

Dear shareholders, ladies and gentlemen,

I would like to introduce you the results of our work in 2016. We imaginarily plan to achieve very high results. The year 2015 was quite successful due to contribution of extremely hot summer, which naturally can't be repeated. Due to that, the expectations for 2016 were really high. We set ourselves the objective to confirm the results from previous year. The imaginary line was trembling for a very long time, but finally we evaluate the achieved result positively. We maintained our economic performance and made significant steps to support our long-term vision. I consider the year 2016 as the challenging one, which required extraordinary demands for all employees and I would like to thank to them this way.

I am very pleased that we can report to the shareholders Net Profit in amount of CZK 342.1 million. Although this amount is lower by 8.5 % than in 2015, it confirms high profitability and good health of our Company. The adjusted operating indicator EBITDA reached to CZK 1 064.4 million which was almost the historical maximum from 2015 amounted to CZK 1 102.6 million. We reported a yearly decrease by 3.5 %. The look at the results and performance of the year 2016 is influenced by radical change of our business model in Poland. If we take into consideration the EBITDA of the Group without Poland, we may see increase by 6.6 %. But, here, in Kofola we are not playing on any „if“. In the 2017 the project of changes will be accomplished and Poland will come a part of group's growth.

From macroeconomic perspective, our region is enjoying a successful period. The economies of the Central and Southeastern Europe are growing faster than the EU average. This positive development is transferred into the consumption of non-alcoholic drinks. Growth of the market can be measured by the whole units of percentage. More accurately we can speak about situation of stabilizing than about real increase in consumption. Based on our experience in the customer's behavior and shopping preferences in soft drinks, we may see that the growth of consumption in compare with overall recovery of the economy is slightly delayed. We register repeated increase in the ratio of sales promotions as unpleasant fact. We do not expect any change in this long-term trend. Especially in the retail segment where environment is extraordinarily competitive. Our receipt to deal with it are strong brands, innovations, sophisticated promotion management and increase in our market share by sales outside of retail.

Our drinks became more and more popular for the customers. We earned for them beautiful amount of CZK 6.999 million. Please do not ask me why we did not add a one million more. Total sales are showing a decrease by 2.7 %. In compare to extraordinary hot summer in last year it is a very positive result. Total sales of acquisition in Adriatic region, the expansion of the concept of healthy drinks UGO and growth in sales on the main Czechoslovak market are behind of this positive result. Changes made in Poland cost more than 20 % of the local sales. Abstracting sales in Poland, the Group's sales increased by 7.8 %. We are continuing in our strategy and invest considerable effort and financial resources to the segment of On Premise (HoReCa) and On-the-go. Total sales of these special formats reached a record volume of 1.8 bil. CZK and the growth of almost 8%. Our strategic objective is to become a leader in this segment. This is continuously transferring also to the Adriatic region. Consumers in HoReCa segment require unique products and experience which Kofola complete fulfils. The right example is a limited edition of our brand Vinea - Moravian Muscat produced from local varieties of wine.

Year 2016 fully confirmed the correctness of our acquisition strategy. Mineral water Radenska in combination with other brands brings significant growth in sales. In 2016 are sales of this region amounted to CZK 816.7 million, which represents an increase by 11.9 %. The acquisition of Radenska has not only commercial importance for the Group. Thanks to this acquisition, Kofola learned how to entrance to distant foreign markets and is ready for further international expansion. At the very end of 2016 we could welcome a very tasty brand of mineral water Studenac, which has tradition since 1875 and moving us to Croatia. With support of Studenac and other Croatian brands we assume that we double turnover in Adriatic region by next year.

Already mentioned changes in Polish business model will bring us the maximum promotion of own brands together with the optimal setting of production capacities. In 2016, due to this fact we were forced to shut down one factory. The change of management was implemented and the Company is undergoing process of significant changes.

We are more and more pleased with UGO brand which has already established a place on the market and became the preferred healthy opposite to the classic fast foods chains. Fresh fruit and vegetable juices, fresh bars and salad bars have continued in expansion last year. Year to year growth of sales represents 53 %. At the end of 2016 we were running 73 bars and it's not over yet, this healthy ride continues.

Long term investments into modern technology and production processes are positively reflected in cost area. Cost management system is ready to face the adverse market developments in the area of raw materials. Repeated price fluctuations of sugar were successfully eliminated. The level of gross margin remained unchanged and reaches level of 39.8%.

The financial position of Company is highly stable and Net Debt reaches CZK 1 688.7 million which represents the level of indebtedness as ratio Net Debt/EBITDA figure of 1.59. Total amount of dividend paid to shareholders in 2016 was CZK 156 million. We accomplished the acquisition in Croatia and invested into production and to our brands.

During the 2016 we successfully completed the project of streamlining of the group structure through cross boarder merger of Kofola ČeskoSlovensko, Kofola S. A., Kofola družba, Pinelli and Kofola CS.

For the following period, we expect further positive effect of growing macroeconomic indicators in our region. We are ready to deal with increasing prices of sugar and PET granulate. We have prepared a major innovation and marketing strategies to support our market position. We will integrate the Croatian acquisition and complete the project of business model in Poland. We will develop the largest strategic Central European network of fresh bars and salad bars. As well we are actively seeking for other acquisition opportunities in the region.

Dear Shareholders and colleagues, while the year 2015 was for the Group literally the „winning one“. The year 2016 should be called "the confirming one". The Classic says „hard to win it once and even harder to repeat“. The Classic has right once again.

I would hereby like to thank to shareholders for their patience and all co-workers for effort they put into our Kofola.

Annex 1: The Board of Director´s report – presentation 2016

Daniel Buryš,
Group CFO, member of the Board of Directors