexibility, by using various financing sources, such as credits, loans and lease agreements. The Company controls its financial liabilities so that in each given period the amount of liabilities due within the next 12 months does not pose a threat for the Company's ability to meet its financial obligations.

Analysis of financial liabilities is presented below. The amounts represent undiscounted cash flows, which represent the Company's maximum exposure to liquidity risk.

Future cash outflows related to financial liabilities:

Contractual cash flows of financial liabilities as at 31 December 2021	Less than 3 months CZK´000	Between 3-12 months CZK´000	Between 1-2 years CZK´000	Between 2-5 years CZK´000	Over 5 years CZK´000	Total contractual cash-flows CZK´000	Total carrying amount CZK´000
Trade payables	31,122	1,117	-	-	-	32,239	32,239
Bank credits and loans	163,260	571,074	619,341	2,510,601	33,424	3,897,700	3,323,668
Lease liabilities	4,318	11,422	11,000	6,915	-	33,655	31,602
Other liabilities	6,794	1,616	1,925	-	-	10,335	9,984
Total	**205,494**	**585,229**	**632,266**	**2,517,516**	**33,424**	**3,973,929**	**3,397,493**

Contractual cash flows of financial liabilities as at 31 December 2020	Less than 3 months CZK´000	Between 3-12 months CZK´000	Between 1-2 years CZK´000	Between 2-5 years CZK´000	Over 5 years CZK´000	Total contractual cash-flows CZK´000	Total carrying amount CZK´000
Trade payables	55,634	377	-	-	-	56,011	56,011
Bank credits and loans	134,726	612,429	540,904	1,657,854	1,330,440	4,276,353	3,927,936
Lease liabilities	4,423	11,852	14,422	14,750	-	45,447	42,590
Other liabilities*	4,927	8,066	1,626	1,925	-	16,544	16,544
Total	**199,710**	**632,724**	**556,952**	**1,674,529**	**1,330,440**	**4,394,355**	**4,043,081**

* Including derivatives for which the cash outflows were determined based on the latest available variable interest rate yield curves.

4.22. FINANCIAL INSTRUMENTS

4.22.1 FINANCIAL INSTRUMENTS CATEGORIES

Fair value of Trade receivables, Cash and cash equivalents, other financial receivables, Trade payables and other financial liabilities is close to carrying amounts since the interest payable on them is either close to market rates or they are short-term.

31.12.2021	Financial assets at amortised cost CZK´000	Derivatives through OCI CZK´000	Financial liabilities at amortised cost CZK´000	Total CZK´000
Trade and other financial receivables	1,360,466	-	-	1,360,466
Cash and cash equivalents	12,630	-	-	12,630
Derivatives	-	92,046	-	92,046
Bank credits and loans	-	-	(3,323,668)	(3,323,668)
Lease liabilities	-	-	(31,602)	(31,602)
Trade and other payables and other liabilities	-	-	(42,223)	(42,223)
Total	**1,373,096**	**92,046**	**(3,397,493)**	**(1,932,351)**

31.12.2020	Financial assets at amortised cost CZK´000	Derivatives through OCI CZK´000	Financial liabilities at amortised cost CZK´000	Total CZK´000
Trade and other financial receivables	2,050,141	-	-	2,050,141
Cash and cash equivalents	74,840	-	-	74,840
Derivatives	-	(4,726)	-	(4,726)
Bank credits and loans	-	-	(3,927,936)	(3,927,936)
Lease liabilities	-	-	(42,590)	(42,590)
Trade and other payables and other liabilities	-	-	(64,012)	(64,012)
Total	**2,124,981**	**(4,726)**	**(4,034,538)**	**(1,914,283)**

Fair value of derivatives

In 2018 and 2020, the Company has concluded interest rate swaps and established a hedge accounting. 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 Company has included this instrument in Level 2 of fair value hierarchy levels.

4.23. RELATED PARTY TRANSACTIONS

4.23.1 SHAREHOLDERS STRUCTURE

Share capital structure			31.12.2021			31.12.2020
Name of entity	Number of shares	% in share capital	% in voting rights	Number of shares	% in share capital	% in voting rights
AETOS a.s.	14,984,204	67.22	70.66	14,984,204	67.22	70.75
RADENSKA d.o.o.	1,084,851	4.87	0.00	1,113,977	5.00	0.00
Others	6,222,893	27.91	29.34	6,193,767	27.78	29.25
Total	**22,291,948**	**100.00**	**100.00**	**22,291,948**	**100.00**	**100.00**

Transactions with own shares are described in section 4.15.3.

