



**kofola** 

**KOFOLA GROUP RESULTS IN 1Q2014**

**Investor's Presentation**

**12 May 2014**

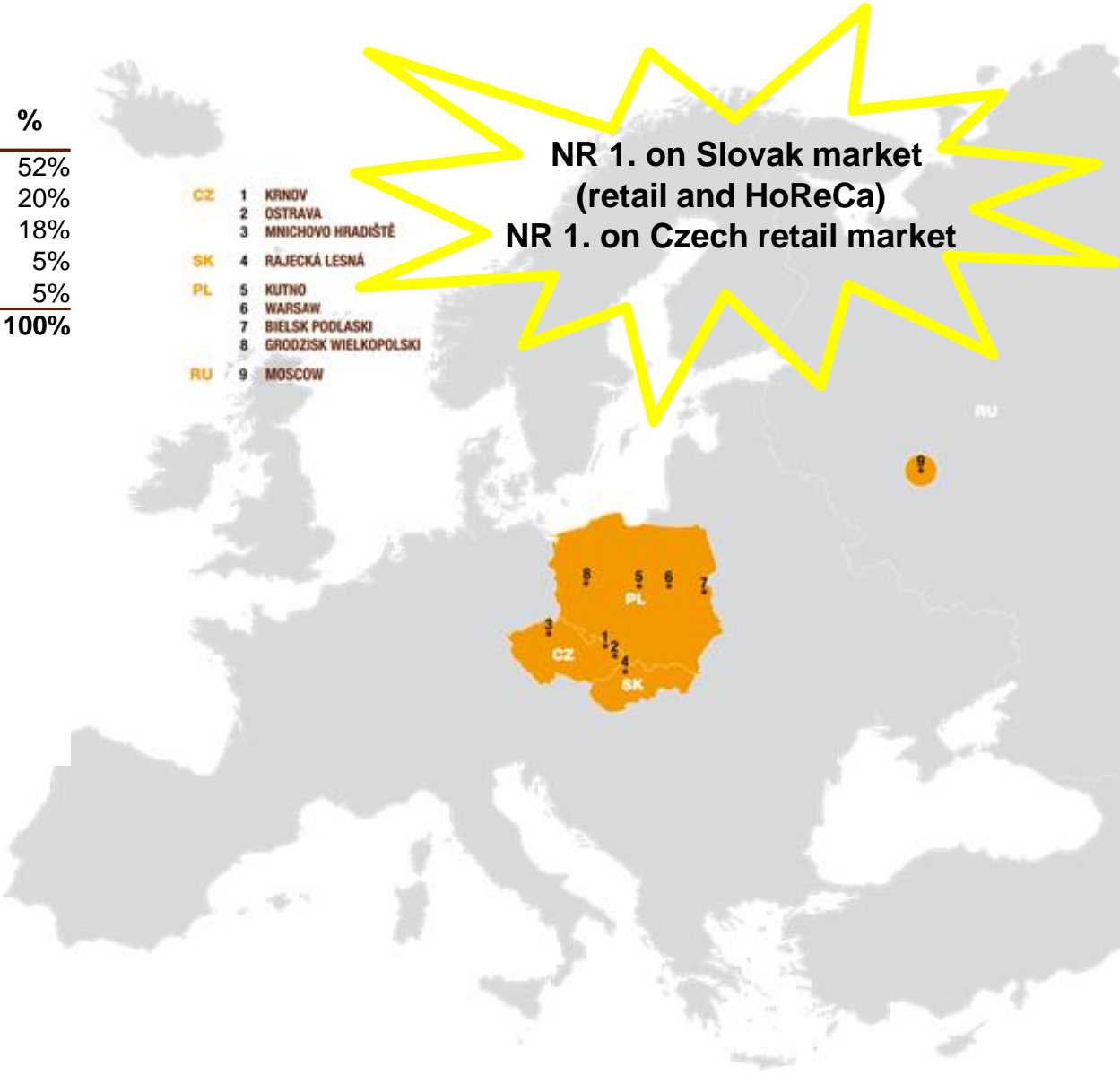
- **Kofola Group in 1Q2014**

- Summary of results and market conditions in 1Q2014
- Markets, trends and strategy
- Profile and history of Kofola Group
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# KOFOLA GROUP IN 1Q2014

Segment revenues		1Q2014	%
Carbonated beverages	[mln PLN]	103.7	52%
Waters	[mln PLN]	40.0	20%
Syrups	[mln PLN]	36.9	18%
Non-carbonated beverages	[mln PLN]	10.4	5%
Other	[mln PLN]	8.7	5%
<b>Total revenues</b>	<b>[mln PLN]</b>	<b>199.7</b>	<b>100%</b>
EBITDA	[mln PLN]	22.9	
Total assets	[mln PLN]	898.0	
Equity	[mln PLN]	387.2	
Net debt	[mln PLN]	227.5	
Net debt/12mEBITDA		1.72	
Net debt/Equity		0.59	
EPS attributable to shareholders of parent company	[PLN/share]	(0.0540)	



# OUR MAIN BRANDS



## Markets



### Kofola Guarana ENERGY

With extracts from Guarana Kofola with Guarana contains natural caffeine, which stimulates, reduces fatigue, maintain attention and alertness. Furthermore, this new product contains classic caffeine and vitamins B3, B9 and B12, which encourage performance. Kofola with Guarana contains the same amount of caffeine as classic energy drinks and yet still tastes like Kofola. Product is available on the Czech and Slovak markets in cans 0,25l and 0,5l



### Jupík without preservatives for Poland

After Czech Republic and Slovakia Jupík without preservatives will be available also on Polish market. Product is available in PET bottles of 0,33l



# SUCCESSSES AND AWARDS IN 2014



- **Czech TOP 100** – Kofola a.s. the fifth most admired company in the Czech Republic in 2012. Continuously in top 5 since 2007

Kofola a.s. Czech Republic was awarded a Superbrands 2014 title for **Kofola** and **Rajec** brands.



Kofola ČeskoSlovensko a.s. was awarded **Ruban d'Honneur** in European Business Awards.

## KEY SUCCESSES AND REALIZED EVENTS IN 2014

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### Event

### Effects

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#### Acquisition of Mangaloo Group

On 21 January 2014 Kofola ČeskoSlovensko a.s. acquired 100% share in the Mangaloo group. The Mangaloo group is owner of chain of fresh bars in several large shopping centres in the Czech republic. Thanks to this aquisition Kofola Group became the biggest fresh bar operator in the area of central Europa.

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#### Sale of area in Rajec

On 8 April 2014 Kofola a.s., (SK) sold area in Rajec (warehouses and offices) for PLN 6 253 thousand.

