

KOFOLA S.A. Group

Registered auditor's report on the audit of the consolidated financial statements for the year ended 31 December 2012

Translation note:

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Registered auditor's report on the audit of the consolidated financial statements for the financial year ended 31 December 2012

To the General Shareholders' Meeting and the Supervisory Board of KOFOLA S.A.

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KOFOLA S.A. Group
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I. General information about the Group

- a. KOFOLA S.A. ("the Parent Company") with its seat in Kutno, Wschodnia Street 5 is the parent company of the KOFOLA S.A. Group ("the Group").
- b. The Parent Company was formed on the basis of a notarial deed drawn up on 10 September 1997 at the Notary Public's Office of Janusz Rudnicki in Warsaw and registered with Rep. No. 4588/97. On 15 October 2002, the Parent Company was entered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference number KRS 0000134518.
- c. The Parent Company was assigned a tax identification number (NIP) 527-00-08-818 for the purpose of making tax settlements and a REGON number 012771739 for statistical purposes.
- d. As at 31 December 2012 the Parent Company's share capital amounted to PLN 26,173 thousand and consisted of 26,172,602 shares, with a nominal value of PLN 1 each. Shareholders' equity as at that date amounted to PLN 537,029 thousand.

- e. As at 31 December 2012, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held	Type of shares held	Votes (%)
KSM Investment S.A.	13,395,373	13,395,373	ordinary	51.18
CED GROUP S. a r.l.	11,283,153	11,283,153	ordinary	43.11
René Musila	687,709	687,709	ordinary	2.63
Tomáš Jendřejek	687,660	687,660	ordinary	2.63
Other	118,707	118,707	ordinary	0.45
Total	26,172,602	26,172,602		100.00

- f. In the audited year, the Group's operations comprised production, marketing, logistics and sales of the drinks.
- g. During the audited year, the Management Board of the Parent Company comprised:
- Janis Samaras Chairman of the board
 - Bartosz Marczuk Member of the board
 - Martin Mateáš Member of the board
 - Tomáš Jendřejek Member of the board
 - René Musila Member of the board
- h. The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its consolidated financial statements in accordance with IFRS as adopted by the European Union.

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I. General information about the Group (cont.)

i. As at 31 December 2012, the KOFOLA S.A. Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
KOFOLA S.A.	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2012
Kofola ČeskoSlovensko a.s.	Subsidiary (100%)	Full	PricewaterhouseCoopers Audit, s.r.o.	not issued yet	31 December 2012
Hoop Polska Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	not issued yet	31 December 2012
Kofola a.s.	Subsidiary (100%)	Full	PricewaterhouseCoopers Audit, s.r.o.	not issued yet	31 December 2012
Kofola a.s.	Subsidiary (100%)	Full	PricewaterhouseCoopers Slovensko, s.r.o.	not issued yet	31 December 2012
Santa-Trans s.r.o.	Subsidiary (100%)	Full	Other statutory auditor	not issued yet	31 December 2012
Santa-Trans.SK s.r.o.	Subsidiary (100%)	Full	Other statutory auditor	not issued yet	31 December 2012
OOO Megapack	Associate (50%)*	Full *	Other statutory auditor	no information available	31 December 2012
OOO Trading House Megapack	Associate (50%)*	Full *	Other statutory auditor	no information available	31 December 2012
Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.	Subsidiary (100%)	Full	The Company was not subject to an audit	-	31 December 2012
Transport Spedycja Handel Sulich Sp. z o.o.	Associate	Equity accounting	The Company was not subject to an audit	-	31 December 2012
PINELLI spol. s r.o.	Subsidiary (100%)	Full	The Company was not subject to an audit	-	31 December 2012
UGO Trade s.r.o.	Subsidiary (75%)	Full	The Company was not subject to an audit	-	31 December 2012
UGO Juice s.r.o.	Subsidiary (75%)	Full	The Company was not subject to an audit	-	31 December 2012
STEEL INVEST Sp. z o.o.	Subsidiary (100%)	Full	The Company was not subject to an audit	-	31 December 2012

* associates presented according to IFRS5 as "to be excluded from consolidation". This was described in note 5.11 of the additional information.

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II. Information about the audit

- a. The audit of the consolidated financial statements as at and for the year ended 31 December 2012 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Tomasz Reinfuss (no. 90038).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Parent Company by Resolution of the Supervisory Board dated 20 April 2012 in accordance with paragraph § 18.8.(p) of the Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws No. 77, item 649, as amended).
- d. The audit was conducted in accordance with an agreement dated 20 May 2012, in the following periods:
 - interim audit from 26 to 30 November 2012;
 - final audit from 17 January to 18 March 2013.

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III. The Group's results, financial position and significant items of the consolidated financial statements

CONSOLIDATED BALANCE SHEET as at 31 December 2012 (selected lines)

	31.12.2012 PLN '000	31.12.2011 PLN '000	Change		Structure	
			PLN '000	(%)	31.12.2012 (%)	31.12.2011 (%)
ASSETS						
Non-current assets	780,727	893,869	(113,142)	(12.7)	62.1	67.0
Current assets	477,367	441,161	36,206	8.2	37.9	33.0
Total assets	1,258,094	1,335,030	(76,936)	(5.8)	100.0	100.0
EQUITY AND LIABILITIES						
Share capital	26,173	26,173	-	-	2.1	2.0
Other reserves	561,085	571,794	(10,709)	(1.9)	44.6	42.8
Retained earnings	(50,727)	(48,393)	(2,334)	(4.8)	(4.0)	(3.6)
Non-controlling interests	498	-	498	-	-	-
Liabilities	721,065	785,456	(64,391)	(8.2)	57.3	58.8
Total liabilities and equity	1,258,094	1,335,030	(76,936)	(5.8)	100.0	100.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (selected lines) for the financial year ended 31 December 2012

