CONSOLIDATED ANNUAL REPORT
Kofola s.a. group for the year 2011

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1 The Directors' Report on the activities of the KOFOLA S.A. Group

1 The Directors' Report on the activities of the KOFOLA S.A. Group

1.1 Letter from the Chairman of the Management Board

Ladies and Gentlemen, Dear Shareholders,

The year 2011 brought many uncertainties and dynamic changes to the beverage industry.

We were facing rapidly rising prices of raw material, that have reached unprecedented levels. Our competitors, in order to maintain their market share, used aggressive price politics, increasing prices only in the second half of the year, due to decreased profitability.

The crisis in the euro zone translated into high volatility in the Forex market and into the decrease of local exchange rates against euro. Strengthening of euro had an additional negative impact on raw material prices. High oil prices resulted in transportation costs that were higher than last year, which because of the production volume, constitute a significant cost item.

An increasingly apparent economic slowdown in Central Europe resulted in consumers changing to cheaper products which resulted in an apparent flow from traditional retailers to retail chains, mainly to discounters.

At the same time, consolidation of market occurred, exemplified by acquisition of the company Tradis by Eurocash. In this context we are the beneficiaries of having strong brands in syrup segments, which are gaining the most during this downturn period.

An unpleasant surprise was brought by this year's cool rainy summer. July, as the most profitable month, resulted in a more than 20 percent decrease in beverage sales in the region, compared to 2010.

In the second half of the year, all beverage manufacturers were even considering a 30 percent price increase, in orded ro compensate for persistent high raw material prices.

In Russia, from January 2011, the government has once again increased excise duties on alcohol. Megapack subsidiaries were in the process of renewal of the 5 year concession, for production and sale of low-alcoholic beverages. However, due to prolonging administrative procedures production had to be stopped for some time in 2011. Additionally, in the second half of the year, the method for calculating excise duty in Russia has been changed. Current monthly payments commencing with production date, were replaced by advance payments.

Fears of PIIGS countries bankruptcy have limited banks financing readiness, which was reflected in extended processes for granting loan and raised the cost of money.

In these volatile and extremely competitive market conditions, KOFOLA S.A. Group managed to increase revenues in 2011 by 5%, to PLN 1 336 million, and thanks to implemented savings program and optimisation activities, managed to increase operating profit by PLN 63,6 million to PLN 54 million, EBITDA (earnings before depreciation) increased by PLN 61,2 million to PLN 132,4 million.

Despite the record expensive raw materials in 2011 we managed to increase EBIT and Net profit.

Photo: Jiří Turek for Forbes magazine

1 The Directors' Report on the activities of the KOFOLA S.A. Group

1.1 Letter from the Chairman of the Management Board

In the previous year we created a net profit attributable to shareholders of the parent company in the amount of PLN 24,2 million compared to loss in the amount of PLN 30,5 million in the year 2010. We managed to increase the profit in spite of high raw material prices, by implementing cost discipline in the whole Group. As a result of expensive raw material, and despite increased revenue, profit from sales has decreased by PLN 11,3 million in comparison to 2010 and gross margin from sales has decreased by 3,6 percentage points. In order to compensate for expensive raw materials, we were looking for alternative suppliers; where possible we were trying to sign contracts guarantying price stability at least for periods of a few months; we were also changing packaging and recipes accordingly. As a part of our activities in CRS, we have restricted the use of granulation for the production of PET bottles, by reducing their weight, we have also increased the share of recycled granulation. We were trying to pass the increasing material prices, onto our customers through systematic price increases (even though they were slower and in lower scale than initially predicted). As part of the implemented savings program, we managed to find PLN 21,5 million in sales costs and PLN 7,2 million in general administrative costs. The most severe change was the merger of Kofola employment structures in the Czech Republic and in Slovakia into one team from September 2011. The structure of the Group legal entities has remained unchanged so far. As a result of the merger we have reduced the employment in these two countries by nearly 120 people in all departments. This restructuring resulted in one-off costs of PLN 3,3 million. As part of savings and better team integration, we have moved the registered office of KOFOLA S.A. to Kutno, where we have modern office facilities by our plant. We have also transferred the registered office of Hoop Polska Sp.z o.o. to Kutno in January 2012.

Without all these activities, we would not be able to improve financial results in the face of such expensive raw materials.

As in the previous years, we were counting on what was always our strong site, i.e. innovations. In the last year we were able to implement the entire range. In large part thanks to the start of the hot filling line (so called HotFill) in September, we have offered our clients a completely new range or Jupi syrups, new Pickwick Just Tea iced teas, fruit Jupik Smoothies, or as the first European manufacturer of drinks with pieces of Aloe Vera. In addition, we have expanded existing product groups: In the Czech Republic and in Slovakia - Rajec water flavored with daisies and birch, Kofola extra herb and cherry flavored or Kofola in the can. In Slovakia, the homeland of Vinea, we introduced pink variety Vinea Rose. In Poland an entirely new set of syrups was introduced: peach flavor, orange and lemon for the summer and for the winter raspberry with cinnamon and cloves flavor as well as vanilla with strawberry for the winter. For the first time sugar-free Hoop Cola and Hoop Cola citrus were available in 1.0 liter packages. We have reactivated our Grodziska Water after having removed it for a few years. This reactivation was welcomed by our faithful customers. We have also modified the whole group of Jupi fruit drinks. In place of existing mono-tastes, we have introduced fruit mixtures, in large formats as well as in half liter versions. A big part of the new products was prepared in small, more profitable formats. In Russia, we have introduced the licensed brand Kremlevskij and the flavored waters Arctic Fito and Fresh.

In previous year in the Czech and Slovakia markets, we have complemented the portfolio of energy drinks, thanks to the acquisition of Pinelli spol s r.o., the oldest manufacturer of the energy drink Semtex in the Czech market.

In spite of investments made and the less favorable method of excise duty accounting in Russia, the consolidated net debt at the year end (after the conversion with exchange rates from 31 December 2011) increased during the year by only PLN 2 million and constituted 2,4 times of adjusted EBITDA. Stable cash flow allowed us to pay out more than PLN 16 million in dividends, something we intend to continue in the years to come.

In last days of December we closed the first bond issue in KOFOLA S.A. history, the funds from which will allow us to finance investments made mainly in the Czech Republic and to diversify the Group's funding sources.

1 The Directors' Report on the activities of the KOFOLA S.A. Group

1.1 Letter from the Chairman of the Management Board

We continued the organisation of KOFOLA S.A. Group. In January 2011 we finished the liquidation process of the company Klimo s.r.o. in the Czech Republic. In May 2011 we began the process of selling the assets from our last distribution company PCD Hoop Sp. z o.o., whose employees were transferred to one of our distributors in June. This is the result of a decision taken in 2009 about withdrawing from unprofitable distribution business.

In December 2011 OOO Megapack Targovyj Dom signed contracts with several large food supermarket chains, which we hope will increase revenue in the next year.

Before us is the year 2012 which will bring us a number of challenges. Because of the expected economic slowdown in all countries in which we operate, the 4 percentage point VAT increase in the Czech Republic , the increase in excise duty on alcohol in Russia and rising prices of energy carriers, the consumer purchasing power will be at best on a similar level to that in the year 2011.

Furthermore, we are expecting high raw material prices (sugar, packaging and fruit juice concentrates), that we will try to compensate by passing their costs onto our customers, what might affect the sales volumes of branded products. In Russia another regulatory change is planned, involving the obligation of banding low-alcoholic beverages and changes in packaging capacity from 0.5 to 0.33 liters.

We continue to expect significant fluctuations in the currency market, worse access to bank loans and higher margins expected by banks.

We began the new year with a stable management team and with lots of enthusiasm, due to the positive trend in sales and financial results that were achieved in the fourth quarter of 2011, which we plan to continue.

We will continue to seek alternative raw materials suppliers and work on reducing the weight of PET bottles. We will also focus on acquiring attractive dining premises and on expanding product ranges sold in trade channel HoReCa. We are counting that the energy drink Semtex bought last year will help us with this. In the areas of cost, the focus will be, first of all, on the rising logistics costs due to expensive oil prices. In other areas, we will stabilise the organisation, after the major changes made in 2011.

Similar as in previous years, we will focus on innovations. For the year 2012, we have prepared a series of innovations in virtually all product categories and for each market. In Russia, for the second quarter, we plan to launch the first line of bottling in glass bottles.

Due to several organisational changes, like the combining of teams in the Czech Republic and Slovakia, or the moving Hoop Polska Sp. z o.o. and KOFOLA S.A. headquarters to Kutno, the year 2011 was very difficult for our employees; unfortunately, we had to dismiss some of them. Therefore, we hope that 2012 will bring some stability for those who stayed and the opportunity to enjoy success with us.

In conclusion I would like to thank the Members of the Supervisory Board for their support in building the KOFOLA S.A. Group's strategy. I am convinced that our cooperation this year will be even more effective.

Janis Samaras
Chairman of the Management Board
KOFOLA S.A.

1.2 Description of the KOFOLA S.A. Group

The KOFOLA S.A. GROUP is one of the leading producers of non-alcoholic beverages in Central Europe. The Group operates in the Czech Republic, Slovakia, Poland and in Russia.

OUR MISSION AND OUR GOAL

Our mission is to passionately and enthusiastically create new brand name products that offer to our clients functional and emotional values which allow our products to become an important part of their lives.

kofola

Awards received in 2011:

Kofola received the award ***„Zlatý Louskáček“*** in the category of the most creative ads, for the Kofola TV spot celebrating 50 years. The spot was prepared in the style of the sixties.

Three prizes ***„Louskáček“*** were won by the brand Rajec – for the project Frozen artwork (Images - „frost on glass“), receiving silver in the Outdoor category, silver in the Media category and bronze for Parking project in the Media category.

The monthly „Media and Marketing Poland“ once again appreciated our marketing activities. In the chronicle summarizing the year 2010,we were awarded with the title of ***„ambient gems“*** for Hooptymistyczne OOkno na Świat.

Spring water Rajec once again proved to be a pioneer. As the first spring water on the Czech market, it has been certified by the ***„Water matching wine.“*** This certificate was introduced by the Wine Institute of the Czech Republic in 2010 and is only giving it to water brands that meet the highest quality.

Czech TOP 100 - Kofola a.s. the fourth most admired company in the Czech Republic in 2010.

Editors of the oldest marketing magazine - Media and Marketing Poland - a distinction granted to Hoop Cola brand in the category of ***„Brand of the Year“***.

Rajec brand advertising campaign won third place in the second edition of the international advertising festival ***PIAF*** (Prague International Advertising Festival).

At this year's European competition ***ADC * E Awards***, ***Rajec*** Brand won the gold medal in the category Film & Radio.

In the national contest of ***Public Relations***, under the auspices of ***APRA*** and the ***PR Club***, Kofola as (CZ) took second place in the category of internal communications for the project ***KOFOLA 1960***.

Hoop Cola brand was ranked first in national competition magazine ***„Life Sales“ „TOP FMCG 2011“*** in the ***„Soft Drinks“*** category.

As part of supporting children in hospitals, we managed to collect CZK 500 thousand in the Czech Republic , and 30 thousand EUR in Slovakia. The funds collected funds went to the charitable foundation ***„Bábky v nemocnici“*** („doll hospital“).

„Zlatý klinec 2011“ - third place in the category of creativity in PR for the project ***„Bábky v nemocnici“*** („doll hospital“).

we are proud of our achievements

kofola

Janis Samaras, Chairman of the Management Board KOFOLA S.A. was chosen ***Entrepreneur of the Year 2011 in the Czech Republic*** in the contest organised since 2000 by Ernst & Young.

Ernst & Young
Podnikatel roku®
2011

Držitel titulu

Podnikatel roku 2011

Jannis Samaras

Kofola S.A.