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# MARKET CONDITIONS IN 2014

## Macro-economics

- High unemployment rate is limiting the consumer's baskets in the countries where Kofola Group is active
- Consumers are still cost sensitive
- Continuing trend when the home consumption of consumers increasing and substituting the consumption in the restaurants resulting in decreasing number of restaurants in the Czech republic and Slovakia

## Market /competition

- Decrease of consumption in the most profitable gastro segment
- Faster increase of turnover in discount chains

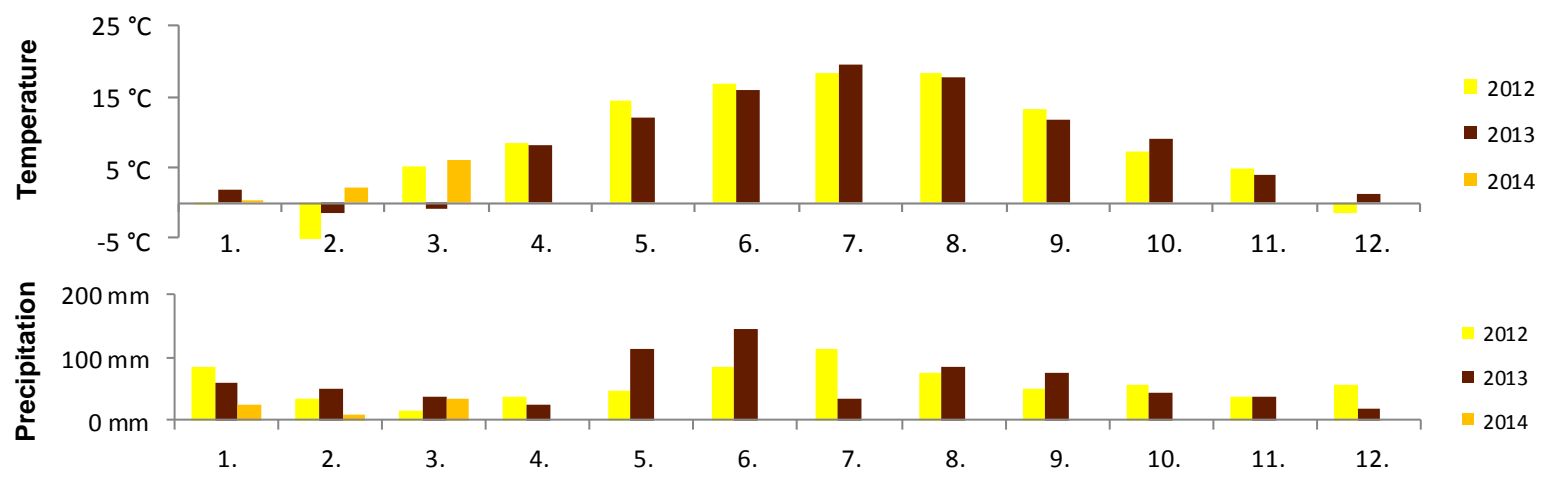
## Regulation

- Increase in excise duty on alcoholic beverages in Russia

## Weather

- Mild winter a spring weather in March

**Comparison of temperature and precipitation in the Central Europe**



# FINANCIAL RESULTS OF KOFOLA GROUP IN 1Q2014 AND 1Q2013 [TPLN]

Selected financial data	1Q2014	1Q2013*
<b>Continued operations</b>		
Revenue	199 701	208 005
Cost of sales	(134 967)	(148 708)
<b>Gross profit</b>	<b>64 734</b>	<b>59 297</b>
Selling, marketing and distribution costs	(48 020)	(49 040)
Administrative costs	(10 533)	(11 464)
Other operating income / (expenses), net	(449)	3 437
<b>Operating result</b>	<b>5 732</b>	<b>2 230</b>
<b>EBITDA</b>	<b>22 880</b>	<b>19 569</b>
Financial expense, net	(6 216)	(5 479)
Income tax	(931)	(1 160)
<b>Net loss from continuing operations</b>	<b>(1 415)</b>	<b>(4 409)</b>
<b>Discontinued consolidation</b>		
<b>Net loss for the period from discontinued consolidation</b>	<b>-</b>	<b>(849)</b>
<b>Net loss for the period</b>	<b>(1 415)</b>	<b>(5 258)</b>

\*Data for 1Q2013 were translated into the Polish zloty using the exchange rates from 1Q2014

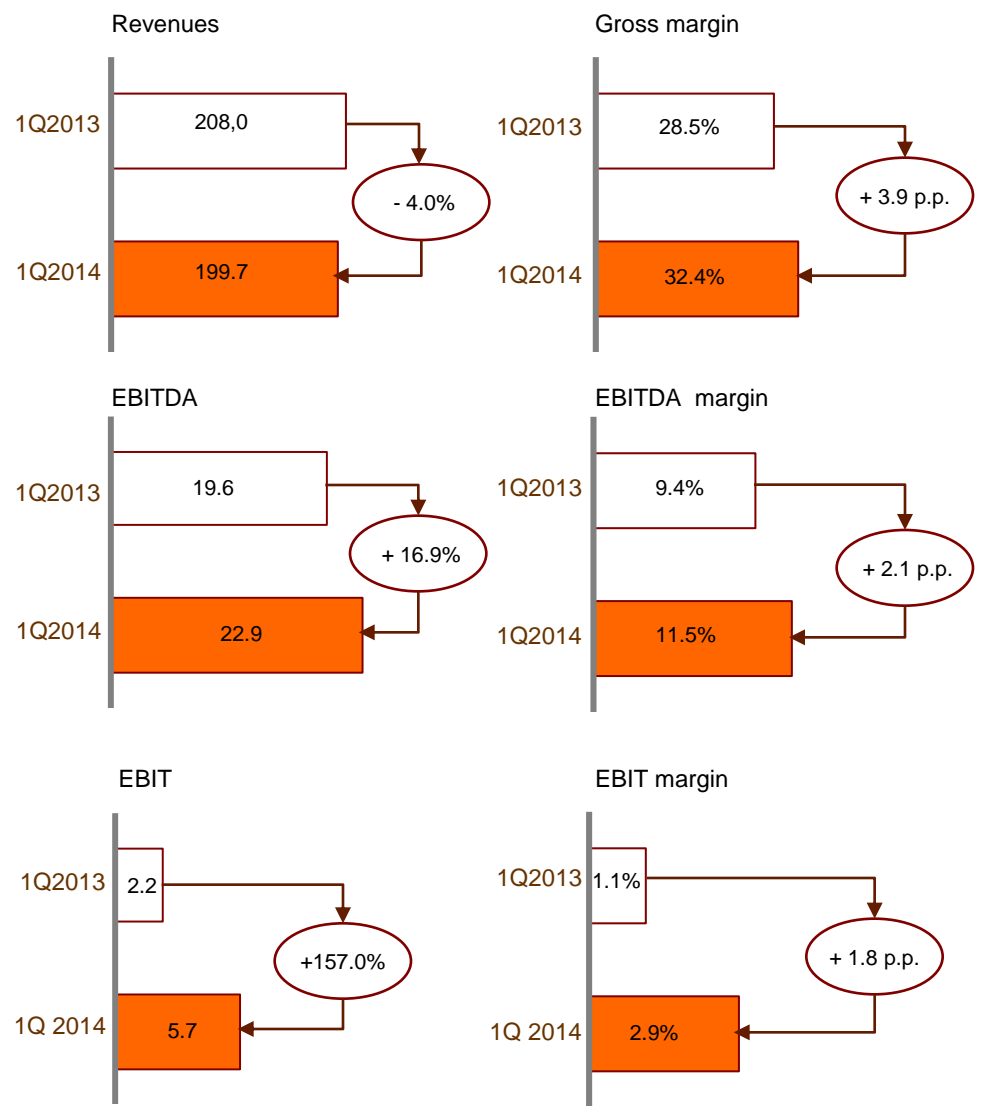
## Comment:

- Improvement of nearly all ratios compared to 1Q2013



# FINANCIAL RESULTS OF KOFOLA GROUP IN 1Q2014 [MPLN]

Legend:  1Q2013  
 1Q2014



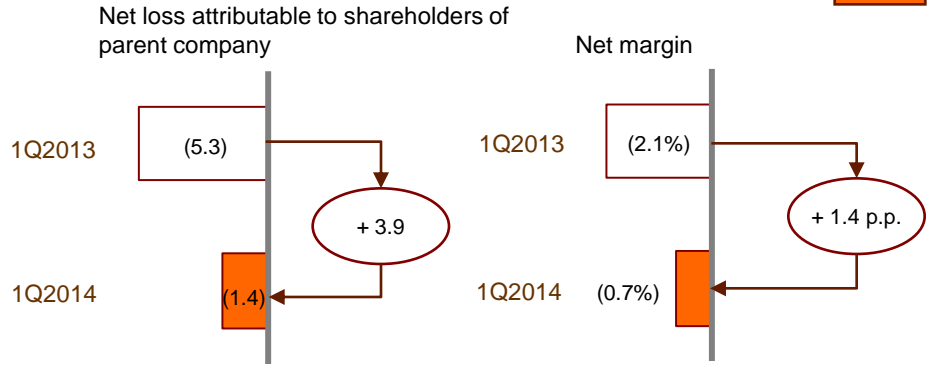
## Comments on 1Q2014 results

- Movement of Easter to Q2 in 2014 compared to Q1 in 2013 which negatively influenced revenues of 1Q2014
- Stabilization of raw material prices and postponing of maintenance expenses resulted in improvement of gross margin
- EBIT and EBITDA – increase due to improved gross profit and postponing of marketing costs.
- Significant improvement of EBIT and EBITDA margin

**EBITDA 22.9 MPLN, EBIT 5.7 MPLN**

# FINANCIAL RESULTS OF KOFOLA GROUP IN 1Q2014 [MPLN]

Legend:  1Q2013  
 1Q2014

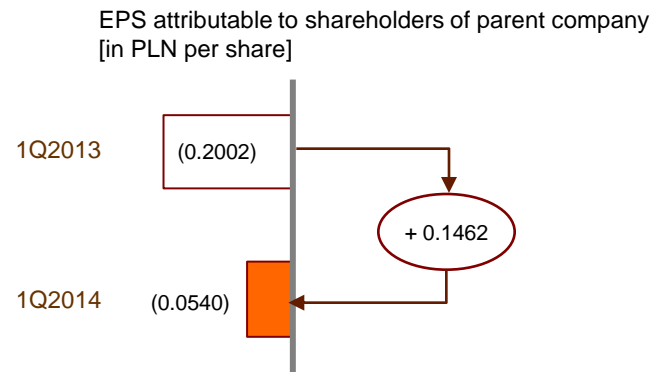


## Comments on net result for 1Q2014

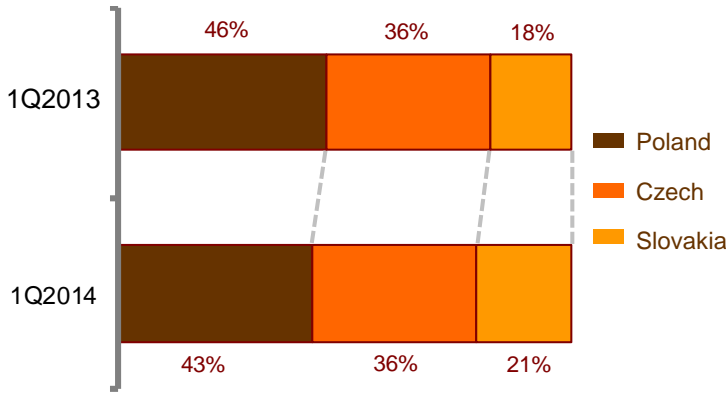
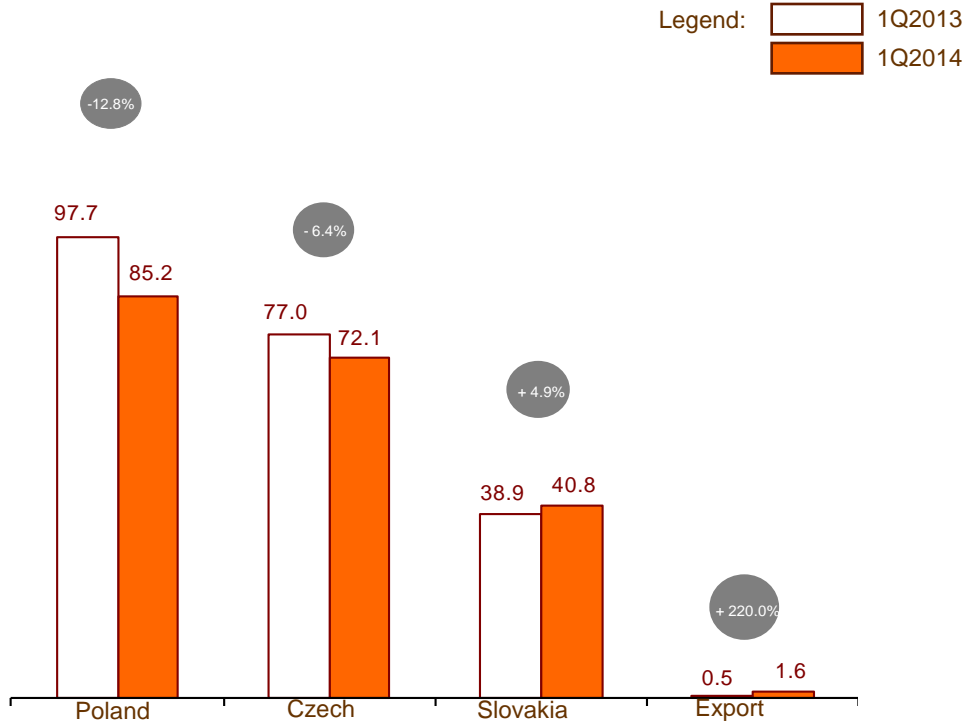
- Increase of net margin by 1.4 p.p.
- EPS (0,0540) PLN/share