	2012 PLN '000	2011 PLN '000	Change		Structure	
			PLN '000	(%)	2012 (%)	2011 (%)
Revenues	1,022,663	984,105	38,558	3.9	100.0	100.0
Costs of sales	(675,766)	(630,547)	45,219	7.2	66.1	64.1
Gross profit	35,558	31,241	4,317	13.9	3.5	3.2
Profit for the year	28,938	24,232	4,706	19.4	2.8	2.5
Other comprehensive income	(17,734)	19,424	(37,159)	(191.3)	(1.7)	2.0
Total comprehensive income for the year	11,204	43,656	(32,453)	(74.3)	1.1	4.4

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III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

Selected ratios characterising the Group's financial position and results

The following ratios characterize the Group's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous years:

	2012	2011
Asset ratios		
- receivables turnover	61 days	70 days
- inventory turnover	61 days	74 days
Profitability ratios		
- net profit margin	3%	2%
- gross margin	34%	36%
- return on capital employed	5%	5%
Liability ratios		
- gearing	57%	59%
- payables turnover	105 days	118 days
	31.12.2012	31.12.2011
Liquidity ratios		
- current ratio	0.8	0.7
- quick ratio	0.6	0.5
Other ratios		
- effective tax rate	25.02%	29.52%

The above ratios have been calculated on the basis of the consolidated financial statements. It was not the purpose of the audit to present the entity in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Company's operations and its circumstances.

Our audit did not cover detailed comparative data constituting the basis for calculating the ratios for the previous years. Moreover, significant influence on some of the ratios had presentation of the Megapack Group (in which Kofola S.A. has 50% of the shares) as of 31 December 2012 as assets and liabilities excluded from the consolidation.

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III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

The consolidated financial statements do not take into account the effects of inflation. The consumer price index (on a December to December basis) amounted to 2,4 % in the audited year (4.6% in 2011).

The following comments are based on information obtained during the audit of the consolidated financial statements.

- According to IFRS 5, due to loss of the control starting 1 January 2013, assets and liabilities of the Megapack Group, in which Kofola S.A. has 50% of the shares, have been presented in the consolidated balance sheet as assets/liabilities to be excluded from the consolidation. Consolidated profit and loss for 2012 and 2011 was appropriately changed (financial data of the Megapack Group was eliminated).
- In 2012 the Management Board noted that based on the Russian Commercial Code non-controlling interest has puttable option. As the puttable option exists from the date of establishment of the subsidiary based on the IAS 32 this has to be recognised as liability. Until now this liability was not recognised. As a result of information mentioned above, the non-controlling interest as at 1 January 2011 and 31 December 2011 was reclassified to current liabilities (in the line with Megapack Group statutes). The influence on items in the income statement and statement of comprehensive income was recognised respectively, in order to correct the error.
- In the comparative data changes were introduced in relation to provision for untaken holidays and state subsidies. Presently provisions for untaken holidays are disclosed in the position liabilities (trade and other) and state subsidies are disclosed as a separate position of consolidated balance sheet. In Management's opinion this new approach will allow to provide more reliable and useful information for readers of the financial statements.
- As at 31 December 2012 goodwill included the following positions: goodwill arising from the merger of HOOP S.A. Group with Kofola SPV Sp. z o.o. Group, goodwill of Pinelli spol. s r.o. and goodwill of Klimo production plant took over by Kofola a.s. (Czech) in 2006. As at 31 December 2011 goodwill of the company included also the position related to Megapack Group in the amount of PLN 13,864 thousand, which was reclassified as at 31 December 2012 to discontinued consolidation presented in current assets of the consolidated balance sheet.
- As of 31 December 2012 Group performed impairment test of the non-depreciated assets (brands and goodwill). Methods, key assumptions and volatilities of the impairment tests were disclosed in the financial statements in detail.

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IV. The independent registered auditor's statements

- a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The Group has up-to-date documentation of its accounting policies, approved by the Parent Company's Management Board. The Parent Company's accounting policies were tailored to the Group's needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. Changes to accounting policies were properly disclosed in notes to the financial statements.
- d. The calculation of goodwill arising in the audited year and its recognition in the consolidated financial statements complied in all material respects with the adopted accounting policies.
- e. The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.
- f. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- g. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- h. The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects, in accordance with IFRS as adopted by the European Union.
- i. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.
- j. The consolidated financial statements of the Group as at and for the year ended 31 December 2011 were approved by Resolution no. 4 passed by the General Shareholders' Meeting of the Parent on 25 June 2012, filed with the National Court Register on 17 July 2012. The Company did not fulfill the obligation to submit consolidated financial statements for the year ended 31 December 2011 for publication in Monitor Polski B. The consolidated financial statements were published on the Company's website.
- k. The consolidated financial statements for the previous year were audited by BDO Sp. z o.o. The registered auditor issued an unqualified opinion with and explanatory paragraph.

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- l. The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with IFRS as adopted by the European Union
- m. The information in the Group Directors' Report for the year ended 31 December 2012 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a Member State (Journal of Laws No. 33, item 259, as amended).

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V. Final information

This report has been prepared in connection with our audit of the consolidated financial statements of the KOFOLA S.A. Group having KOFOLA S.A., Wschodnia Street 5, Kutno, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 18 March 2013.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to the General Shareholders' Meeting and the Supervisory Board of KOFOLA S.A. dated 18 March 2013, concerning the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o. , Registered Audit Company No. 144:

Tomasz Reinfuss

Group Registered Auditor, Key Registered Auditor
No. 90038

Warsaw, 18 March 2013

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