ERNST & YOUNG
Quality In Everything We Do

Magdalena Souček
vedoucí partnerka
Ernst & Young

Adam Walach
předseda poroty
Podnikatel roku 2010

Praha, 15. února 2012

COMPANIES OF THE KOFOLA S.A. GROUP

Holding companies:

Kofola S.A. – Kutno, until 25 October 2011 Warsaw (PL)

Kofola Holding a.s. – Ostrava (CZ)

Production and trading companies:

Kofola a.s. – Krnov, Mnichovo Hradiště (CZ)

Kofola a.s. – Rajecká Lesná, Senec (SK)

Hoop Polska Sp. z o.o. – Warsaw, Kutno, Bielsk Podlaski, Grodzisk Wielkopolski (PL)

OOO Megapack – Moscow, Widnoje, Region Moskiewski (RU)

Kofola Sp. z o.o. – Kutno (PL)

Pinelli spol. s r.o. – Krnov (CZ)

Distribution companies:

PCD Hoop Sp. z o. o. – Koszalin (PL)

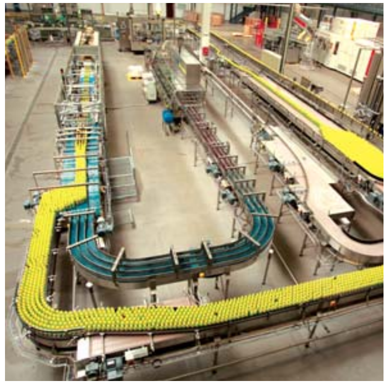
OOO Trading House Megapack – Moscow, Widnoje, Moscow Region (RU)

Transport companies:

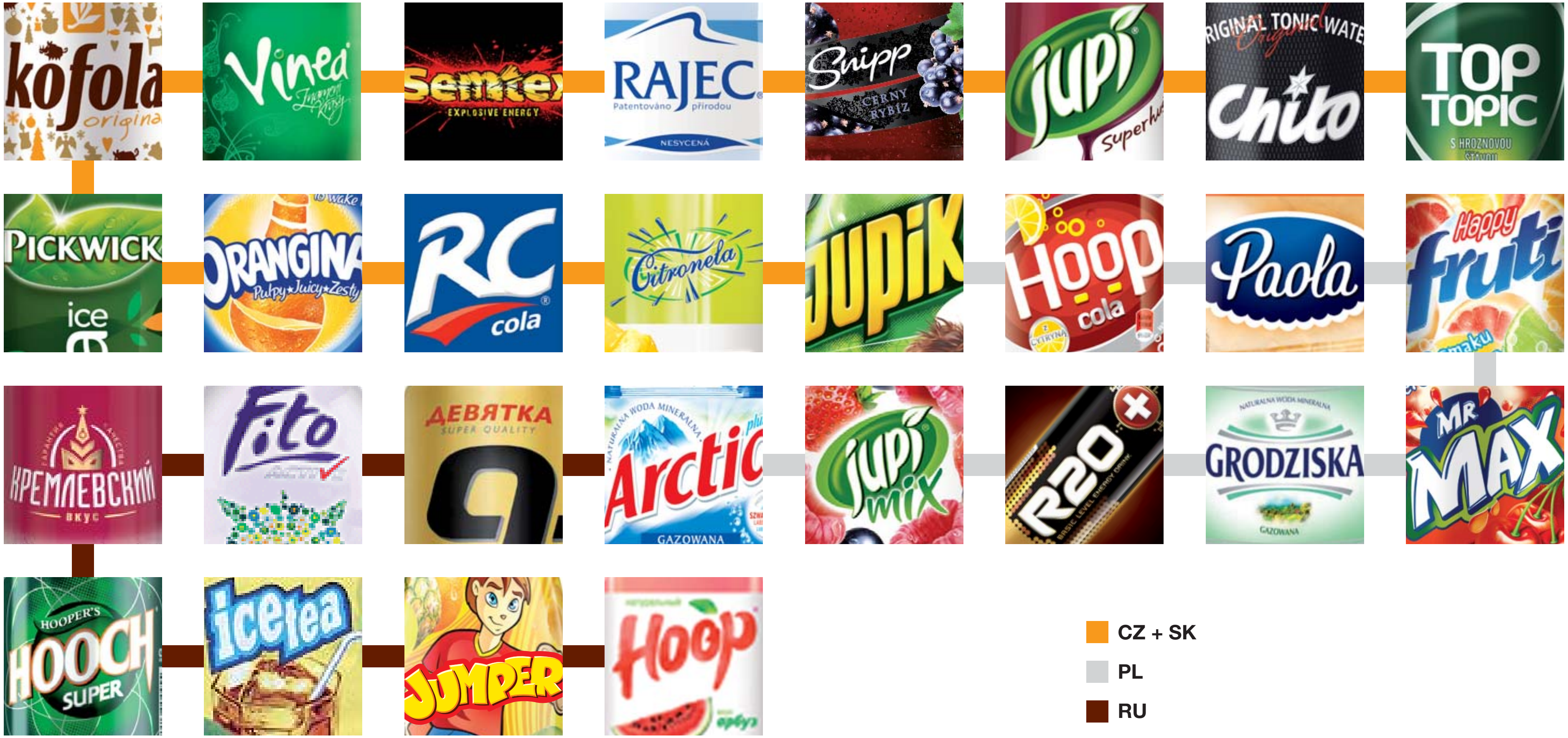
Santa-Trans s. r. o. – Krnov (CZ)

Santa-Trans.SK s. r. o. – Rajec (SK)

Transport Spedycja Handel Sulich Sp. z o. o. – Bielsk Podlaski (PL)



OUR BRANDS IN 2011



- CZ + SK
- PL
- RU

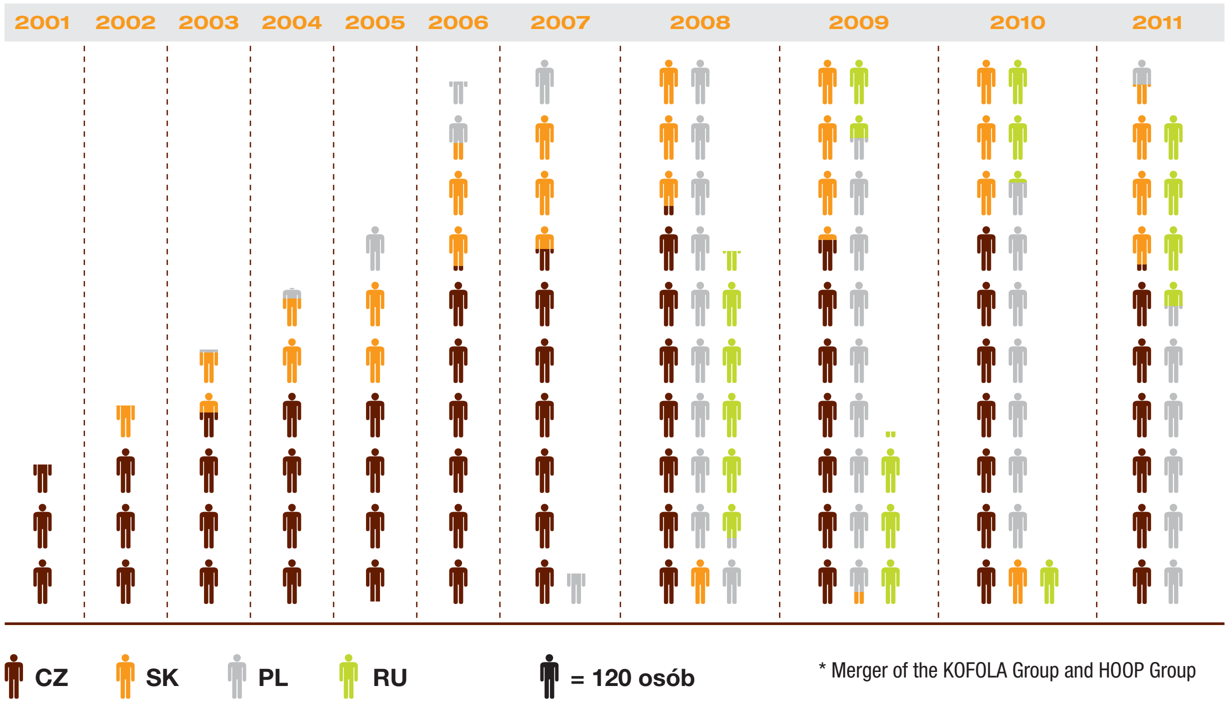
OUR PEOPLE ARE OUR STRENGHT

We understand that in today's knowledge-based economy to maintain a competitive edge it is necessary to continually acquire talents and to invest in people, to allow them to raise their qualifications. We believe that by skillfully managing the potential of our employees we can directly impact our financial results.

For this reason we continue to improve working conditions, give our employees the opportunity to raise their qualifications through internal and external training. All of our employees are covered by an incentive program that conditions the amount of their bonus on the realization of their individual goals and on the financial results achieved by the companies at which they are employed.Our employees are covered by an annual evaluation system enabling a verification of their achievements in the past year and helping them identify the areas of further development.

From 1 September 2011, changes in the organisational structures in the Czech Republic and Slovakia were implemented, involving the creation of a joint management team. The main objective is to manage Kofola Holding and Kofola Czech and Slovakia, as a single unit operating in the Czech and Slovak markets. The consolidation of the organisation will allow better focus on key areas of our business, more dynamic management, will contribute to simpler and more effective communication and will accelerate and improve all processes to enhance the effectiveness of our actions.

In 2011, after raising the effectiveness of our operations and merger of teams Kofola a.s. (CZ) and Kofola a.s. (SK) from 1 September 2011 we were able to lower the Group's average employment from 2 629 people in 2010 to 2 376 in 2011.



* Merger of the KOFOLA Group and HOOP Group

1 The Directors' Report on the activities of the KOFOLA S.A. Group

1.2 Description of the KOFOLA S.A. Group

The Group's structure and changes therein in the reporting period

As at 31 December 2011 the Group comprised the following entities:

	Company Name	Headquarters	Range of activity	Consolidation method	% part in share capital	% part in voting rights
1.	**KOFOLA S.A.**	Poland, Kutno	holding	acquisition accounting		
2.	**Kofola Holding a.s.**	Czech Republic, Ostrava	holding	acquisition accounting	100,00%	100,00%
3.	**Hoop Polska Sp. z o.o.**	Poland, Warsaw	production of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
4.	**Kofola a.s.**	Czech Republic, Krnov	production and distribution of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
5.	**Kofola a.s.**	Slovakia, Rajecká Lesná	production and distribution of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
6.	**Kofola Sp. z o.o.**	Poland, Kutno	rent of production assets	acquisition accounting	100,00%	100,00%
7.	**Santa-Trans s.r.o.**	Czech Republic, Krnov	road cargo transport	acquisition accounting	100,00%	100,00%
8.	**Santa-Trans.SK s.r.o.**	Slovakia, Rajec	road cargo transport	acquisition accounting	100,00%	100,00%
9.	**OOO Megapack**	Russia, Widnoje	production of non-alcoholic and low-alcoholic beverages	acquisition accounting	50,00%	50,00%
10.	**OOO Trading House Megapack**	Russia, Widnoje	sale and distribution of non-alcoholic and low-alcoholic beverages	acquisition accounting	50,00%	50,00%
11.	**Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.**	Poland, Koszalin	wholesale of alcoholic and non-alcoholic beverages, activity extinguished	acquisition accounting	100,00%	100,00%
12.	**Transport Spedycja Handel Sulich Sp. z o.o.**	Poland, Bielsk Podlaski	road cargo transport, spedition	equity accounting	50,00%	50,00%
13.	**Pinelli spol. s r.o.**	Czech Republic, Krnov	trademark licencing	acquisition accounting	100,00%	100,00%
14.	**Kofola Zrt.**	Hungary, Budapest	in liquidation	acquisition accounting	100,00%	100,00%

The holding company – **KOFOLA S.A.** ("the Company", "the Issuer") with its registered office in Warsaw, 01-102, ul. Jana Olbrachta 94 until 24 October 2011, currently with registered office in Kutno, 99-300, ul. Wschodnia 5, formed as a result of the 30 May 2008 merger of HOOP S.A and Kofola SPV Sp. z o.o. Effective with the merger's registration, the name HOOP S.A. was changed to KOFOLA - HOOP S.A and since 24 December to KOFOLA S.A. At this time the Company's functions consist primarily of management and ownership of all of the entities belonging to the KOFOLA S.A. Group.