## Improvement of net result and net margin



# SALES IN INDIVIDUAL GEOGRAPHICAL SEGMENTS\* IN 1Q2014 [MPLN]

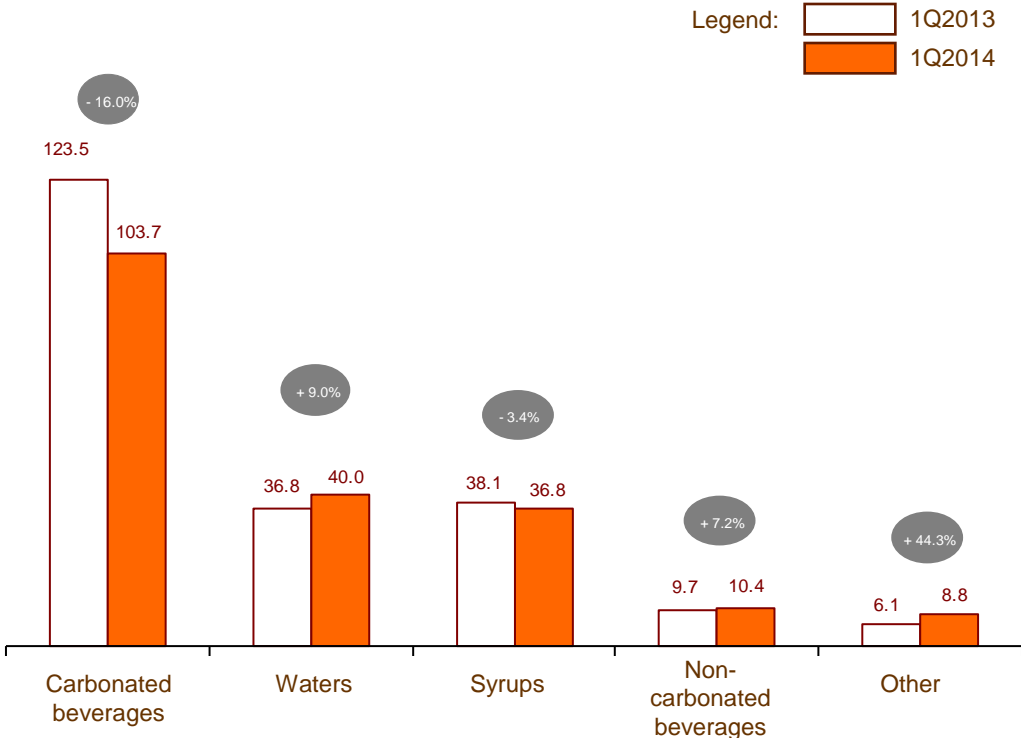


\*Data for 1Q2013 were translated into the Polish zloty using historical exchange rates

## Geographical segments

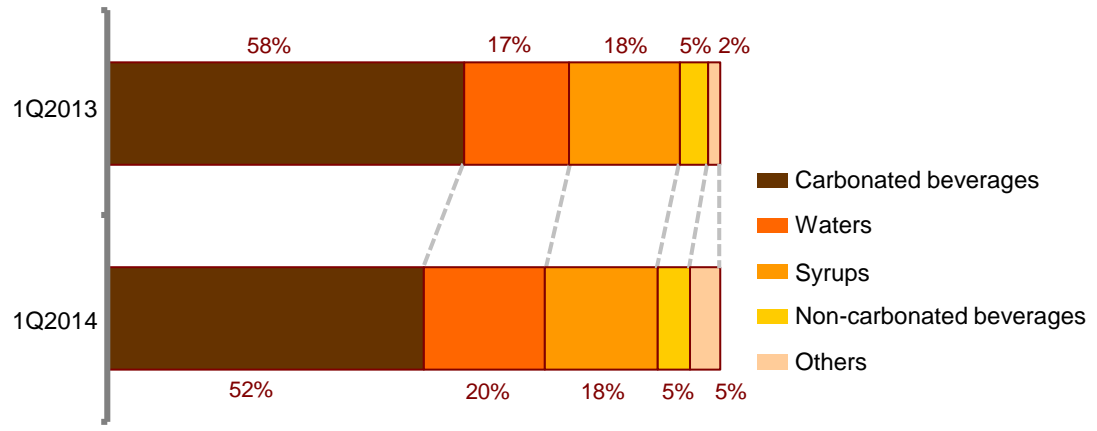
- Poland**  
 Revenues have decreased by 12.8% due to lower by PLN 12.3 million sales of HOOP Polska. This decrease relates to modern channel.  
  
 Taking into account also private labels HOOP Polska belongs into TOP5 producers in Poland.
- Czech**  
 Revenues decreased by 6.4% compared to 1Q2013 in PLN (decrease by 5.2% in local currency). The decrease relates to modern channel and results mainly from lower sales of carbonated beverages which were partly compensated with increased sales of water.  
  
 In 1Q2014 Kofola CZ reached leading position in the retail segment in terms of market share.
- Slovakia**  
 Revenues have increased by 4.9% in PLN (2.0% in local currency).  
  
 In 1Q2014 Kofola SK had a leading position in the retail segment as well as HoReCa segment in terms of market share.

# SALES IN INDIVIDUAL PRODUCT SEGMENTS\* IN 1Q2014 [MPLN]



## Segment reporting by product groups

- The main factor influencing the decrease of revenues in the segment of carbonated beverages is moving of Easter (spring peak of sales) to Q2 2014 compared to Q1 in 2013.
- Increase in the water segment thanks to new products (flavored waters) and start of the distribution of luxury branded waters (Evian, Badoit) and popular healing mineral water Vincentka.
- Strong position in the syrups segment – first position in the Czech Republic, second in Slovakia and Poland
- Slight increase in the non-carbonated beverages segment due to innovations
- Significant increase in the segment other due to increased sales of Semtex and growing revenues of fresh bars (also thanks to acquisition of Mangaloo group)



\*Data for 1Q2013 were translated into the Polish zloty using historical exchange rates



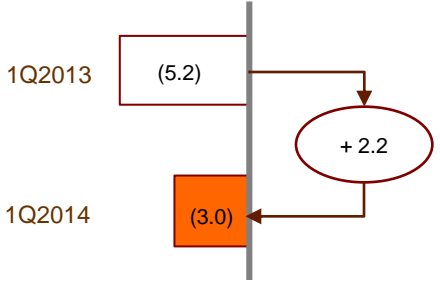
# FINANCIAL RESULTS OF KOFOLA GROUP IN 1Q2014 [MPLN]

Legend:  1Q2013  
 1Q2014

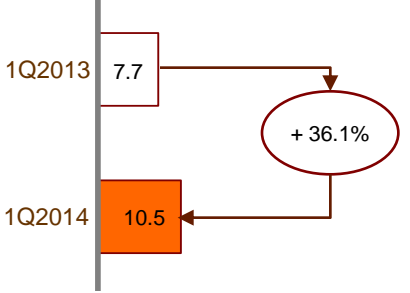
## Cash flow and net debt

- Cash flow from operations better by PLN 2.2 million
- Drop of net debt by 15.0%
- Net debt/12mEBITDA decreased to 1.72x compared to 2.22x as at 31 March 2013.