4.23.2 SUBSIDIARIES

Interests in subsidiaries are set out in sections 2.2 and 4.10.

4.23.3 REMUNERATION OF THE COMPANY'S KEY MANAGEMENT PERSONNEL

Presented below is the structure of the remuneration of Company´s key management personnel in 2021 and 2020.

Remuneration of the Company´s key management personnel 2021	compensation	Members of the Company´s Board of Directors CZK´000	Members of the Company´s Supervisory Board CZK´000	Members of the Company´s Audit Committee CZK´000	Other key management personnel of the Group CZK´000	Total CZK´000
Amounts paid for activities in the Company´s Board of Directors	Financial	20,377	-	-	-	**20,377**
	Non-financial	2,771	-	-	-	**2,771**
Amounts paid for activities in the Company´s Supervisory Board	Financial	-	1,200	-	-	**1,200**
	Non-financial	-	287	-	-	**287**
Amounts paid for activities in the Company´s Audit Committee	Financial	-	-	288	-	**288**
	Non-financial	-	-	-	-	**-**
Amounts paid for other activities within the Group	Financial	-	5,250	1,460	-	**6,710**
	Non-financial	-	913	57	-	**970**
Total expense from equity settled transactions (Option scheme)	Option scheme	6,217	-	-	5,672	**11,889**
Shares transfer to option scheme participants	Option scheme	(4,951)	(589)	-	(1,919)	**(7,459)**
Cumulated reserve from equity settled transactions	Option scheme	17,852	1,572	-	17,913	**37,337**

Remuneration of the Company´s key management personnel 2020	compensation	Members of the Company´s Board of Directors CZK´000	Members of the Company´s Supervisory Board CZK´000	Members of the Company´s Audit Committee CZK´000	Other key management personnel of the Group CZK´000	Total CZK´000
Amounts paid for activities in the Company´s Board of Directors	Financial	23,416	-	-	-	**23,416**
	Non-financial	2,643	-	-	-	**2,643**
Amounts paid for activities in the Company´s Supervisory Board	Financial	-	1,200	-	-	**1,200**
	Non-financial	-	287	-	-	**287**
Amounts paid for activities in the Company´s Audit Committee	Financial	-	-	288	-	**288**
	Non-financial	-	-	-	-	**-**
Amounts paid for other activities within the Group	Financial	313	7,828	1,796	3,694	**13,631**
	Non-financial	-	680	57	763	**1,500**
Total expense from equity settled transactions (Option scheme)*	Option scheme	-	-	-	-	**-**
Shares transfer to option scheme participants	Option scheme	(2,817)	(319)	-	(1,272)	**(4,408)**
Cumulated reserve from equity settled transactions	Option scheme	16,586	2,161	-	8,191	**26,938**

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

4.23.4 OTHER RELATED PARTY TRANSACTIONS

Presented below are the total amounts of transactions concluded with the Company's related parties:

Intercompany transactions	2021		2020	
	Revenue*	Costs/Purchases	Revenue*	Costs/Purchases
	CZK´000	CZK´000	CZK´000	CZK´000
Kofola a.s. (CZ)	419,208	(5,263)	552,861	(5,419)
Kofola a.s. (SK)	300,229	(8,056)	299,712	(12,967)
Alofok Ltd	-	-	162,376**	-
RADENSKA d.o.o.	12,834	(12,472)	21,317	(12,783)
ONDRÁŠOVKA a.s.	22,335	(1)	33,771	-
Karlovarská Korunní s.r.o.	27,788	(27)	17,200	-
UGO trade s.r.o.	21,850	(261)	17,980	(129)
Studenac, d.o.o.	6,916	-	10,798	-
LEROS, s.r.o.	6,905	(592)	6,289	(372)
Premium Rosa Sp. z o.o.	3,761	-	4,093	-
SANTA-TRANS s.r.o.	1,727	(762)	2,714	(705)
F.H.Prager s.r.o.	896	-	215	-
AETOS a.s.	616	-	858	-
Total	**825,065**	**(27,434)**	**1,130,184**	**(32,375)**

* Including finance income and dividends. ** Income described in the section 4.4.