The subsidiary **Hoop Polska Sp. z o.o.** with its registered office until 31 January 2012 in Warsaw, 01-102, ul. Jana Olbrachta 94; currently, the Company's registered office is in Kutno, 99-300, ul. WSCHODNIA 5, and KOFOLA S.A. holds 100%. The company's main area of activities is the production and sale of non-alcoholic beverages.

The subsidiary **Kofola Holding a.s.** is the company that manages the Group and at the same time the holding company of the Kofola Holding a.s. Group, with its registered office in Ostrava, Nad Porubkou 2278/31A, 708 00 Ostrava - Poruba, CZECH REPUBLIC, of which KOFOLA S.A. holds 100%.

1 The Directors' Report on the activities of the KOFOLA S.A. Group

1.2 Description of the KOFOLA S.A. Group

The Kofola Holding a.s. Group comprises the following entities:

- Kofola Holding a.s. – the holding company – registered in the Czech Republic, performing management and control of the other entities comprising the KOFOLA S.A. Group,
- Kofola a.s. (CZ) – a company registered in the Czech Republic, with main activities consisting of the production and distribution of beverages on the territory of the Czech Republic,
- Kofola a.s. (SK) – a company registered in Slovakia, with main activities consisting of the production and distribution of beverages on the territory of Slovakia,
- Kofola Sp. z o.o. – a company registered in Poland, with main activities consisting of renting out the production line in Kutno to the company Hoop Polska Sp. z o.o., which conducts its production there,
- Santa-Trans s.r.o. (CZ) – a company registered in the Czech Republic, with main activities consisting of road cargo transport provided mainly to Kofola a.s. (Czech Republic),
- Santa-Trans.SK s.r.o. (SL) – a company registered in Slovakia, with main activities consisting of road cargo transport provided mainly Kofola a.s. (Slovakia),
- Pinelli spol. s.r.o. (CZ) – a company registered in the Czech Republic, where Kofola a.s. (CZ) holds 100%. Until the end of June 2011 activities of Pinelli spol. s.r.o. consisted of the production and sale of beverages. In July and August 2011, activities were transferred to Kofola a.s. (CZ) and production to the plant in Krnov. Presently, Pinelli spol s.r.o. owns the trademarks Semtex, Erektus and ice tea Green Tea. Due to the fact that from the day of takeover as at 22 April 2011 until 30 April 2011, no operations that could have material impact on the Group's financial situation were noted. This report includes the results of Pinelli spol. s.r.o, for the period commencing 1 May 2011.
- Kofola Zrt. (HU) – a company registered in Hungary, is not active from 2010 and currently is in liquidation.

The subsidiary **Megapack Group**, with its holding company OOO Megapack with its registered office in Promozno, Widnoje, Leninskiy District, Moscow Region, the Russian Federation, where KOFOLA S.A. holds 50%. The activities of the Megapack Sp. z o.o. Group consist of the provision of services consisting of bottling beverages for third parties, production of own beverages, as well as their distribution in the territory of the Russian Federation. The KOFOLA S.A. Group is able to control the financial and operating policies of the Megapack Group, and as such it consolidates its financial results using acquisition accounting. In accordance with the binding Statute, the Director General of Megapack is selected by the Shareholders Meeting, with KOFOLA S.A. having the deciding vote in this matter. The Director General is Megapack's one-man executive and representative organ.

The subsidiary **Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.** with its registered office in Koszalin, 75-209, ul. Bowid 9e, where KOFOLA S.A. holds 100% and has 100% of votes at Shareholders Meeting. The activities of PCD HOOP Sp. z o.o. consist of the wholesale of beverages. Since April 2011, the company successively sells its assets significantly reducing operational activities with the intention of a future liquidation. For the purposes of these consolidated financial statements, the value of net assets held by the Company was reviewed for possible impairment.

The co-subsidiary **Transport – Spedycja – Handel - Sulich Sp. z o. o.** with its registered office in Bielsk Podlaski, where KOFOLA S.A. holds 50% and has 50% of votes at Shareholders Meeting. The company's activities consist of cargo road transport. This co-subsidiary is consolidated using equity method.

Bobmark International Sp. z o.o. with its registered office in Warsaw, and KOFOLA S.A. held 100%. The activities of Bobmark International Sp. z o.o. consisted of the wholesale of beverages. In accordance with a conditional agreement of 8 July 2010, the shares of Bobmark were sold at the moment of the registration of a share capital increase as at 18 October 2010, whereas control over the company was already lost at the signing of the conditional agreement and appointment of a new management set up by the new owner. Therefore, the results of Bobmark International Sp. z o.o. are presented only in comparable data for the six months of 2010.

KLIMO s.r.o. – a company registered in the Czech Republic. Until the end of 2007, the company was distributing beverages in the territory of the Czech Republic. From the beginning of 2008, the company ceased its operations. The liquidation process ended in January 2011. Accordingly, the results of KLIMO s.r.o. are presented only in comparable data.

1.3 Most significant events in the KOFOLA S.A. Group in the period from 1 January 2011 to the preparation of the present financial statements

Credit agreements

On 28 February 2011, annexes were signed to the credit agreements between the subsidiary Hoop Polska Sp. z o.o. and Bank Consortium, where KOFOLA S.A. played the role of guarantor. In accordance with the terms of the annexes, changes were made in the values of the financial ratios required by the creditors as well as financial terms of rendered loans.

On 20 February 2012, the Management of Hoop Polska Sp. z o.o. and the Management of KOFOLA S.A. as guarantor accepted terms in annexes to the credit agreements with Bank Consortium, according to which the financial ratios required by creditors and financial terms are to be changed.

Changed in the Supervisory Board and in the Audit Committee

On 26 January 2011, Mr. Ireneusz Stolarski, a member of the Company's Supervisory Board who was also the Chairman of the Supervisory Board, resigned from the position as a member of the Supervisory Board effective 26 January 2011.

Mr. René Sommer was appointed to the Supervisory Board of KOFOLA S.A. on 4 March 2011, and will serve in the position of Chairman of the Supervisory Board.

On 4 March 2011, the Supervisory Board has appointed Mr. René Sommer to the Audit Commitee of KOFOLA S.A., and dismissed Mr. Martin Dokoupil.

Acquisition of Pinelli spol s r.o.

On 22 April 2011, Kofola a.s. (Czech Republic), a subsidiary of KOFOLA SA, acquired 100% shares of the Czech company Pinelli spol. s r.o. manufacturer of the energy drinks Semtex and Erektus and Green Tea iced tea.

Payment of a dividend and creation of dividend fund

The Ordinary General Meeting of KOFOLA S.A. passed a decision by resolution number 17 from 29 June 2011 about creating a capital fund from accumulated profits in the amount of PLN 20 583 thousand for dividend (dividend fund). In this resolution, KOFOLA S.A. decided about the following distribution of the 2010 profit in the amount of PLN 25 186 thousand: amount of PLN 8 959 thousand will be transferred to increase the dividend fund and the amount of PLN 16 227 thousand will be used for dividend payments. The shares of all series (A,B,C,D,E,F,G) have the dividend value of 0,62 PLN. The dividend date was set for 29 September 2011. Per the above resolution, the dividend was paid out on 6 December 2011.

Change in registered office of KOFOLA S.A.

According to resolution number 17 from 29 June 2011, the Ordinary General Meeting decided to move the registered office of the Company to Kutno and, at the same time, to change the Company's Statute accordingly. The resolution was effective from 25 September 2011, but the official transfer of the KOFOLA S.A. office was on 25 October 2011, thus as at the day when the Company received information from KRS about registered change in KOFOLA S.A. Statute.

Restructuring of the subsidiaries

On 17 February 2011, the Management of Kofola Holding a.s., which is an indirect subsidiary of KOFOLA S.A., passed a resolution on the restructuring of departments of general management, sales and production with the goal of increasing the effectiveness of those departments.

On 27 July 2011, the Management of Kofola a.s. (CZ), an indirect subsidiary of KOFOLA S.A., passed a resolution on the restructuring of the sales department with the goal of increasing the effectiveness of the department.

On 10 August 2011, the Management of Kofola a.s. (SK), which is an indirect subsidiary of KOFOLA S.A., passed a resolution on the restructuring of the sales department with the goal of increasing the effectiveness of the department.

On 16 August 2011, the Managemen of Kofola a.s (CZ), which is an indirect subsidiary of KOFOLA S.A., passed a resolution on the restructuring of the production department with the goal of increasing the effectiveness of the department.

On 2 September 2011, the Management of Kofola a.s. (SK), which is an indirect subsidiary of KOFOLA S.A., passed a resolution on the restructuring of the sales department with the goal of increasing the effectiveness of the department.

On 13 September 2011, Management of Kofola a.s. (SK), which is an indirect subsidiary of KOFOLA S.A., passed a resolution on the restructuring of the sales, general management and production departments with the goal of increasing the effectiveness of those departments.

Resulting employment reduction costs amounted to PLN 3 343 thousand (see note 1.5.)

Changes in organisational structure

From 1 September 2011, in the Czech Republic and Slovakia, there were changes in the organisational structures involving the creation of a joint management team. The main objective is to manage Kofola Holding and Kofola Czech and Slovak as a single unit operating in the Czech and Slovak market. The consolidation of the organisation will allow for a better focus on key areas of our business, will enable more dynamic management, will contribute to a simpler and more effective communication and will accelerate and improve all processes to enhance the effectiveness of our actions.

Change in registered office of Hoop Polska Sp. z o.o.

According to resolution number 1 from 23 November 2011, Extraordinary Shareholders Meeting of HOOP Polska Sp. z o.o. decided to change the articles of association changing the registered office from Warsaw to Kutno. Official transfer of the office was as at 31 January 2012 upon registration of changed articles of association with the Registry Court.

Issue of bonds by KOFOLA S.A.

According to resolution number 13/XI/2011 of KOFOLA S.A.'s Supervisory Board from 10 November 2011 regarding approval of Bond Issuance Program realisation and KOFOLA S.A.'s Management resolution number 4/XI/2011 from 21 November 2011 regarding issuance of bonds from series A^1 and series A^2 , KOFOLA S.A. as at 21 December 2011 issued 3 075 A1bonds and 29 075 A^2 bonds.

In accordance with the Terms of Bonds Issuance:

- bonds are bearer bonds,
- bonds are not secured,
- the nominal value of bonds is PLN 1 000 each,
- the issue price of bonds is equal to their nominal value,
- maturity of bonds from series A1 is 24 months from the date of the resolution of the allocation and settlement,
- maturity of bonds from series A2 is 36 months from the date of the resolution of the allocation and settlement,
- interest on the bonds shall be determined separately by the sum of the index and margin WIBOR 6M for each series,
- interest will be paid every six months where the first interest period begins on the date of issue,
- bond purchase proposal was addressed to no more than 99 recipients in the manner specified in Article 9, item 3 of the Act on Bonds,
- bonds do not have the form of a document,
- bonds entitle only to cash benefits,
- bonds will be subject for appliance by the Issuer for their admission to trading in an alternative trading system on the Catalyst market, that is orgnised by the Stock Exchange in Warsaw or BondSpot S.A.,

1.3 Most significant events in the KOFOLA S.A. Group in the period from 1 January 2011 to the preparation of the present financial statements

- after two interest periods Issuer has granted option call bonds with the assumption that one-time buy-back will be at least 15% of the issued series under the Bond Issuance Program.

According to Resolution number 13/XI/2011 of KOFOLA S.A.'s SupervisoryBoard from 10 November 2011 regarding approval of Bond Issuance Program realisation changed by Supervisory Board resolution number 1/2012 from 20 February 2012 and KOFOLA S.A. Management resolution number 1/II/2012 from 1 February 2012 regarding issuance of bonds from series A3 , KOFOLA S.A. as at 20 February 2012 issued 16 850 bonds from series A3 at the issue price and with a nominal value of PLN 1 000 each with maturity of 34 months.

Loan provided by KOFOLA S.A. to the subsidiary

On 22 February 2012, KOFOLA S.A. provided a subordinated loan to the subsidiary Hoop Polska Sp. z o.o. in the amount of PLN 11 000 thousand with maturity on 31 December 2014. The purpose of the loan was to improve the financial ratios required for Hoop Polska Sp. z o.o. in the credit agreement with Bank Consortium.