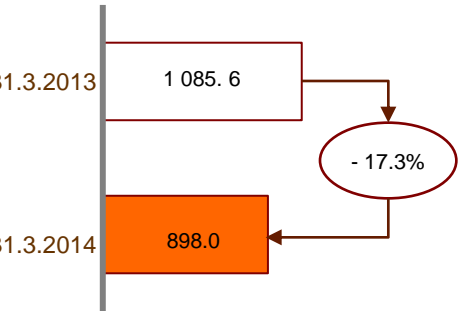
Cash Flow from operations\*



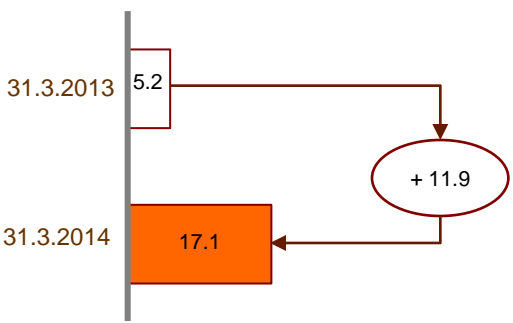
CapEx\*



Total assets

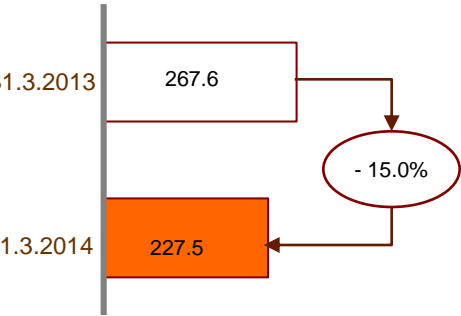


Working capital

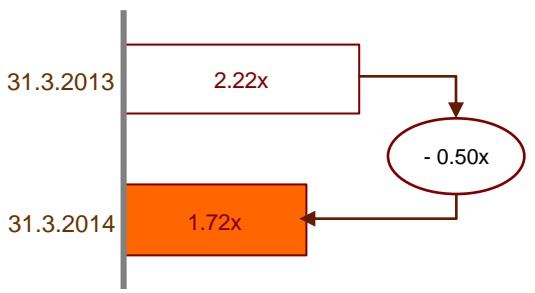


## Net debt/12mEBITDA 1.72x

Net debt



Net debt/12mEBITDA



\* Data for 1Q2013 were translated into the Polish zloty using historical exchange rates

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# POSITION OF THE GROUP IN THE MAIN SEGMENTS

Legend:



Leader



Viceleader

	PL	CZ	SK	RU
<b>Cola beverages</b>	3	2	2	-
<b>Carbonated beverages</b>	7	2	2	-
<b>Waters</b>	-	4	1	-
<b>Sirups and concentrates</b>	2	1	2	-
<b>Beverages for children</b>	5	2	2	-
<b>Energy drinks</b>	-	4	9	-
<b>Soft alcohol beverages (alcopops)</b>	-	-	-	3*

\* Volume share in the Moscow region

- Strong second position on the Czech and Slovak market.
- Strong position in the segment for carbonated beverages in Slovakia was achieved due to acquisition of Vinea brand in 2008.
- First position in the natural spring waters in Slovakia. Position achieved due to innovations.
- Jupi is clear leader in the syrup segment in the Czech Republic and viceleader in Slovakia thanks to introduced innovations. Second place of Paola syrup in Poland.
- Pioneer activities in the segment of beverages for children on Czech and Slovak markets (Jupík, Jupík Aqua). On the Czech and Slovak market second position behind Kubik.
- Energy drink Semtex since acquisition in 2011 strengthens its position in the Czech Republic and Slovakia.
- Alco-pops products have a strong position in Russia – especially in Moscow area (unfortunately, in a declining market - due to restrictions on sales and marketing of alcoholic beverages).

## Kofola Group's approach to market trends and development

### HEALTHY FOOD AND BEVERAGES

- More healthy beverages (waters, children beverages) with lower sugar content compared to other competitors and beverages with herbs and trees extracts
- First drinks with stevia (natural sweetener - without calories) - Kofola bez cukru (Sugar free), Jupík with stevia
- Introducing in 2011 hot filling line allowed us to introduce many new products without preservatives (syrups, aloe vera drinks, ice teas, beverages for children)
- Promotion of healthy life style ([www.hravezijzdrave.cz](http://www.hravezijzdrave.cz), [www.hravozizdravo.sk](http://www.hravozizdravo.sk), [www.trzymajforme.pl](http://www.trzymajforme.pl))

### INCREASING SHARE OF OUTDOOR ACTIVITIES

- Entrance to „on-the-go” market (kiosks, vending machines, gyms, schools, work places etc.)
- Increasing share of small formats in the product portfolio (most of the news up to 0.5l)
- Increasing number of restaurants supplied by Kofola Group (direct distribution in Slovakia since 2009)

### CUSTOMERS LOOKS FOR THE VALUE

- Dedicated sales team for gastronomy clients in Czech
- Systematical decreasing of production and logistics costs
- Dedicated team to handle the food discount stores and products "Private label"
- Focus on value added for customers

### PRICES OF RAW MATERIALS

- Search for alternative suppliers
- Bottle weight reduction
- Healthy drinks with lower sugar content
- Increasing the share of recycled granules

### GLOBALIZATION AND GROWING INDIVIDUALISM

- Using production/distribution licenses, introduction of global brands in CEE markets (e.g Orangina, Pickwick Ice Tea, RC Cola, Evian, Badoit)
- Innovations acceptable for the majority of customers
- Engaging the customers in the promotion of positive emotions related to Kofola Group's brands

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# MISSION AND VISION

## Mision:

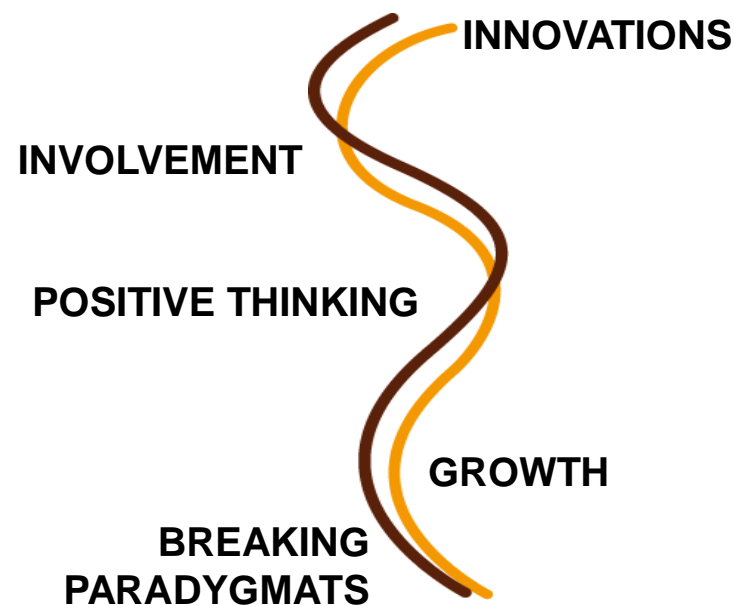
We are Kofola. With enthusiasm we strive for what is truly important in life: to love, to live healthy and always look for new ways.

