

Dear shareholders,

it is my fundamental duty to present you the results of the Kofola Group. I do business in non-alcoholic beverages for already more than twenty years and trust me, each year brings many surprises. Both positive, and those that are less pleasant. We try to properly understand where the market is heading towards, respond to its changing conditions and participate in its development.

We went this way in year 2017 and we will leave the appraisal of our success up to you. Company's consolidated revenues reached CZK 6,963.3 million, which represents a stagnation (-0.5%). As a significant success we perceive an ongoing growth of brand revenues (+6%) and coordinated decline in the revenues from sales of private brands. This trend is in line with our strategic goals, which tend to the gradual reduction of private brands' production (currently these sales represent 12% of total sales against 26% in 2014).

Unfortunately, we did not succeed in our effort to meet the performance from year 2016 and EBITDA reached only CZK 950.2 million, which represented decrease by 10.7%. Profitability level together with our financial stability allow us to fully continue in our development strategy and we assume a return to revenues growth and exceeding of CZK 7 billion sales line in 2018. Our unambiguous success of the current year is an increase in cash flow from operating activities (+9.8%) to which also contributes a significant decline in the impact of one-off events. We brought some significant innovation to the market. The most successful was a unique edition of Royal Crown cola, which is a world curiosity, and a collection of flavored waters Radenska.

I am very satisfied that we can report a net profit in the amount of CZK 231.3 million to our shareholders. Despite the fact that this amount is lower by 32.4% compared to prior year, it still confirms Kofola's strong financial position. It allows us to pay out dividends which will be in line with dividends paid in previous year. On behalf of the company and its shareholders I would like to thank to our employees for their considerable effort and patience in demanding year 2017.

Region of Central and Southeast Europe, where our company operates, continues in positive macroeconomic development which is in line with dramatic drop in unemployment rate. It is already a good habit of our industry that consumption of non-alcoholic beverages is not that much sensitive to changes in the economy. The market grew in value expression but stagnated in its volume, which applies not only to retail but also to HoReCa, the gastronomic segment. Its development in our domestic Czech market was influenced by a few quick consecutive legislative changes (smoking restriction, slot machines limitation and electronic revenue evidence). From the long-term point of view, we welcome these changes and also believe that they will contribute to a modern market development. The fastest-growing part of the non-alcoholic beverages market is during these days represented by selling of so called impulse formats, primarily on gas stations. Consumers travel more, they are in motion, and we can say that in this area, we grow faster than market and we expect its further growth.

The complicated situation for the non-alcoholic beverages producers still continues. Absurdly high promotional activities and price pressure give space for development only to strong diversified producers. Only they will be able to balance this retailers' nonsense pressure, through innovations and strong marketing. Kofola definitely belongs and will belong to these companies.

Markets' and producers' unification continue in the region. Kofola is one of the leading players in this process and it also actively participated in several acquisitions in year 2017. We were successful in three main cases – in the beginning of 2017, we took over traditional Croatian mineral water Studenac. Acquisition of Polish start-up of Premium Rosa followed up, its main domain is high quality natural products such as syrups, juices and jams. Entrance to the market of premium natural products brings new opportunities supporting healthy life style trends. Last addition to our portfolio was acquisition of salad division Titbit, which catapulted UGO into leading position in retail market of fresh salads.

Total consolidated sales of the Kofola Group stabilized at 2016 level, however comparable sales without Polish market grew up by 8.6% from year to year. In the main market, Czechoslovakian, sales grew up by CZK 139.2 million which represents increase by 3.2%. Higher sales were recorded in case of brands Kofola, Rajec and Vinea. For the year 2017, it was a key necessary step to raise prices (3.3%). This process was demanding and caused drop in a part of sales volume and stagnation in our market position.

Sales in Adriatic region increased by almost 30% and namely Radenska, our most successful acquisition of recent years, still continues in riding a ride. Takeover of Studenac was much more demanding in many ways such as marketing, business and logistics. Sales in Croatia got to expected level up to the last quarter. Our team did a perfect job.

UGO sales grew up by 39.2% and reached amount of CZK 409 million. UGO is now the biggest concept of healthy catering in the Central Europe and operates 84 fresh and salad bars. Profitability of the project however stood behind the expectation and it still is in a start-up position. The elementary problem is a shortage of permanent employees and dramatic increase in labor costs. We ended the phase of expansion and now we will focus on reaching the projected economic efficiency.

In Poland there is still a drop of sales, in current year by 28% which is mainly in a private brands segment. Polish team made a number of essential restructuring measures. We consolidated the production in one manufacturing plant in Kutno. Drop in

sales of private brands is faster than restart in own products performance. We therefore did not succeed in our effort to reverse the decreasing trend. Our brands are not sufficient for building a strong position on demanding Polish market. We necessarily need to fill in our portfolio. This is why we concluded a contract of distribution of ice teas with Nestea and we actively search for acquisition opportunities in the Polish market or consider other strategic options.

As I stated above, operating performance indicator EBITDA reached amount of CZK 950.2 million. Without the Poland part EBITDA is almost in line with prior year's result. The decline reflects the following essential causes. First of them is extremely high sugar price growth. This crucial growth caused a need for an increase in selling prices and lower sales growth in Czechoslovakia. The second impact is a continuous restructuring of our Polish business model. More difficult acquisition integration in Croatia and lower performance of UGO project are the remaining. On the contrary, long term investments in modern technologies and production and business procedures seem to bring their results. Gross margin level records slow growth and reaches 40.6%.

Company's financial position is very stable and total net debt reached the amount of CZK 2,376 million, which represents level of indebtedness Net Debt / EBITDA of 2.5. The reason for increase in debt is successful 5% buyout of own shares, acquisitions and higher dividends payout.

We cannot look into year 2018 otherwise than with optimism. Positive macroeconomic development will be a sign of a moderate market growth. Basic raw material prices are relatively stable and sugar will get significantly cheaper. From a cost perspective we will face considerable increase in labor costs and respectively increase in costs related to labor. Our business model, innovation and marketing strategies are prepared very well for another growth in our market position. We will develop our fully integrated Croatia acquisition. We will stabilize UGO fresh and salad bars performance. We will integrate and introduce a full performance synergy of two of our acquisitions – Titbit and Premium Rosa. We will finish project focused on a change in our Polish business model. We will continue in a proactive search for new acquisition opportunities in the region while we will be ready to flexibly extend our strategy for another regions and areas which are closely related to business of non-alcoholic beverages.

Dear shareholders and coworkers, we will not celebrate year 2017 with champagne. This year will write in the history of our company as a “contradictory” year. We succeed in many ways, we worked more than in previous years, and we fulfill prior years' long term strategic goals. We learnt from mistakes and we are ready for upcoming year 2018. Let me thank to shareholder for their patience, to all coworkers for their effort and I am looking forward to our return to growth.

Jannis Samaras

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

Annex 1: The Board of Director's report – presentation 2017