Capital increase in subsidiary - an agreement on the transfer and an agreement on the obligation repayment

According to Resolution number 1 from 28 February 2012, the Extraordinary Shareholders Meeting of Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. increased the company's share capital by PLN 1 000 thousand by the creation of 2 000 new shares with a nominal value of PLN 500 each, which were acquired by KOFOLA S.A. by the issue value of PLN 5 500 for each share, thus the total issuance amount of 11 000 thousand PLN.

On 5 March 2012, a tripartite agreement on the transfer was concluded, under which the obligations of PCD Hoop Sp. z o.o. to Hoop Polska Sp. z o.o have been repaid to the amount of PLN 11 000 thousand and under which KOFOLA S.A. has given a cash contribution to cover the newly created shares in the increased capital of PCD Hoop Sp. z o.o. in the amount of PLN 11 000 thousand and undertook to pay the amount of transfer to Hoop Polska Sp. z o.o. no later than 28 February 2017, in accordance with the timetable included in the agreement from 7 March 2012 regarding the obligation repayment.

The above-described steps leading to the restructuring of PCD Hoop Sp. z o.o. constitute execution of commitments adopted by KOFOLA S.A. in the course of the arrangement of the company PCD Hoop Sp. z o.o. arising from the decision of 22 November 2010 by the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases , ref. Act VII GUp 13/10 for approval of the arrangements of the PCD Hoop Sp. z o.o.

1.4 The Group's responsibility to the community and to the environment

From the start of its operations Kofola strives to be a socially responsible company. We believe that being responsible is an answer to the needs of all of the Group's stakeholders, and in particular when it comes to building business values while maintaining our values.

In 2010 we openly named CSR (Corporate Social Responsibility) an inherent element of our company culture. At first, a very intuitive approach was reflected in several CSR projects.

In the year 2011, we were continuing many projects CSR started in previous years. At the same time, we are trying to implement the idea CSR in all possible areas. In our operations we pay special attention to supporting a healthy lifestyle (responsible consumption), having a frugal approach to natural resources, protecting the environment, tradition, being a good neighbor, and having employees who are ambassadors of our values.

Responsible consumption

Responsible consumption means taking an active part in various organizations, such as Food Chambers, where our employees hold leading position and develop various initiatives relating to healthy living, as well as educate consumers with regard to proper consumption of beverages.

We voluntarily marked our products with the GDA nutrition facts labels. In Czech Republic we are proud partner of internet course of healthy living for kids under the "Live healthy and have fun" (Hravě žij zdravě – http://www.hravezijzdrave.cz/) slogan. This program was also started in Slovakia.

In Poland, we are engaged in having a similar program "Trzymaj Forme", which is an educational program for children of high school age, promoting healthy life styles and nutrition.

To ensure that our products are as healthy as possible, we develop them in cooperation with leading nutrition specialists.

Healthy products

In 2011 we strongly focused on improving the healthy properties of our products. Firstly, we have replaced synthetic coloring with their natural equivalents. Secondly, we have implemented new PET line in hot filling technology (Hotfill) in the Czech Republic, thanks to which we can produce beverages in plastic bottles without the use of preservatives.

Environmental protection

With regard to environmental protection we focus on investments in modern technologies and production lines that increase efficiency and thus minimize the use of energy and water. We invest in our water intakes to make sure that it is of the highest quality and protected against any contamination. Our goal is to maintain what is best, what comes straight from nature, and provide all of our consumers with a unique natural spring water experience.

In 2011 we increased the use of pre-forms manufactured using recycled materials.

Due to the decreased weight of PET bottles in 2011, we managed to reduce the usage of granulation by 3,5% to 1 litre.

We also limit contamination caused by fumes generated by our vehicles. We currently have one of the most advanced vehicle fleets, which meets Europe's strictest norms.

Tradition

By buying local brands and building positive emotions and experiences around them we make it possible to maintain cultural heritage on the markets on which we operate.

Employees

We train all of our drivers in first aid and organize courses on what to do in the event of a car accident. Our trucks are marked with special stickers with telephone numbers that other drivers can call of our driver is driving incorrectly.

We have also started the "responsible driver" program that aims to get our drivers used to being responsible on the road.

Good neighbor

One of the most important aspects for our company is to be a "good neighbor". This is why we develop a whole series of projects that support the regions in which we operate, from the construction of play grounds, through the development of communications infrastructure or support of local non-government organizations.

In 2011 we continued the campaign to help sick children, Kofola Dobronožky/Maňušky, consisting of supporting non-profit organizations that bring a smile to children in hospitals by organizing puppet shows. Every one of us, by buying a bottle of Kofola, supported this campaign.

The campaign is an element of our special approach to brand building, the so called BSR (Brand Social Responsibility).

1 The Directors' Report on the activities of the KOFOLA S.A. Group

1.5 Description of operating results and financial position

Presented below is a description of the financial position and results of the KOFOLA S.A. Group for the 12 month period ended 31 December 2011. It should be reviewed along with the consolidated financial statements and with other financial information presented in the present report.

To better present the Group's financial position, in addition to the consolidated financial statements prepared in accordance with the accounting methods arising out of International Financial Reporting Standards, the Management is also presenting the consolidated financial results prepared for Group management purposes, adjusted for one-off events, mostly of non-monetary nature and recalculated by the same exchange rate.

Due to significant differences in the Czech crown, Euro and Russian ruble exchange rates to the Polish zloty between the reporting period of 2011, and the same period of 2010, in order to present better comparability of financial statements of Group's Czech, Slovak and Russian companies, the data for the comparable period of 2010 was converted to the Polish zloty with the 2011 exchange rate. Information about rates used for valuation purpose can be found in Note 4.3. The consolidated financial statements with recalculated comparable data are presented in the second chapter of this report.

Selected financial data for the period 1.1.2010 - 31.12.2010	Adjusted	Adjusted re-calculated *
Revenue	1 239 164	1 278 464
Cost of sales	(775 072)	(794 047)
Gross profit	**464 092**	**484 417**
Adjusted Selling, marketing and distribution costs	(352 756)	(366 425)
Administrative costs	(76 655)	(80 308)
Adjusted other operating income / (expenses), net	(1 019)	(962)
Adjusted operating result (EBIT)	**33 662**	**36 722**
Financial expense, net	(10 387)	(11 643)
Income tax	(8 696)	(8 987)
Adjusted net profit	**14 579**	**16 092**

* results reported in 2010 are for better comparability recalculated at the exchange rate from the 12 months of 2011

In Management's opinion, the consolidated financial statements adjusted by one-off events provide for a greater comparability of the KOFOLA S.A. Group's results achieved in 2011 and 2010; but from a formal standpoint, the consolidated financial statements, presented in section 2 of this report, are reported.

One-off items constitute all extraordinary items, exceptional items, non-recurring or unusual in nature, including in particular costs not arising from ordinary operations, such as those associated with impairment write downs, relocation costs and the costs of group layoffs.

In the 12 month period ended 31 December 2011 EBIT, EBITDA and net profit were affected by one-off costs amounted to 3 343 thousand PLN. After being adjusted by the effect of these items, operating profit amounted to 57 384, EBITDA amounted to 135 745 thousand PLN and adjusted net profit amounted to 29 379 thousand PLN. Details in the below table:

Selected financial data for the period 1.1.2011 - 31.12.2011	Consolidated financial statements under IFRS	One-off adjust-ments	Adjusted finan-cial statemetns for management purposes
Revenue	1 336 273	-	1 336 273
Cost of sales	(883 438)	611	(882 827)
Gross profit	**452 835**	**611**	**453 446**
Selling, marketing and distribution costs	(332 211)	2 144	(330 067)
Administrative costs	(69 478)	588	(68 890)
Other operating income / (expenses), net	2 895	-	2 895
Operating result (EBIT)	**54 041**	**3 343**	**57 384**
EBITDA	**132 402**	**3 343**	**135 745**
Financial expense, net	(16 562)	-	(16 562)
Income tax	(11 034)	(409)	(11 443)
Net profit	**26 445**	**2 934**	**29 379**

The need to exclude one-off costs from the results arises because of:

In July, August and September 2011, Management of Group companies in the Czech Republic and Slovakia passed the resolution regarding restructuring, with the goal to increase the efficiency of their operation. Costs of one-off severance payments connected to the restructuring amounted to PLN 3 343 thousand, from which PLN 2 144 thousand related to restructuring of the sales department, PLN 611 thousand to restructuring of production department, and an additionaly PLN 588 thousand related to restructuring of finance and administrative department.

In our opinion, these are one-off items and for further analysis should be excluded from operational costs.

Further in the chapter we will discuss the results after excluding the effects of the above-described one-off items and with comparable data recalculated with the same exchange rate as in the reported period.

Summary of results for the twelve months ended 31 December 2011

In assessing the KOFOLA S.A. Group's financial performance achieved in the twelve months ended 31 December 2011, the market environment needs to be taken into account as it has an impact on the results obtained:

- Consumers continued to have a high level of uncertainty and therefore, they were looking for savings in their shopping carts.
- The continuing high levels of unemployment and high energy prices had an adverse effect on the level of disposable income, which affected the contents of shopping carts, the tendency to seek sales and high promotional activity by our competitors and retailers in all markets where we operate.
- Transfer of sales from the traditional sales channel into modern and especially to food discount chains (in particular the apparent trend in Poland).
- A very rainy and cold July and the first half of August resulted in significantly lower sales in the summer, that the producers were trying to make up for by offering branded products at the discount chains at very attractive prices. Favourable weather conditions in following months contributed to the increase in production and sales, however they were not able to compensate for the decrease in sales recorded in the summer months.
- Extremly high prices for the production of preforms for PET bottles in the first half of 2011, due to delays in deliveries by PKN Orlen S.A. of production preforms for PX/PTA , which resulted in temporary shortages of raw materials to manufacture preforms in Central Europe.
- The increasing cost of financing resulting from the growth rates in the interbank markets and increase bank lending margins for loan renewals.

1.5 Description of operating results and financial position

- Increase in exchange rates of the euro and the Czech koruna against the Polish zloty in the second half of the year translating into higher prices for the purchase of raw materials denominated in Euro and the revaluation of balance sheet items.
- Long administrative process for the five-year renewal of licenses for the production and sale of alcoholic beverages to the Group companies of Megapack Group caused, first, a break in production and inability to fit the needs of customers and subsequently increase in sales of low-alcoholic beverage in the last two months of 2011.
- Below, we describe the changes that have taken place in the main items of the consolidated financial statements.
- Revenues increased by PLN 57 809 thousand, i.e. by 4.5% compared to the twelve months ended 31 December 2010.
- Decrease in gross margin on sales from 37.9% to 33.9% mainly due to the increase in purchase prices of basic raw materials and price pressures in categories of cola drinks and water.
- Gross profit fell by PLN 30 971 thousand (i.e. 6.4%) as a result of higher commodity prices despite an increase in sales revenue.
- The amount of savings, including the optimisation of sales and distribution services, and optimisation of general and administrative expenses in the Group was higher than the observed decrease in gross profit, and as a result we obtained increase in adjusted operating profit (EBIT) by PLN 20 662 thousand, i.e. by 56.3%.
- The increase in adjusted EBITDA (operating profit plus depreciation) of PLN 119 906 thousand to PLN 135 745 thousand, i.e. about PLN 15 839 thousand, an increase of 13.2%.
- EBITDA margin increased from 9.4% in the twelve months ended 31 December 2010 to 10.2% in the corresponding period of year 2011.
- The increase in adjusted net profit of PLN 16 092 thousand to PLN 29 379 thousand, i.e. about PLN 13 287 thousand, an increase of 82.6%.
- Doubling of the adjusted earnings per share attributable to shareholders of the parent - an increase from PLN 0.5400 to 1.0380.
- Increase in net financial debt from PLN 318 097 thousand at the end of December 2010 (converted to the exchange rate of the Polish zloty in the period of 2011) to the level of PLN 320 580 thousand on 31 December 2011, i.e. PLN 2 483 thousand, an increase of 0.8%. Group net debt calculated as a multiple of 12-month corrected EBITDA amounted to 2,4 at the end of December 2011 and 2,7 at the end of December 2010.
- Increase in net working capital of PLN 43 053 thousand on 31 December 2010 (converted to the exchange rate of the Polish zloty in the period of 2011) to PLN 64 189 thousand on 31 December 2011. This increase results from an increase in the level of trade receivables due to the increase of Megapack Group sales in December 2011 and the change in method of accounting for excise duty in Russia, where the monthly settling was replaced by advance payments (by which existing payables were transferred into receivables).
- The cash flow generated from operating activities during the twelve months ended 31 December 2011 were PLN 27 437 thousand lower , i.e. by 20.7%, compared to cash flow for the same period in 2010.
- Cash flows from investing activities incurred during the twelve months ended 31 December 2011 totaled PLN 57 401 thousand and were PLN 23 318 thousand higher. At almost the same level of expenditure for the acquisition of fixed assets and intangible assets, the difference results from the sale in 2010 of BOMI S.A. shares and the acquisition in 2011 of the company Pinelli spol. s r.o.