## Vision:

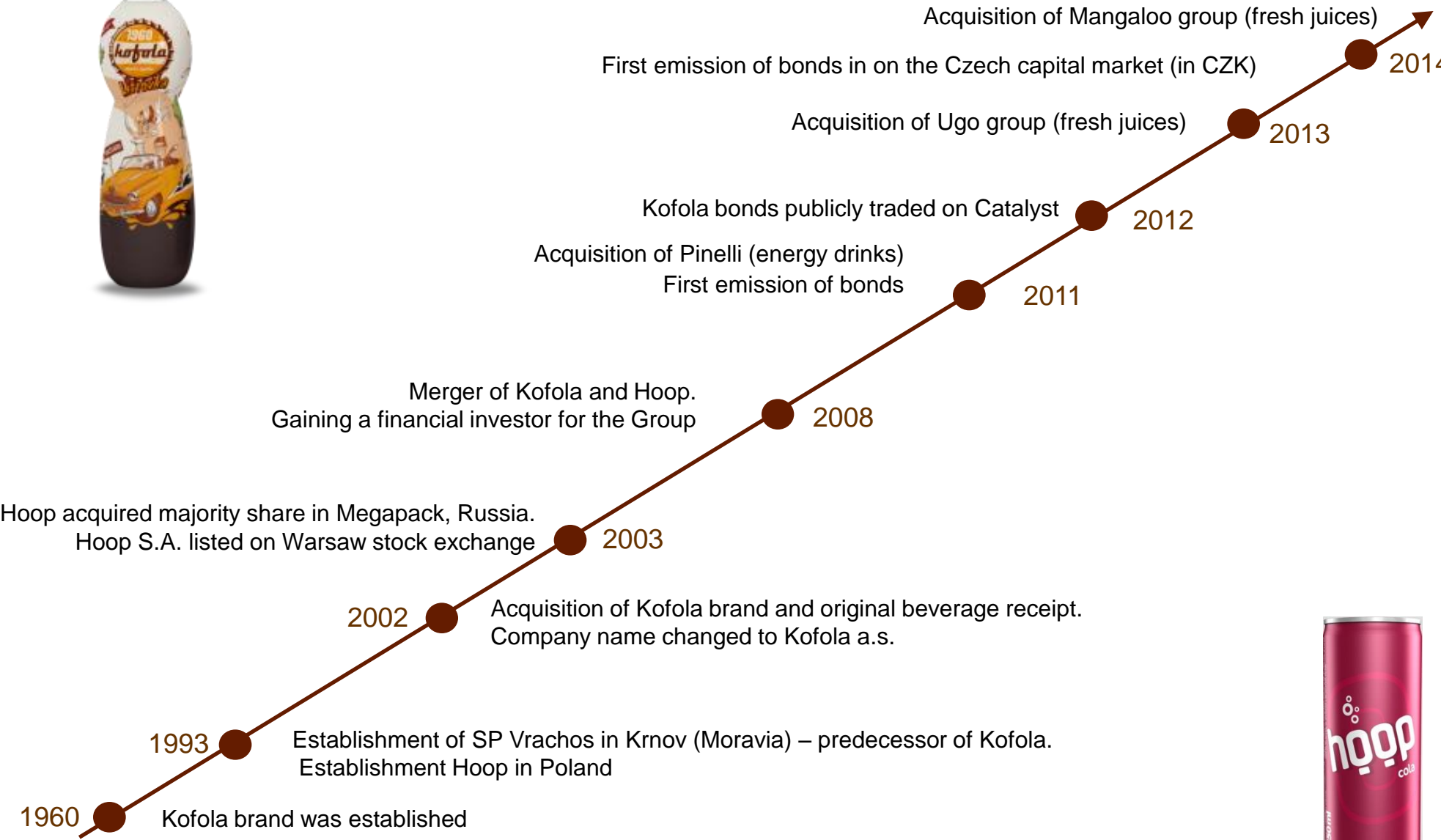
By 2017 we want to be Czechoslovak leader in gastro and impulse, stabilize retail and offer our beverages in a healthier form and as till now we will produce our products with the greatest care and love.

## Our core competences are our DNA:

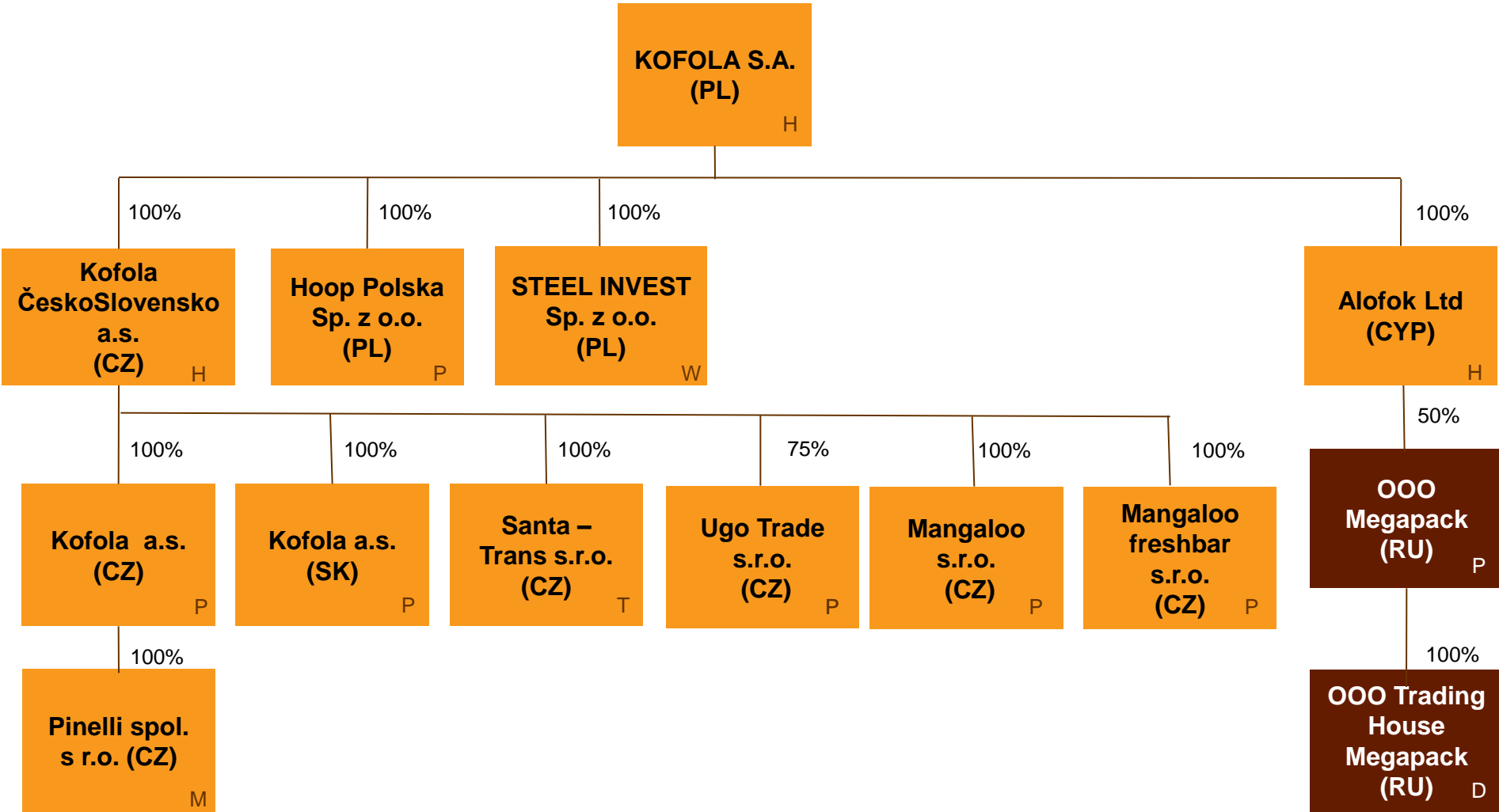
- We aim to be one step ahead
- We are constantly looking for new opportunities to grow
- Our business is created by our consumers, customers, suppliers and employees
- We are bringing emotions
- We work where we are at home and we know the local culture