Intercompany receivables and payables	31.12.2021		31.12.2020	
	Assets*	Liabilities	Assets*	Liabilities
	CZK´000	CZK´000	CZK´000	CZK´000
Kofola a.s. (CZ)	69,984	-	378,126	-
Kofola a.s. (SK)	337,236	-	514,964	(22,389)
RADENSKA d.o.o.	185,657	-	308,424	(367)
ONDRÁŠOVKA a.s.	77,188	-	75,670	-
Karlovarská Korunní s.r.o.**	124,815	-	106,333	-
UGO trade s.r.o.	75,653	-	129,804	-
Studenac, d.o.o.	1,219	-	-	(1,427)
LEROS, s.r.o.	207,600	(41)	167,986	(499)
Premium Rosa Sp. z o.o.***	217,963	-	214,841	-
SANTA-TRANS s.r.o.	15,157	-	21,816	(1,283)
F.H.Prager s.r.o.	1,184	-	9,638	-
AETOS a.s.	745	-	1,038	-
Total	**1,314,401**	**(41)**	**1,928,640**	**(25,965)**

* Including Loans provided to related parties (described below). ** Including purchased bonds. *** Without effect of loss allowance.

Receivables from Loans provided to related parties (excluding interest receivable)	Short-term CZK´000	Long-term CZK´000	31.12.2021 Maturity	Short-term CZK´000	Long-term CZK´000	31.12.2020 Maturity
Kofola a.s. (CZ)	-	-	n/a	-	205,373	12/2022
Kofola a.s. (CZ)	-	-	n/a	-	134,608	8/2024
Kofola a.s. (SK)	88,655	-	12/2022	-	88,655	12/2022
Kofola a.s. (SK)	-	80,491	8/2024	-	80,491	8/2024
LEROS, s.r.o.	27,200	-	12/2022	-	30,400	12/2022
LEROS, s.r.o.	-	70,000	12/2024	-	70,000	12/2024
LEROS, s.r.o.	-	58,000	8/2024	-	58,000	8/2024
LEROS, s.r.o.	-	-	n/a	-	6,500	12/2024
LEROS, s.r.o.	43,000	-	12/2022	-	-	n/a
LEROS, s.r.o.	5,841	-	12/2022	-	-	n/a
LEROS, s.r.o.	1,500	-	12/2022	-	-	n/a
Premium Rosa Sp. z o.o.	140,067*	-	12/2022	-	126,610*	12/2022
Premium Rosa Sp. z o.o.	19,200	-	12/2022	-	19,200	12/2022
Premium Rosa Sp. z o.o.	27,040	-	12/2022	-	28,775	12/2022
Premium Rosa Sp. z o.o.	4,200	-	12/2022	-	-	n/a
Premium Rosa Sp. z o.o.	7,000	-	12/2022	-	-	n/a
RADENSKA d.o.o.	-	-	n/a	-	114,769	12/2022
SANTA-TRANS s.r.o.	15,000	-	12/2022	-	20,035	12/2022
SANTA-TRANS s.r.o.	-	-	n/a	-	1,754	8/2024
UGO trade s.r.o.	-	50,000	12/2024	-	50,000	12/2024
UGO trade s.r.o.	-	14,322	12/2024	-	47,500	12/2024
UGO trade s.r.o.	7,000	-	12/2022	-	-	n/a
ONDRÁŠOVKA a.s.	-	50,000	4/2025	-	50,000	4/2025
Karlovarská Korunní s.r.o.	-	7,000	4/2025	-	7,000	4/2025
F.H.Prager s.r.o.	-	-	n/a	9,500	-	on demand
Total	**385,703**	**329,813**		**9,500**	**1,139,670**	

* Net of loss allowance.

Carrying amount of loan provided to Premium Rosa increased as a result of loss allowance write-back of CZK 23,134 thousand (in 2020 write-down: CZK 33,880 thousand).

Interest rates from loans provided to related parties are concluded at market terms. The loans are not pledged. Loans provided to related parties are connected with the Facility loan agreement which refinanced current loans at that time and a loan for financing RADENSKA d.o.o. acquisition. The reason for the execution of the Facility Loan Agreement was a consolidation of Group financing. Previous bank loans in Company´s subsidiaries were repaid and refinanced by a loan from the Company. All transactions with related parties have been concluded at market terms.