1.5 Description of operating results and financial position

Poland

- Despite a 1.4% decline in revenues recorded in the whole market of non-alcoholic beverages in Poland in the twelve months ended 31 December 2011 (as compared to the same period in 2010) Hoop Polska Sp. z o.o. generated a sales increase of 6.2%, i.e. PLN 26 961 thousand. This increase was mainly recorded in a segment of carbonated beverages (Hoop Cola), syrups, and mineral waters, especially in the modern channel.

- Sales growth was achieved thanks to much improved efficiency of the reduced sales under new management and a consistent focus on key brands and clients.

- In 2011, new products were introduced: Hoop Cola without sugar and lemon in a 1,0 l bottle and new flavors of Paola syrups: yellow summer flavors (orange, lemon, peach) and limited edition flavors (strawberry, vanilla and raspberry winter). After several years, we have reactivated our Water Grodzisk, which was welcomed by the faithful consumers.

Czech Republic

- In the twelve months ended 31 December 2011, the Czech market of non-alcoholic beverages had increased by 1.2% in the traditional and modern channels, and 0.4% in the catering sector (compared to same period in 2010). In the growing market of the Czech traditional and modern channels, Kofola a.s. (Czech Republic) reported a decrease in sales revenue of 2.6% calculated in the local currency. This decrease is mainly in the non-carbonated drinks segment. Revenues of Kofola a.s. (Czech Republic) in the most profitable channel, catering, increased by 0.6% for the twelve months ended 31 December 2011 as compared to the same period in 2010. The Kofola a.s. (Czech Republic) share of the non-alcoholic beverage market remained stable in all segments and channels.

- Jupi syrups in the Czech Republic is a leader with nearly 35.8% market share due to their high quality and innovations.

- In 2011, a number of innovations were launched on the Czech market: the new flavored waters Rajec („Flower“ and „Birch“), cherry flavored Kofola, canned Kofola, herbal supplement Kofola, Vinea soft drinks in the 1.5 liter container in the segment retail sales, Jupik Smoothie, Aloe Vera, and a new range of syrups with the addition of Jupi fruit juice. In addition, from April 2011 through the purchase of the company Pinelli spol. s r.o. started selling energy drink Semtex and Erektus and ice tea Green Tea.

Slovakia

- In the twelve months ended 31 December 2011, the traditional and modern channels of Slovak market of non-alcoholic beverages had increased by 8.7% in, and a 6.0% decrease in the catering sector (compared to the same period in 2010). In the growing Slovak market, in traditional and modern channels, our sales increased by 8.6% compared to 2010. The increase was most pronounced in the category of soft drinks. Revenues of Kofola a.s. (Slovakia) in the most profitable channel, catering, for the twelve months ended 31 December 2011 increased by 1.4% as compared to the same period in 2010, in the meantime this market has dropped, what allowed the company to strengthen its market share in this channel.

- Slovak Kofola Group products under the brand Rajec were still the leader in the bottled water category and include waters with new flavors (birch and daisy). In addition, Vinea has a strong position in the local market of carbonated beverages . Just as it is in the Czech Republic, it is also in Slovakia,we have started distributing cherry flavored Kofola, canned Kofola, herbal supplement Kofola, Pinelli spo. s r.o.'s energy drinks and a wide range of new Jupí syrups with the addition of fruit juice.

Russia

- In Russia, during the period, compared with the period of twelve months ended 31 December 2011, sales had increased by 22.2% in the local currency, which when converted to PLN gives an increase of PLN 53 656 thousand. We managed to achieve revenue growth despite many weeks of interruptions in production of low-alcoholic beverages due to prolonging administrative procedures regarding renewal of the licence for the production of alcoholic beverages. Revenue growth was the result of three factors: first, the low base from 2010, when customers in the first half were selling out their inventories of low-alcoholic beverages purchased in the fourth quarter of 2009, even with the old, i.e. low duty. The second factor was obtaining a large number of orders for service production (so-called co-packing), both low-alcoholic and non-alcoholic in the first half of 2011. This was possible due to the loss by some local companies of their license to manufacture alcoholic beverages.

- The third factor that allowed for growth was the renewal of the license to manufacture alcoholic beverages in November 2011, which resulted in a significant increase in sales of these products at the end of 2011. this was supported by the fact that therer was a of planned increase of excise duty on alcohol from January 2012, which greatly increased the demand for alcoholic beverages.

- The main innovations in 2011 were: Arctic Fresh, a new line of Arctic Fito and the introduction of Hoop - a new carbonated fruit drink in cans.

CONSOLIDATED INCOME STATEMENT

The twelve month period ended 31 December 2011 compared to the twelve month period ended 31 December 2010

Selected financial highlights	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010*	Change 2011/2010	Change 2011/2010 (%)
Revenue	1 336 273	1 278 464	57 809	4,5%
Adjusted cost of sales	(882 827)	(794 047)	(88 780)	11,2%
Adjusted gross profit	**453 446**	**484 417**	**(30 971)**	**(6,4%)**
Adjusted Selling, marketing and distribution costs	(330 067)	(366 425)	36 358	(9,9%)
Adjusted administrative costs	(68 890)	(80 308)	11 418	(14,2%)
Adjusted other operating income / (expense)	2 895	(962)	3 857	(400,9%)
Adjusted operating result	**57 384**	**36 722**	**20 662**	**56,3%**
Adjusted EBITDA	**135 745**	**119 906**	**15 839**	**13,2%**
Financial expense, net	(16 562)	(11 643)	(4 919)	42,2%
Adjusted income tax	(11 443)	(8 987)	(2 456)	27,3%
Adjusted net profit for the period	**29 379**	**16 092**	**13 287**	**82,6%**
- assigned to the shareholders of the parent company	27 167	14 133	13 034	92,2%
Gross margin %	33,9%	37,9%		
EBITDA margin (adjusted) %	10,2%	9,4%		
EBIT margin (adjusted) %	4,3%	2,9%		
Net profitability (adjusted) %	2,2%	1,3%		
Net profit / share (adjusted)	1,0380	0,5400		

* Data are recalculated at exchange rates from the 12 months period ended 31 December 2011

Calculation principles:
Net profit per share – net profit attributable to shareholders of the parent company / weighted average number of ordinary shares in a given period
Net profitability – Net profit attributable to shareholders of the parent company / net revenues from the sales of products, services, goods and materials in a given period
EBIT margin % – operating profit for a given period / net revenues from sales of products, services, goods and materials in a given period
EBITDA margin % – (operating profit + depreciation for a given period) / net revenues from sales of products, services, goods and materials in a given period
Gross margin % - Gross profit for the period / net sales of products, services, goods and materials for the period

Net sales revenue

The consolidated net sales revenues of the KOFOLA S.A. Group for the 12 month period ended 31 December 2011 amounted to 1 336 273 thousand PLN, which constitutes a increase by 57 809 thousand PLN (or 4,5%) compared to the same period of the previous year. Revenue from the sale of finished products and services amounted to 1 320 851 thousand PLN, which constitutes 98,8% of total revenues. The increase in the Group's revenues in the 12 month period ended 31 December 2011 compared to the 12 month period ended 31 December 2010 was caused primarily by: higher (by 53 656 thousand PLN) revenue of the Megapack Group and higher by PLN 29 425 thousand revenues of the company Hoop Polska Sp. z o.o., after excluding intra-group transactions and income derived from the acquired brands Erektus and Semtex. At the same time, the amount of revenue was impacted by the ceased consolidation of revenues of the company Bobmark International Sp. z o.o. which was sold in the second half of the year 2010 and the ending of operations by PCD Hoop Sp. z o.o. in 2011. In the analysed period of 2010, revenues of the company after excluding intra-group transactions amounted to PLN 8 101 thousand. Revenues of PCD Hoop Sp. z o.o. in 2010 amounted to PLN 20 322 thousand; in 2011, they amounted to only PLN 12 943 thousand. Moreover, the level of consolidated revenues is significantly impacted by the PLN 10 287 thousand drop in sales of Kofola a.s. in the Czech Republic after excluding intra-group transactions.

The activities of the KOFOLA S.A. Group concentrate on the production of beverages in five market segments: carbonated beverages, non-carbonated beverages, mineral water, syrups and low-alcohol drinks. Together these segments account for around 97,1% of the Group's sales revenues. The revenue structure has not changed considerably compared to the same period of last year, except for an increase in revenue from sale in the low-alcohol segment in Russia (17,1% of Group's revenue in the 12 months ended 31 December 2010 compared to 14,3% of Group's revenue in the same period of 2011). The largest among the revenues of the 12 month period ended 31 December 2011 was the sale of carbonated beverages, as was the case in the comparative period (45,2% and 43,7% of revenues in the 12month periods ended 31 December 2011 and 31 December 2010).

Net revenues of the Group's most significant entities

Net revenues from the sales of products, services, goods and materials ***	1.1.2011 - 31.12.2011	1.1.2010 – 31.12.2010*	Change	% Change
Hoop Polska Sp. z o.o.	462 786	435 825	26 961	6,2%
Kofola a.s. (CZ)	389 227	395 747	(6 520)	(1,6%)
Kofola a.s. (SK)	248 399	244 318	4 081	1,7%
Megapack Group**	295 096	241 440	53 656	22,2%

* Data are recalculated at exchange rates from the 12 months period ended 31 December 2011

** The Megapack Group (the companies OOO Megapack and OOO Trading House Megapack) is shown in aggregate due to the need to maintain two legal entities arising out of the need to have separate licenses for the production and storage of and sale of alcohol

*** Standalone data without consolidation adjustments

The revenues realized in the 12 month period ended 31 December 2011 by the HOOP Polska Sp. z o.o. were by 6,2% higher than in the comparative period. This increase was especially reached in segment of key brand in modern channel and was was caused by a change in the management of sales department, concentration on key brands and concentration on more perspective clients, what in result allow to reach higher effectiveness of restructured sales department.

The revenues of Kofola a.s. realized for the 12 month period ended 31 December 2011 were by 1,6% lower than in the comparative period in local currency. This drop, was caused by decreased revenues, especially in the non-carbonated beverages segment, as well as strong price competition in the cola and water segment, which resulted in a sales price that was lower than the year before.

The revenues of Kofola a.s. (SK) realised for the 12-month period ended 31 December 2011 in the local currency increased by 1,7% mainly because of an increase in revenues from the sale of carbonated beverages.

In the 12 month period ended 31 December 2011 the Megapack Group increased the value of its sales revenue by 22,2% in the local currency compared to the same period of the year 2010. The main reason for the increase in revenue was the acquisition of orders for the production of low-alcoholic beverages from external companies and the low base from the 12-month period ended 31 December 2010 – when, during the first half of year 2010, Megapack clients were selling out their inventories purchased in the forth quarter 2009 that still had the low rate of excise duty.

Additionally, the increase in revenues at the end of year 2011 was supported by the fact that there was a planned increase in excise duty on alcohol from January 2012, which greatly increased the demand for alcoholic beverages.