# HISTORY OF KOFOLA GROUP



# LEGAL STRUCTURE OF KOFOLA GROUP AS AT 31.3.2014

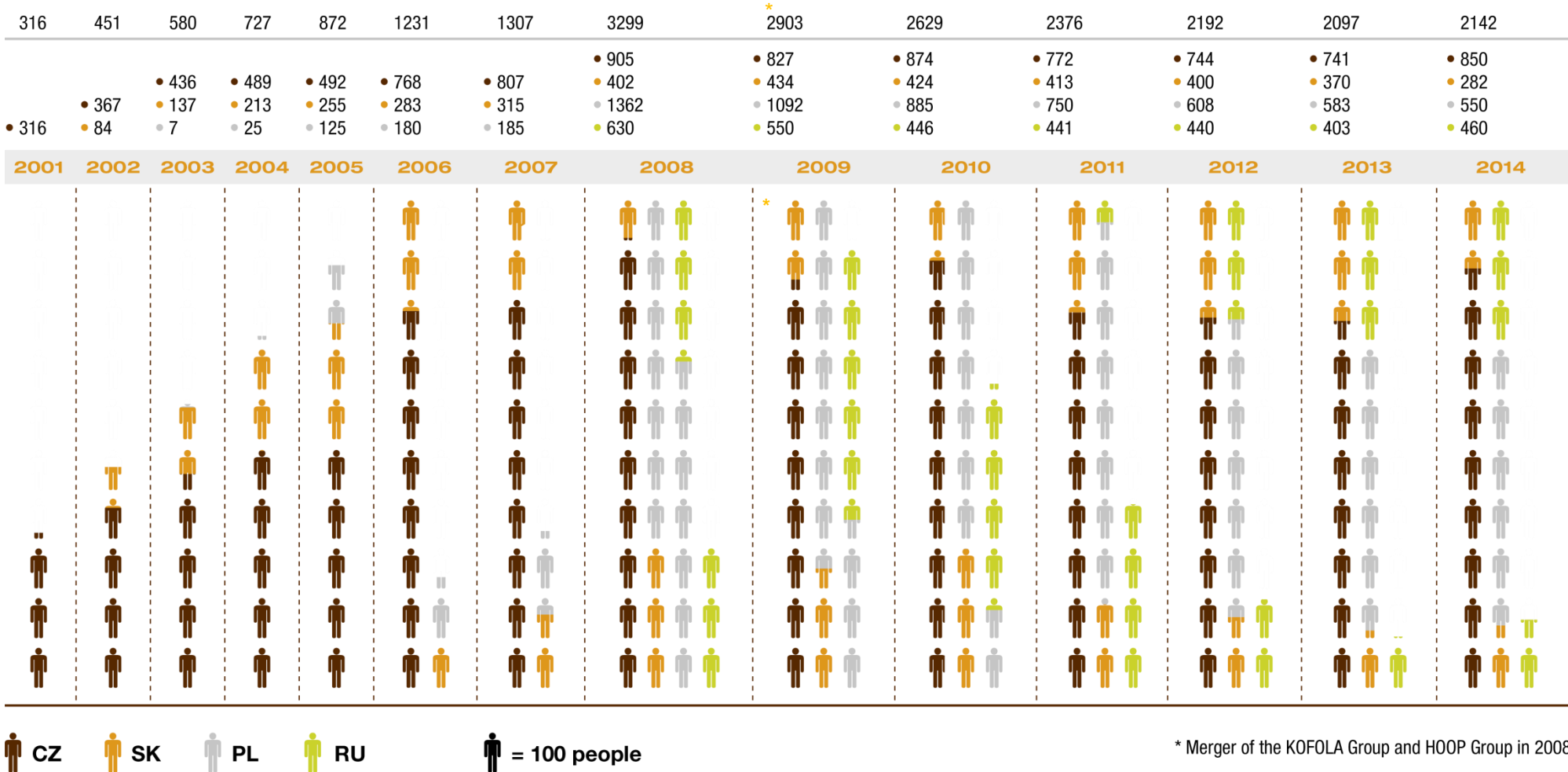


Legend:

- Fully consolidated entity
- Entity consolidated using equity method

- P – sales and production
- D – distribution
- W – terminating operations
- T – transportation
- H – holding company
- M – owner of brand

# NUMBER OF EMPLOYEES IN INDIVIDUAL COUNTRIES SINCE 2001



# DISTRIBUTION CHANNELS

	PL	CZ	SK	RU
<b>Modern channels</b> (retail chains)	●	●	●	●
<b>Traditional channels</b> (wholesalers and distributors)	●	●	●	●
<b>HoReCa</b>		●	●	
<b>B2B</b> (private labels, co-packing, toll-manufacturing)	●			●
<b>Direct distribution</b>			●	
<b>Vending machines</b>		●		
<b>Fresh Bars</b>		●	●	