The Company acts as a holding company and as such provides certain services for the other companies in Kofola Group. This comprises, in particular, the provision of:

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

4.24. CASH AND NON-CASH FINANCING ACTIVITIES

Net debt reconciliation	Liabilities from financing activities		Cash and cash equivalents	Net debt
	Bank credits and loans	Lease		
As at 1.1.2021	**3,927,936**	**42,590**	**(74,840)**	**3,895,686**
Repayment of loans and bank credits	(607,702)	-	-	(607,702)
Change in amortized costs	3,434	-	-	3,434
Repayment of lease liabilities	-	(16,095)	-	(16,095)
Lease additions	-	7,628	-	7,628
Lease disposals	-	(2,521)	-	(2,521)
Cash (inflow)/outflow	-	-	62,210	62,210
As at 31.12.2021	**3,323,668**	**31,602**	**(12,630)**	**3,342,640**

Net debt reconciliation	Liabilities from financing activities		Cash and cash equivalents	Net debt
	Bank credits and loans	Lease		
As at 1.1.2020	**2,992,450**	**47,252**	**(51,077)**	**2,988,625**
Proceeds from loans and bank credits received	1,293,182	-	-	1,293,182
Repayment of loans and bank credits	(356,787)	-	-	(356,787)
Change in amortized costs	(909)	-	-	(909)
Repayment of lease liabilities	-	(16,411)	-	(16,411)
Lease additions	-	13,629	-	13,629
Lease disposals	-	(1,880)	-	(1,880)
Cash (inflow)/outflow	-	-	(23,763)	(23,763)
As at 31.12.2020	**3,927,936**	**42,590**	**(74,840)**	**3,895,686**

4.25. HEADCOUNT

The average headcount in the Company was as follows:

Average headcount	2021	2020
Management Board of the Company	6	6
Administration	82	82
Sales, Marketing and Logistic department	123	115
Production division	36	32
Total	**247**	**235**

Total number of employees as of 31 December 2021 was 251 persons (as of 31 December 2020: 245 persons).

4.26. 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 15, 2020, the acquisition date, 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. Consideration transferred amounted to CZK 1,105,824 thousand.

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 CZK´000
Property, plant and equipment	354,073
Intangible assets	7,022
Deferred tax assets	6,257
Inventories	56,104
Trade receivables and other receivables	87,296
Cash and cash equivalents	48,095
Issued bonds (non-current)	(88,008)
Bank credits and loans (non-current)	(57,820)
Lease liabilities (non-current)	(19,694)
Deferred tax liabilities	(5,889)
Other liabilities (non-current)	(21,000)
Lease liabilities (current)	(8,414)
Trade liabilities and other liabilities	(120,520)
Total identifiable net assets acquired	**237,502**

The Company expected and realizes significant synergies from the acquisition of the subsidiaries with its other current subsidiaries that will arise through the unification of operations and controls executed in purchase, production, sales, distribution, marketing and administrative departments. The Company also expected and realizes significant positive effects on its subsidiaries' current portfolio through broadening by the well-known and established Czech mineral water brands. This significant acquisition helped to increase Kofola Group's market share.

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. Consideration transferred amounted to CZK 3,000 thousand.

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 CZK´000
Property, plant and equipment	766
Inventories	1,856
Trade receivables and other receivables	461
Cash and cash equivalents	29
Bank credits and loans	(443)
Trade liabilities and other liabilities	(9,360)
Provisions	(144)
Total identifiable net assets acquired	**(6,835)**

The reason for the acquisition was the entrance into the new product segment.

4.27. COVID-19 AND UKRAINE CRISES

LEASE ACCOUNTING – IFRS 16

Based on amendment to IFRS 16 issued in May 2020, the lessee may elect not to assess whether COVID-19 related rent discounts are lease modifications. The Company has utilized this practical expedient and has also met all the requirements prescribed by the standard. The amount of such rent discounts is presented within section 4.4 Other operating income.

IMPAIRMENT TESTING

As a result of greater uncertainty in relation to COVID-19 pandemic, the Company has applied the multiple scenario cash-flow projections in case of impairment testing for investments that were impacted by the pandemic the most.