Adjusted costs of sales

In the 12 month period ended 31 December 2011 the KOFOLA S.A. Group's consolidated costs of sales increased by 88 780 thousand PLN, or 11,2 %, to 882 827 thousand PLN from 794 047 thousand PLN in the same period of 2010. This means that the cost of sales grew faster than sales, which registered a 4.5% increase over the same period. Consolidated cost of sales for the 12 months ended 31 December 2011 increased to 66.1% of net sales, compared to 62.1% in the comparative period of 2010. Such a significant increase in the cost of sales was due to the historically high prices of raw materials (mainly the production of preforms for PET bottles and sugar and isoglucose), a high proportion of low margin revenues from co-packing services in Russia, and price competition in the category of cola drinks and water.

Adjusted Selling, marketing and distribution costs

In the 12-month period ended 31 December 2011, the KOFOLA S.A. Group's consolidated costs of sales were decreased by PLN 36 358 thousand, or 9,9 % to PLN 330 067 thousand, PLN from 366 425 thousand in the same period of 2010. Cost of sales for the 12 months ended 31 December 2011 decreased to the level of 24,7% of sales revenues in comparison to 28,7% in the same period of 2010. This means a decrease in the share of cost of sales by 4 percentage points. This decrease was a result of decreased number of sales force and concentration on bigger more perspective clients, optimalisation of logistics processes and good control over marketing costs.

The most significant improvement in the area of cost of sales was 14,9% in Poland, and 7,8 % in the Czech Republic.

Adjusted administrative costs

In the 12 month period ended 31 December 2011 the consolidated administrative costs were 68 890 thousand PLN, which means the decrease from PLN 80 308 thousand in the same period of 2010. The share of the consolidated administrative costs in revenues decreased accordingly from 6,3% to 5,2% in the same period of 2010.

The decrease in administrative costs is a result of activities implemented in the beginning of 2011 within the cost reduction program in the whole Group including optimalisation of employment and concentration on only the most important projects and actions.

Adjusted operating profit

Adjusted operating profit (EBIT) increased by PLN 20 662 thousand, or 56,3%, from PLN 36 722 thousand in the same period of 2010 and amounted to PLN 57 384 thousand in the reported period. The operating profit margin (EBIT margin) in the 12-month period ended 31 December 2011 amounted to 4,3% compared to 2,9% in the same period of 2010.

The increase in operating profit was mainly the result of implemented cost savings in all departments of the Group and thanks to higher revenues from the most significant Group entiites.

Adjusted EBITDA

The adjusted EBITDA, calculated as the operating profit plus depreciation for a given period, increased from 119 906 thousand PLN in the 12 month period ended 31 December 2010 to 135 745 thousand PLN, i.e. by 15 839 thousand PLN (by 13,2%) in the 12 month period ended 31 December 2011.

The increase in the adjusted EBITDA of the KOFOLA S.A. Group in this period was caused primarily by a higher EBITDA at the company Hoop Polska Sp. z o.o. and immaterial increase of EBITDA in Kofola a.s. (CZ) and in Kofola a.s. (SK). As a result of the above changes, the EBITDA margin increased from 9,4% in the 12-month period ended 31 December 2010 to 10,2% in the same period of 2011. The increase in EBITDA margin was attained due to cost savings implemented in all Group departments.

Net financial expenses

In the 12 month period ended 31 December 2011 the Group recorded net financial expenses of 16 562 thousand PLN compared to 11 643 thousand PLN in the same period of 2010. The increase in the net financial expenses of the KOFOLA S.A. Group wasmainky driven by increased foreign exchange losses (by PLN 3 930 thousand, mainly unrealised) and further by increased costs of interest and bank charges by PLN 1 800 thousand as a result of the increased cost of money in interbank markets and the increase in bank lending margins for shot-term loan renewals.

Summary of results for the fourth quarter of 2011

Presented below is a description of the financial position and results of the KOFOLA S.A. Group for the fourth quarter period ended 31 December 2011.

It should be reviewed along with the consolidated financial statements and with other financial information presented in the present report.

To better present the Group's financial position, in addition to the consolidated financial statements prepared in accordance with the accounting methods arising out of International Financial Reporting Standards, the Management is also presenting the consolidated financial results prepared for Group management purposes, adjusted for one-off events, mostly of non-monetary nature and recalculated by the same exchange rate.

Due to the significant differences in the exchange rates of Czech crown, Euro and Russian ruble to the Polish zloty between the reporting period of 2011 and the same period in 2010, for better comparability of financial statements of Czech, Slovak and Russian companies of the Group, data for the comparable period of 2010 were converted with the exchange rate to the Polish zloty used in the period of 2011.

Selected financial data 1.10.2010 - 31.12.2010	Adjusted	Adjusted recalculated *
Revenues from sales	302 146	310 124
Cost of sales	(218 770)	(223 619)
Gross profit	**83 376**	**86 505**
Adjusted Selling, marketing and distribution costs	(76 315)	(78 056)
Administrative costs	(19 501)	(20 374)
Adjusted other operating income / (expenses), net	(6)	63
Adjusted operating result (EBIT)	**(12 446)**	**(11 862)**
Financial expense, net	337	(1 273)
Income tax	450	513
Adjusted net profit	**(11 659)**	**(12 622)**

* Data arerecalculated according to exchange rates for the three months period ended 31 December 2011

In the Management's opinion, the consolidated financial statements adjusted by one-off events provide for a greater comparability of the KOFOLA S.A. Group's results achieved in 2011 and 2010, but from a formal standpoint, the consolidated financial statements, presented in section 2 of this report, are reported.

One-off items constitute all extraordinary items, exceptional items, non-recurring or unusual in nature, including in particular costs not arising out of ordinary operations, such as those associated with impairment write downs, relocation costs and the costs of group layoffs.

The three months ended 31 December 2011 compared with the three months ended 31 December 2010

Selected financial data	1.10.2011 - 31.12.2011	Adjusted recalculated * 1.10.2010 - 31.12.2010*	Change 2011/2010	Change 2011/2010 (%)
Revenue	325 988	310 124	15 864	5,1%
Cost of sales	(231 101)	(223 619)	(7 482)	3,3%
Gross profit	**94 887**	**86 505**	**8 382**	**9,7%**
Adjusted Selling, marketing and distribution costs	(75 540)	(78 056)	2 516	(3,2%)
Administrative costs	(14 581)	(20 374)	5 793	(28,4%)
Adjusted other operating income / (expenses), net	(256)	63	(319)	(506,3%)
Adjusted operating result (EBIT)	**4 510**	**(11 862)**	**16 372**	**138,0%**
Financial expense, net	**24 489**	**9 539**	**14 950**	**156,7%**
Income tax	**879**	**(12 622)**	**13 501**	**107,0%**
Adjusted net profit	(877)	(13 035)	12 158	**93,3%**
Gross margin %	29,1%	27,9%		
EBITDA margin %	7,5%	3,1%		
EBIT margin %	1,4%	(3,8%)		
Net profitability %	0,3%	(4,1%)		
Net profit / share	(0,0335)	(0,4980)		

* Data recalculated according to exchange rates for the 3 months ended 31 December 2011

Calculation principles: :
Net profit per share – net profit attributable to shareholders of the parent company / weighted average number of ordinary shares in a given period
Net profitability – Net profit attributable to shareholders of the parent company / net revenues from the sales of products, services, goods and materials in a given period
EBIT margin % – operating profit for a given period / net revenues from sales of products, services, goods and materials in a given period
EBITDA margin % – (operating profit + depreciation for a given period) / net revenues from sales of products, services, goods and materials in a given period
Gross margin % - Gross profit for the period / net sales of products, services, goods and materials for the period

1.5 Description of operating results and financial position

The results of the fourth quarter of 2011 were influenced by several factors, both external and internal, including in particular:

- Greater efficiency of the combined sales department (after the combination of Czech and Slovak teams)
- Favorable weather conditions in October and November, affecting greater consumption of drinks by consumers,
- Very high prices of raw materials (production of preforms for PET bottles, sugar, isoglucose and fruit juice concentrates),
- Gradual price increases,
- Introduced new products,
- The visible effects of cost saving measures introduced in the early months of 2011 in the Group,
- High demand in Russia for low-alcohol drinks with a lower rate of excise duty in the face of the increase in this tax from January 2012, particularly evident in the last days of October when the Group Megapack received renewed license for the production and sale of alcoholic beverages in Russia.

In the fourth quarter of 2011, consolidated revenues amounted to PLN 325 988 thousand and were PLN 15 864 thousand higher than the revenues generated in the same quarter of 2010, when they reached PLN 310 124 thousand (an increase of 5.1%).

Sales growth in the fourth quarter resulted from higher sales in Kofola a.s. (CZ) (revenue growth of PLN 10 477 thousand), HOOP (revenue growth of PLN 7 258 thousand) and Kofola a.s. (SR) (revenue growth of PLN 4 485 thousand). Individual data does not include consolidation adjustments.

Savings in production costs and increased revenues led to a 1.2 pp increase in the gross margin of sales.

The inability to pass on the total increase in costs of raw materials to the customers by the Group companies led to much greater cost discipline and reductions in fixed costs and raising efficiency of marketing and logistics. These actions in the fourth quarter of 2011 managed to reduce the cost of sales by PLN 2 516 thousand (from PLN 78 056 thousand in the fourth quarter of 2010 to PLN 75 540 thousand in the corresponding quarter of 2011), i.e. by 3.2%, and general and administrative expenses by PLN 5 793 thousand (from PLN 20 374 thousand in the fourth quarter of 2010 to PLN 14 581 thousand in the fourth quarter of 2011), i.e. by 28.4%.

Good sales results and a cost saving program implemented by the Group since the beginning of 2011 helped to increase consolidated operating profit and consolidated EBITDA compared to the fourth quarter of 2010. In the fourth quarter of 2011, operating profit amounted to PLN 4 510 thousand, compared to a loss of PLN 11 862 thousand in the fourth quarter of 2010, and EBITDA was PLN 24 489 thousand in the fourth quarter of 2011 compared to PLN 9 539 thousand in the corresponding period of 2010.

Operating profit margin in the fourth quarter of 2011 amounted to of 1.4% as compared to (3.8%) achieved in the same quarter of 2010, and EBITDA margin rose from 3.1% to 7.5% in the analysed quarters.

CONSOLIDATED BALANCE SHEET

Selected financial highlights	31.12.2011	31.12.2010*	Change from 31. 12. 2010	Change from 31. 12. 2010 (%)
Total assets	**1 344 796**	**1 342 855**	**1 941**	**0,1%**
Fixed assets, out of which:	903 635	907 013	(3 378)	(0,4%)
Tangible fixed assets	541 122	572 316	(31 194)	(5,5%)
Intangible fixed assets	218 870	196 284	22 586	11,5%
Goodwill	118 972	112 565	6 407	5,7%
Financial assets available for sale	21 117	21 092	25	0,1%
Current assets, out of which:	441 161	435 842	5 319	1,2%
Inventories	130 523	135 027	(4 504)	(3,3%)
Trade receivables and other receivables	247 242	221 809	25 433	11,5%
Cash and cash equivalents	50 836	58 889	(8 053)	(13,7%)
Total equity and liabilities	**1 344 796**	**1 342 855**	**1 941**	**0,1%**
Equity assigned to the shareholders of the parent company	499 151	487 438	11 713	2,4%
Non-controlling capital	41 497	41 188	309	0,8%
Total equity	540 648	528 626	12 022	2,3%
Long-term liabilities	225 218	278 883	(53 664)	(19,2%)
Short-term liabilities	578 930	535 346	43 583	8,1%
Current ratio	0,76	0,81		
Quick ratio	0,54	0,56		
Total debt ratio	59,80%	60,63%		
Net debt	320 580	318 097		
Net debt /EBITDA **	2,4	2,7		

* recalculated at exchange rates as at 31 December 2011
** according to annualized adjusted EBITDA

Calculation principles:
Current ratio – current assets at the end of a given period / current liabilities at the end of a given period,
Quick ratio – current assets less inventory at the end of a given period / current liabilities at the end of a given period,
Total debt ratio - current and non-current liabilities at the end of a given period / total assets at the end of a given period,
Net debt - long-term and short-term credits, loans and other sources of financing less cash and cash equivalents.