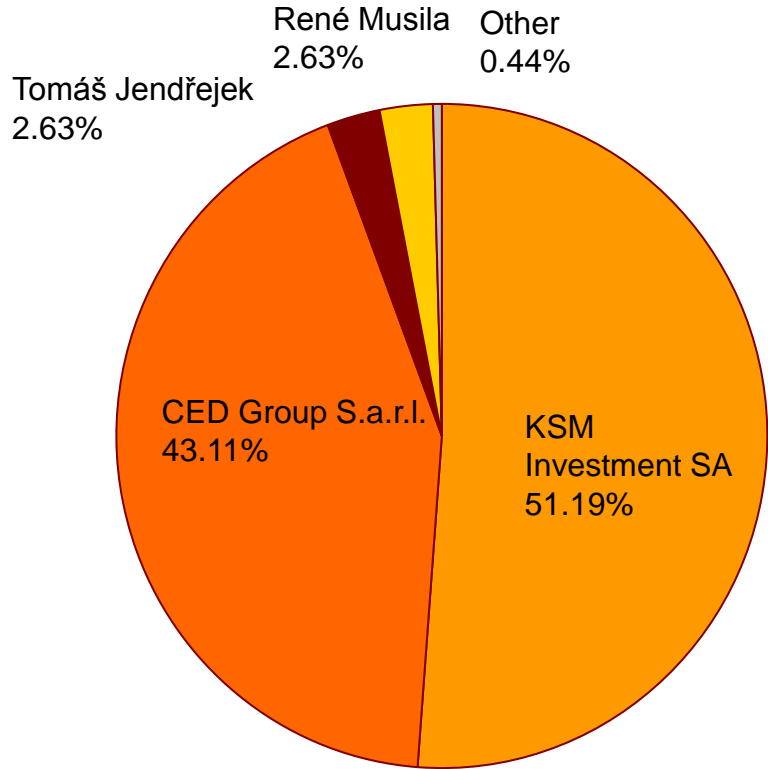
- Kofola Group has a strong position in modern channels (in both supermarkets and discount stores in all countries).
- Although, the sales activity slowly moving to modern distribution channels, traditional channels remains the second strongest channel.
- Very strong position of HoReCa channel in Czech and Slovakia where Kofola is sold from kegs.
- Segment B2B requires unique knowledge. We produce and sell private labels for our strategic partners as well as products of global beverages producers. Toll-manufacturing contract with the worldwide Top beverages manufacturer.
- Direct distribution (DD) was fully launched in Slovakia since 4Q 2009. DD allowed to increased gross profit and improved cash flows, but caused higher logistic costs on the other side. Transition to the Cross Dock model from Q4 2011.
- At the end of 2012 Kofola group acquired first operator of fresh bars – UGO group. At the beginning of 2014 the expansion continues by the acquisition of Mangaloo group.



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# SHAREHOLDER STRUCTURE



Share capital comprises 26 170 003 shares in following structure:

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13 085 977 shares in series A-E approved for trading

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13 084 026 shares in series F-G not in trading

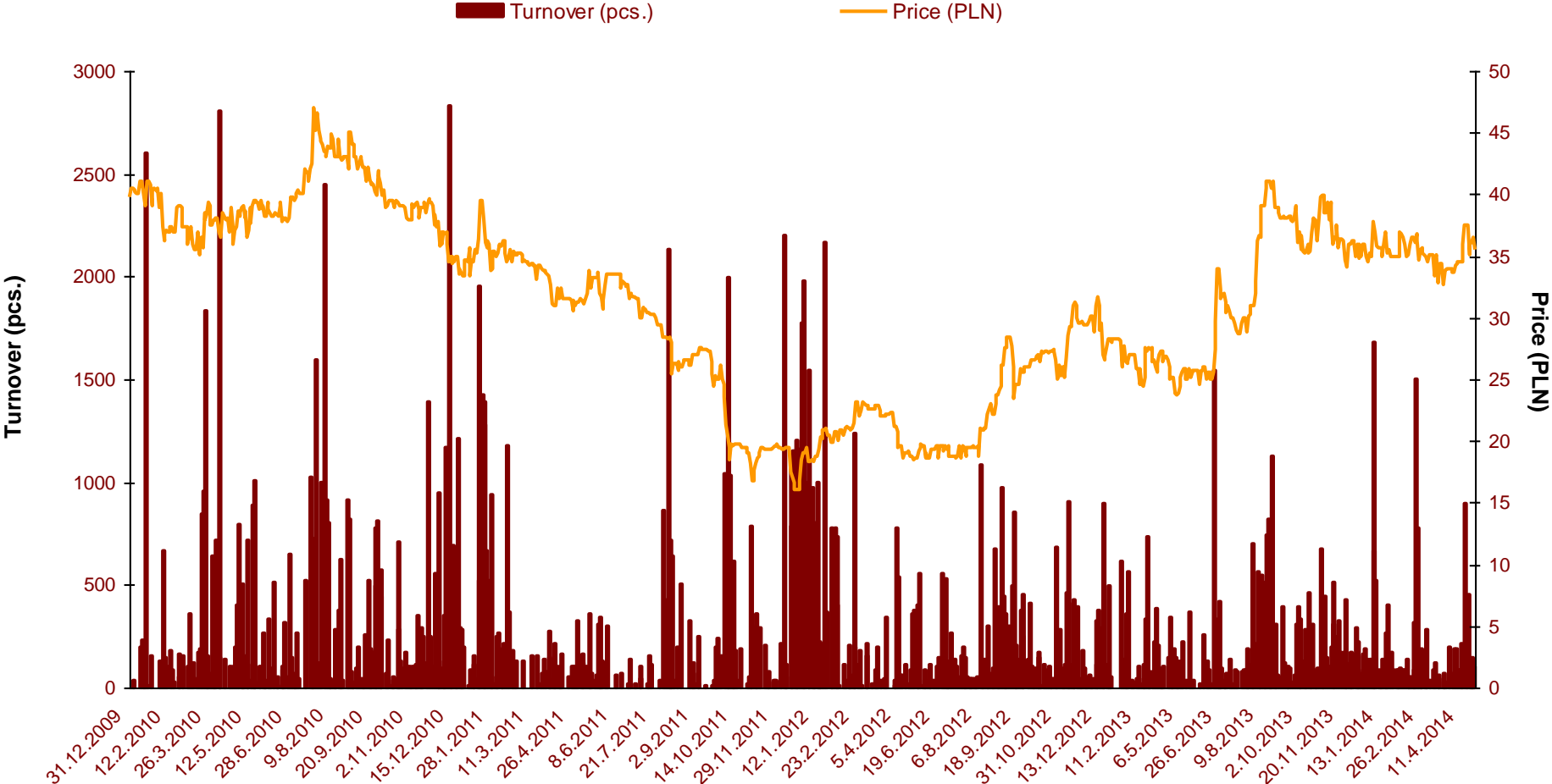
## Equity

### Shares buy back

- The GM of Shareholders had authorized the Management Board to acquire company's own shares for their redemption and reduction of share capital. The total number of shares covered by the Buy Back Program will be not more than 116 108 shares (0.44% of the share capital). The financial resources allocated to the implementation of the program may not exceed 930 TPLN and the price of purchased shares may not be higher than 40 PLN per share. The Program is in progress.

# SHARE PRICE AND TURNOVER

Avg. share price in 2014	35.3 PLN	Avg. share price in 2013	21.5 PLN
Average daily transaction activity in 2014	167.4 pcs.	Average daily transaction activity in 2013	188.0 pcs.



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## KOFOLA S.A.

Should you have any question related to KOFOLA S.A. do not hesitate to contact our investor relations office:

**František Beneš**



e-mail: [rikofola@kofola.pl](mailto:rikofola@kofola.pl)

tel.: +420 606 668 980

[www.kofola.pl](http://www.kofola.pl)

KOFOLA S.A.

ul. Wschodnia 5

99-300 Kutno

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