OTHER INFORMATION

For two years, we were witnessing the impacts of COVID-19 pandemic which limited free cross-border travelling. Lockdowns impacted mostly Group's sales in the HoReCa segment and also sales in UGO salateries and freshbars during 2021, which in 2019 (pre-COVID times), represented approximately 40% of the Group's revenue. Since 2020, the Group´s revenue share in HoReCa is lower, thanks to successful acquisition of companies ONDRÁŠOVKA and Karlovarská Korunní.

HoReCa segment was closed for whole 1Q 2021 (except for Croatia) and part of 2Q 2021.

Currently, the Group is facing increasing prices of raw materials and energy. Ongoing war in Ukraine brings new risks and uncertainty to our business. The Group's management is very closely monitoring the development of the war conflict between Russia and Ukraine. The Group has already provided various forms of support to Ukrainian civilians and intends to continue in these activities as it cares about people in need. The whole situation impacts people, companies and states all around the world. For now, the Group wasn't directly affected by the conflict as it has no material direct exposure either to Russia or Ukraine. The war however impacts whole European economy and the increasing inflation rate is perceived also by the Group. Increasing input prices do not, however, represent a threat to the Group's ability to continue as a going concern as it has sufficient financial resources and is able to control its costs (e.g. by savings in marketing expenses) to a certain level. In case of the ongoing cost pressure, the Group may also increase the output prices to ensure profitability level expected by its stakeholders.

As of the date of this report, the production is in operation, we have continuing supplies of materials and energy (we are in close contact with our key suppliers), we have increased hygienic precautions in our production plants, our administrative employees may work from home. The Group is using modern technology for distant access and videoconferences which enables us to protect the health of our employees. There were necessary savings in CAPEX and OPEX and we plan to continue in this trend in the upcoming period based on actual development.

It is possible that, based on above stated, the Group won't be able to fulfil some of bank loan covenants in 2022. The Group believes to have sufficient resources from current cash balance and overdrafts. We have an open and long-term relationship with our supportive banking group to whom we communicate our business outlook regularly.

Development around COVID-19 led to the impairment of assets related to company UGO trade s.r.o. as of 31 December 2020. It didn't lead to impairments of Goodwill or trademarks with indefinite useful life. Impairment tests are sensitive mainly to changes of discount rates. No material impairment was identified as of 31 December 2021.

In 2021, the company UGO trade s.r.o. received a state compensation of losses generated in selected months of 2021 in the amount of CZK 45.8 million. The Group is able to continue in its business activity even without the state support, compensations however alleviate the adverse financial impacts on the Group.

Based on the above analysis and assumptions, including the severe but plausible scenarios, management concluded that the Company will have sufficient resources to continue its business for a period of at least 12 months from the reporting date. As a result, the Company used the going concern basis of accounting in preparing these financial statements.

4.28. SUBSEQUENT EVENTS

Companies ONDRÁŠOVKA a.s. and Karlovarská Korunní s.r.o. have successfully merged with Kofola a.s. (CZ) on 1 January 2022.

The Board of Directors of Kofola ČeskoSlovensko a.s. ("Kofola") resolved to implement the acquisition of own shares by Kofola on 7 March 2022. The sole purpose of the acquisition of own shares by Kofola 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 Kofola or of an associate company.

The conditions for the acquisition of own shares by Kofola:

a) the acquisition took place outside the regulated market, directly from the company RADENSKA d.o.o., a subsidiary company of Kofola;

b) maximum number of shares to be acquired amounted up to 22,615 shares of Kofola; and

c) the acquisition was settled on 8 March 2022 for the price equal to the closing price for which shares of Kofola were traded on the regulated market organized by the company Burza cenných papírů Praha, a.s. on the previous trading day, i.e. CZK 295 per individual share (total value of CZK 6,671 thousand). As such, the contract was concluded at market terms. The shares have nominal value of CZK 50 per individual share.

No other events have occurred after the end of the reporting period that would require adjusting the amounts recognised and disclosures made in the separate financial statements.

12.4.2022	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**René Musila**	**Vice-Chair of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Daniel Buryš**	**Vice-Chair of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Martin Pisklák**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Martin Mateáš**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
12.4.2022	**Marián Šefčovič**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*

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