1.5 Description of operating results and financial position

Assets

At the end of December 2011 the Group's fixed assets totalled 903 635 thousand PLN. Compared to 31 December 2010 the value of fixed assets decreased by 3 378 thousand PLN (0,4%). On the one hand we are dealing with a PLN 22 586 thousand (11,5%) increase in intangible fixed assets (manly because of the purchase of the trade marks Semtex and Erektus together with company Pinelli and purchase of computer software), and on the other hand, a decrease in tangible fixed assets, whose value went down by PLN 31 194 thousand. The decrease in the value of tangible fixed assets was caused by lower investment spending incurred by the Group's companies compared to the value of depreciation. Fixed assets account for 67,2% of total assets (at the end of 2010: 67,5%).

Goodwill consisted of 3 items: result of the merger of the HOOP S.A. Group with the Kofola SPV Sp. z o.o., the goodwill of the Megapack Group and Klimo. Increase in goodwill was due to purchase of Pinelli spol. s r.o. by Kofola a.s. (CZ). Details of this transaction are described in Note 5.32 in this report.

Intangible assets relate primarily to the Group purchase of Semtex and Erektus trade marks and to the software licenses in limited extent.

As at 31 December 2011 the Group's current assets amounted to 441 161 thousand PLN. They consisted primarily of: trade and other receivables – 56% of current assets, and inventory – 29,6%. Compared to the end of December 2010, the value of current assets increased by 5 319 thousand PLN (where the greatest increase was recorded in trade receivables – by 25 433 thousand PLN with a simultaneous decrease of PLN 4 504 thousand in inventory value –and by PLN 8 053 thousand in cash and cash equivalents –).

The value of working capital calculated as the sum of inventory, trade receivables less short-term trade payables and other payables as at 31 December 2011 was 64 189 thousand PLN compared to 43 053 thousand PLN as at 31 December 2010. This improvement by PLN 25 433 thousand is primarily the result of a increase in receivables –, this is mainly due to higher turnovers of Megapack Group in December 2011.

Liabilities

As at 31 December 2011 the Group's liabilities (long- and short-term together) amounted to 804 148 thousand PLN, which constitutes a decrease by 10 081 thousand PLN compared to the end of December 2010. The decrease in liabilities was caused primarily by the change of finance lease payables and other payables.

The debt ratio (short- and long-term liabilities to total assets) amounted to 59,8% as at 31 December 2011 and decreased by 0,8 p.p. compared to 31 December 2010.

The Group's consolidated net debt calculated as total long- and short-term liabilities relating to credits, loans and other debt instruments less cash and cash equivalents amounted to 320 580 thousand PLN as at 31 December 2011 after increasing by 2 483 thousand PLN compared to the end of December 2010.

However, due to the generated adjusted EBITDA that was higher than the previous year, the level of net debt was 2.4 times adjusted EBITDA at the end of 2011 compared to 2.7 times at the end of 2010.

CONSOLIDATED CASH FLOW

In the 12-month period ended 31 December 2011, the value of net cash flows amounted to PLN (4 428) thousand, which was PLN 9 188 thousand lower, compared to consolidated net cash flows in the same period of 2010, when they amounted to PLN 4 760 thousand. The decrease in net cash flow was due to cash flows from operating activities being PLN 27 437 thousand lower and the cash flows from investing activities being PLN 23 318 thousand higher compared to the previous year. Financing activities cash flow did only partially compensate for the decrease in net cash flows, being PLN 41 568 thousand lower.

The value of the consolidated cash flow generated from operating activities during the 12 months ended 31 December 2011 amounted to PLN 105 255 thousand, compared to PLN 132 692 thousand in the corresponding period of 2010. This change was impacted by the significant increase in trade receivables, lower increase in trade payables, decrease in inventory and also the change in the accounting of excise duty in Russia. Previous payments after 30-days from the date of production have been replaced by advances to be discharged to the tax office 15 days before the start of the month in which the production of alcoholic beverages is planned. The increase in the level of trade receivables is mainly due to a significant increase in turnover, in particular, recorded by the Megapack Group in December 2011.

The value of the consolidated net cash flows from investing activities during the 12 months ended 31 December 2011 amounted to PLN (57 401) thousand, and PLN (34 083) thousand in the corresponding period of 2010. Higher expenses in the current period compared to the same period last year related to the purchase of the company Pinelli spol. s r.o. in April 2011, investments in hot fill line in Mnichovo Hradiště plant in Kofola a.s. (Czech Republic), the new nozzle and the water treatment plant in Kutno (Hoop Polska Sp.). Additionally, in the comparable period of 2010, there was a sale of shares of the listed company BOMI, from which the Group obtained inflow of PLN 13 849 thousand which improved the value of net cash flows from investing activities.

The value of the consolidated cash flow from financing activities during the 12 months ended 31 December 2011, as in the corresponding period of 2010, was negative and amounted to PLN (52 281) thousand, and PLN (93 849) thousand. The reduction in expenditure in financing activities consisted of lower repayment of loans and lease obligations. The reductions in expenditures were possible in spite of the payment of dividends to shareholders of KOFOLA S.A. in the amount of PLN 16 227 thousand and 5 439 thousand PLN.

1.6 Assessment of risk factors and threats to the KOFOLA S.A. Group

Activities of the Issuer Group companies, their financial position and results of operations 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 condition and financial results, which may expose investors to loss of all or part of the funds invested. The order in which they were presented is not an indication as to their significance, or probability of occurrence of the potential impact on the Group. Other risks 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 results of operations.

Risk associated with the macroeconomic situation of the countries in which the Group operates

The economic position of the Kofola Group's companies is strictly tied into the economic situation in the Czech Republic, Poland, Russia and Slovakia, which are the most important markets for the sale of the Group's products. Macroeconomic factors such as: GDP growth, unemployment, effective growth of wages or the economic mood translate into the willingness of the citizens of these countries to consume outside of their homes and to buy brand name or non-brand name food products. In consequence, this may affect the sale of the Group's products.

To minimize this risk, the Kofola Group tries to acquire clients in markets other than the Czech Republic, Poland, Russia and Slovakia to diversify the risk associated with the macroeconomic situation in these countries.

Increasing risk aversion of banks is due to market situation related to the crisis in the euro area and the problems of countries such as Greece, Italy, Spain or Portugal, and the problems of their foreign parent companies and the impact of this aversion on their willingness to continue financing the companies of the Kofola Group. Potential difficulties in obtaining financing (renewable for another period held short-term working capital loans) could hamper the functioning of individual companies and distract the Management from further optimisation of the Group with the goal of obtain financing.

As a result of the mutual interdependence, an escalation of the fiscal crisis in the region, can negatively affect any variables reflecting economic viability, and thus may affect the results of Kofola Group.

Risk of changes in the prices of raw materials

The primary factors that affect the costs of producing beverages are raw materials, in particular sugar, isoglucose, granules used in the production of PET bottles, fruit concentrates, foil, paper, and indirectly – oil. The majority of the basic raw materials constitute so-called commodities, which are subject to significant fluctuations on world markets. As prices are negotiated in a yearly cycle, quick changes in base prices may have a negative effect on the margins earned on the sale of beverages, and therefore lower the Group's profits and financial liquidity.

Wherever possible, the Kofola Group's central purchasing department tries to sign mid-term contracts with the suppliers, which guarantee purchase prices throughout the contracts' validity. However in the case of several raw materials based on the so-called commodities, agreeing a purchase price is only possible on a relatively short-term basis (for example a month).

The risk resulting from the seasonal weather conditions

Sales of non-alcoholic beverages is highly dependent on weather conditions, in particular from the prevailing temperature. Nearly 60% of sales are realised in the second and third quarter, reaching a peak during the hottest summer months. Rainy and cool summer may create a decline in revenues, especially in the segment of water. The unusually hot summer may involve the inability to deliver sufficient quantities of products to retailers and potential penalties for a low level of orders.

The Group seeks to minimise the risks arising from the seasonality of sales of products entering the winter season, and persuading customers by promoting the consumption of the products outside the classical season. In order to safeguard against supply shortages of products in the summer months, the Company is trying to make sufficient inventories before the season and is renting additional warehouse space to allow the preparation of a safety buffer in case of hot weather.

Risk of a rise in electrical energy prices

The production process requires quite a high quantity of electrical energy needed to, among others, blow out PET bottles. Growing electrical energy prices could have a negative effect on production costs.

The Kofola Group tries to minimize the risk of a rise in electrical energy prices by raising production efficiency (OEE) and looking for alternative electrical energy suppliers.

The risk of fuel price increases

Rising oil prices, a strong U.S. dollar and the increase in excise duty on diesel fuel can have a negative impact on transport costs.

Kofola Group strives to minimise the risk of higher oil prices through better management of the logistics (trucks carrying a full supply, optimisation of routes, more frequent auctions for transportation services).

Risk of losing large clients

A significant portion of the revenues earned by the Group's companies comes from clients that have chains of grocery stores, supermarkets, hypermarkets and discounts. In recent years, as trade is moving from traditional stores to the modern channel, these chains, especially discount operators, are becoming stronger and increasing their share in the revenues of the Group's companies. These chains are difficult negotiation partners, which is why in each case there is risk of not being able to agree the terms for a given calendar year and temporarily lose a significant client, which would surely lower sales revenues and negatively affect the Group's financial results.

The Kofola Group tries to minimize the risk of losing large clients by offering products with an established reputation among consumers, which reduces the risk of retail chains deciding to abandon any of these products and by intensively working on the development of sales in catering and traditional channels.

Risk associated with pricing behavior of main competitors

Due to client habits created by producers, the majority of non-alcoholic beverages are purchased at retail stores (especially in the cola segment) as part of promotional campaigns, which are conducted almost non-stop by at least one producer. To maintain its competitive position, the Issuer's companies are forced to conduct promotional campaigns, as a result of which they lower the margin realized on products sold as part of the promotion. This risk constitutes a threat to the profitability of the Kofola Group.

The companies from the Kofola Group try to minimize this risk by increasing the percentage share of the restaurant 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 (in the absence of competitor's products).

Risk associated with legal regulations

Changing legal regulations, in particular tax, labour law and social insurance regulations, VAT rates, matters relating to the granting of licenses and permits (for example for the production and sale of alcoholic beverages) may affect the personnel costs of the Group's companies, the prices of products on store shelves, or the ability to produce and sell a portion of their portfolio (this pertains in particular to low-alcohol beverages in Russia).

The fight against alcoholism in Russia appeared to include increased restrictions on marketing campaigns, limiting trade in alcoholic beverages after 10 pm and especially the increase in the excise duty which is to finance the campaign. The increases took place between 2010 and 2011 and a further increase was introduced from January 2012. As a result of this increase, the excise duty for pure alcohol has increased from 190 RUB/l to 230 RUB/l. Higher excise duty may result in a decrease in consumption of alcohol and the so-called escape of the consumer to the underground economy.

Changes in regulations relating to the VAT rate, if it rises, may decrease the sales of beverages offered by the companies of the Kofola Group.

The Issuer tries to minimise this risk by monitoring the changes in legal regulations and adapting to them in advance, as well as making sufficiently early applications to extend licenses and permits for the production and sale of alcoholic beverages.

Risk of product contamination

Like other food stuffs, beverages are threatened by contamination that may be the result of using contaminated materials or errors made in the production process. The contamination and release of a product on the market leads to the risk of compromising the given product's reputation and incurring costs of recalling the products from the market, utilizing them and paying possible penalties and damages.

The Issuer protects against this type of risk by performing detailed controls of incoming products and regular controls of the production process by company labouratories. To protect against the costs of recalling products, in 2010 the Issuer made a decision to take out insurance against the risk of recalling products from the market and utilizing them.

Risk of termination of credits by banks

Because Kofola a.s. (CZ) and Kofola a.s. (SK) have failed (or a potential future fail by any of the companies within KOFOLA S.A. Group), to comply with certain covenants of credit agreements, there is a potential risk that the credit agreements will be terminated by the respective banks. Such an occurrence would lead to liquidity problems of those companies and of the entire Group, as Kofola S.A. has issued credit guarantees.

The Issuer limits this risk by maintaining constant and good relationships with the banks, providing them with ongoing and current information about the companies' financial results and the Group's consolidated results. In the case of the banks that finance Hoop Polska Sp. z o.o., the original agreements have been annexed with new, less restrictive covenants.

In the case of Kofola a.s. (SK) a document was obtained confirming that no demand for the repayment of a credit will be issued even though the terms of the credit agreement have been breached.

In the case of Kofola a.s. (CZ) document was obtained confirming that no demand for the repayment of a credit will be issued even though the terms of the credit agreement have been breached.

Risk of impairment of goodwill or key brands

The sale of beverages is subject to fluctuations associated with, among others, the weather, the promotional campaigns conducted by the competition, fashion trends. Margins are also subject to changes, arising mainly out of the prices of raw materials and pricing wars in the various beverage segments.

In view of this, fluctuations may also affect the value of the brands in the company's portfolio. A change in the volume of sales, a brand's profitability or the assumption used in impairment tests may lead to the need to recognize impairment of a brand or goodwill, and thus negatively affect the Group's financial results.

To predict the situation and reflect the impact on the financial statements, the Kofola Group carries out annual reviews of fixed assets and goodwill in the books for impairment at the level of cash generating units (CGU). Kofola Group conducts an annual review of the economic useful lives of assets. The assumptions adopted in the course of these reviews regarding market conditions and future performance of the Group reflect the best judgment of the Management of the Group companies.

The issuer protects against this type of risk primarily by building an emotional bond and loyalty of the consumers to the brands in its portfolio.

Risk associated with losing key management personnel

The activities of the Kofola Group and its key companies depend on the experience, knowledge and qualifications of its managers, who manage the various areas of the Group's operations. Significant demand for sales, marketing, research and development or finance specialists, as well as actions by the competition, may cause key employees to leave. Losing a key person or persons may have a negative effect on our relationship with the clients, or may slow down the pace of our projects.

To reduce the above risk, in 2009 the Issuer started the Warrant Issue Program, which covers more than 40 of Kofola Group's employees.

Foreign exchange risk

Because more than half of the raw materials used in production are purchased in Euro, the Issuer is exposed to cost fluctuations arising out of changes in foreign exchange rates, which may have a negative effect on the Group's results.

The Group's management of foreign exchange risk consists of covering known risks by acquiring derivative financial instruments. The Issuer uses mostly forward contracts (and to a smaller extent currency options) to minimize the risk associated with changes in foreign exchange rates.

The risk of changes in trade structure

In the past 3 years, the share of discounters has significantly increased in the structure of trade, mainly at the expense of traditional channels. Slower, than the current industry analysts believed, the market share of food hypermarkets is increasing at the expense of discount stores, what may have an impact on lower profitability of the Kofola Group Companies.

Interest rate risk

The companies from the Kofola Group finance their operations with term credits and overdraft accounts, as well as with real estate and production line leases. The interest rate due to banks depends on the interest rate on the interbank market. Thus the financial costs incurred by the Group (and therefore its net profit) depend on interest rates, the rise of which may lower the Group's net profit.

Due to the cost of protecting against interest rate risk, as at the preparation of the present report the Group did not protect itself against changes in interest rates.

1.7 Report on the application of corporate governance by KOFOLA S.A.

In accordance with the requirements of § 91 par. 5 point 4 of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state, as well as § 29 par. 5 of the Warsaw Stock Exchange Regulations, the Management Board of KOFOLA S.A. with its registered office in Warsaw ("the Company") hereby makes public its declaration on the Company's application of corporate governance principles in the year 2011.

1.7.1 Corporate governance principles the issuer is subject to, and the location where the principles may be examined by the public

Based on § 29 par. 2 of the Regulations of the Warsaw Stock Exchange („Stock Exchange", „WSE"), KOFOLA S.A. should apply the principles of corporate governance that the Stock Exchange Board may pass with regard to listed companies whose shares are admitted to trading on the stock exchange. Effective 4 July 2007, in its Resolution No. 12/1170/2007 the Stock Exchange Board adopted corporate governance principles in the form of "Good Practices of the Companies Listed on the Warsaw Stock Exchange" ("Good practices", "corporate governance principles"), which were amended by the Resolution No. 17/1249/2010 dated 19 May 2010. The corporate governance principles are available to the public on the Stock Exchange's website at: http://corp-gov.gpw.pl/.

1.7.2 The corporate governance principles that the Company did not apply

In 2011 the Company applied all of the principles referred to in the Good Practices of the Companies Listed on the WSE, with the exception of a one principle of which it informed, in accordance with § 29 par. 3 of the Stock Exchange's Regulations, in its current report (published in the EBI system).

On 29 of June 2011, in the current report (published in the EBI system), the Company informed that it was not applied the principle referred to in point 6 of Part IV of the Good Practices i.e. the principle which says that the day of the dividend and the dividend payment date shall be so set that the period between them was as short as possible and in any event not longer than 15 working days. Failure to aforementioned principle resulted from the fact that in Resolution No. 17 dated 29 June 2011 adopted by the Ordinary General Meeting of Shareholders, of which the Company informed in the current report No. 9/2011 and 10/2011 dated 29 June 2011, the day of the dividend was set for 29 September 2011, while the dividend payment date was established on 6 December 2011.

In the year 2011 the Company still did not apply the principle referred to in point 6 of Part III of the Good Practices, i.e. the principle relating to meeting the criteria of independence by at least two members of the Supervisory Board of which the Company informed in current report No. 3/2009 dated 7 January 2009.

As at the date of the present declaration one of the members of the Company's Supervisory Board meets the criterion of independence.

1.7.3 Description of the main internal control and risk management features applied at the issuer's company in the preparation of financial statements and consolidated financial statements

The Company's Management Board is responsible for the Company's internal control system and for its effectiveness in the process of preparing financial statements and periodic reports that are prepared and published in accordance with the provisions of the Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities.

Throughout the year the Company's Management Board analyzes current financial results by comparing them with the adopted budget using the Company's management reporting that is based on the Company's accounting principles

(International Financial Reporting Standards) and takes into account the format and detailed content of the financial data presented in the Company's and Group's periodic financial statements.

The preparation of the Company's financial statements, periodic financial reports and current management reports is the responsibility of the Finance Department of the Kofola S.A. Group, currently headed by Member of the Management Board for Financial Matters, Finance Director. The Company's financial statements and periodic reports are prepared by a reporting team as part of the Finance Department of the Kofola S.A. Group based on the financial data presented in the periodic management reports after they are approved by the Finance Director subject to other supplementary data supplied by various employees of other departments.

After closing the accounts for each calendar month the mid and higher level managers of the Group's Finance Department headed by the Management Board Member for Financial Matters jointly analyze the Company's financial results in comparison to plans and subject to business segments. Any errors are adjusted on an ongoing basis in the Company's books of account and the Group's reporting system in accordance with the adopted accounting policies. The preparation of financial statements and periodic reports begins after the results for the period are approved by the Management Board Member for Financial Matters.

Half-year and year-end reports are verified by an independent auditor, currently BDO Sp. z o.o. The results of halfyear reviews and year-end audits are presented by the auditor at summary meetings and to the Audit Committee. After their review or audit, the financial statements and periodic reports are sent to the Company's Supervisory Board. Before the Management Board approves the periodic reports for publication, an Audit Committee meeting is held at which the Member of the Management Board for Financial Matters presents the significant aspects of the quarterly/half-year/yearend financial statements, in particular any changes in accounting policies, important estimates and judgments, material disclosures and business transactions. The Audit Committee reviews the periodic financial reports subject to the information presented by the Management Board and the independent auditor, and formulates a recommendation for the Supervisory Board with regard to their approval.

In accordance with the Company's Statute, the Company's auditor is appointed by the Supervisory Board. Significant matters relating to periodic reports that are not verified by the auditor are consulted with the auditor in order to avoid any material adjustments in the subsequent reports.

KOFOLA S.A. kept its books of account using the SAP R/3 system as the largest companies from the Group i.e. Kofola a.s. CZ, Kofola a.s. SK, Hoop Polska Sp. z o.o., Kofola Holding a.s. The system is password protected against unauthorized access. The process of preparing the financial statements involves a specified team of Finance Department employees, other persons do not have access to the data which are the basis of its preparation. The Company's books of account, accounting evidence, documentation and financial statements of the Company are stored in accordance with the provisions of the Accounting Act.

1.7.4 Shareholders holding directly or indirectly significant packets of shares along with the number of shares held, their percentage of share capital, the resulting number of votes and percentage in the total number of votes at general meeting

The Shareholders of KOFOLA S.A. – state according to Company's knowledge on 31 December 2011:

KSM Investment S.A. with its registered office in Luxembourg

- 13 395 373 shares or 51,18% of share capital of KOFOLA S.A.
- 13 395 373 votes or 51,18% of total votes at General Meeting of KOFOLA S.A.

CED GROUP S. a r.l. with its registered office in Luxembourg

- 11 283 153 shares or 43,11% of share capital of KOFOLA S.A.
- 11 283 153 votes or 43,11% of total votes at General Meeting of KOFOLA S.A.

As at 31 December 2011 the share capital amounted to 26 172 602 PLN and consisted of 26 172 602 shares entitling to 26 172 602 of votes at General Meeting of the Company.

1.7.5 Holders of all types of securities that give special controlling rights, along with a description of those rights

There are no securities at the Company that give special controlling rights.

1.7.6 All restrictions on voting rights, such as a restriction on the voting rights of holders of a specified part or number of votes, time restrictions on voting rights or provisions according to which, in cooperation with the company, the equity rights related to securities are separated from the ownership of the securities

The Company's Statute does not provide for such restrictions.

1.7.7 All restrictions on the transfer of the ownership of securities

The Company's Statute does not provide for such restrictions.

1.7.8 Description of the principles used to appoint and dismiss management staff and their powers, in particular the right to make decisions on the issue or purchase of shares

THE PRINCIPLES OF APPOINTING SUPERVISORY BOARD MEMBERS

In accordance with the Company's Statute, the Supervisory Board comprises 5 (in words: five) to 6 (in words: six) members, including one independent Supervisory Board Member, appointed and removed by the General Meeting, with the stipulation that:

a) long as KSM Investment SA with the registered office in Luxembourg ("KSM") remains the Company's shareholder with no less than 35% of the Company's share capital, KSM shall appoint and remove 3 (three) members of the Supervisory Board, including the Chairman of the Supervisory Board – the appointment and removal of a Supervisory Board member by KSM on the basis of this paragraph shall be made by way of a written statement submitted to the Company and the person concerned and shall be effective as of the date of submission to the Company this statement concerning the appointment of the member of the Supervisory Board with a written statement of the member of the Supervisory Board including a consent for performance the function of a member of the Supervisory Board,

b) as long as CED GROUP S. a r.l. („CED") remains the Company's shareholder with no less than 15% of the Company's share capital, CED shall appoint and remove 2 (two) members of the

Supervisory Board, including the Vice- Chairman of the Supervisory Board – the appointment and removal of a Supervisory Board member by CED on the basis of this paragraph shall be made by way of a written statement submitted to the Company and the person concerned and shall be effective as of the date of submission to the Company this statement concerning the appointment of the member of the Supervisory Board with a written statement of the member of the Supervisory Board including a consent for performance the function of a member of the Supervisory Board.

THE PRINCIPLES OF APPOINTING MANAGEMENT BOARD MEMBERS

1. The Management Board comprises from 5 to 8 members appointed and removed by the Supervisory Board. Members of the Company's Management Board may hold the following positions:

Chairman of the Management Board,

b) Finance Director – Member of the Management Board,

c) Operating Directors - Member of the Management Board,

d) Sales Director - Member of the Management Board,

e) Marketing Director - Member of the Management Board,

f) Human Resources and Services Director - Member of the Management Board,

g) Development Director - Member of the Management Board,

4. If the term of office of any member or members of the Management Board expires due to reasons other than their removal from office and, as a result, the number of the Management Board members falls below five, the Supervisory Board shall be obliged within 14 days of the occurrence of such fact to appoint a new member or members of the Management Board in the number which shall guarantee the maintenance of the composition of the Management Board referred to the Statute of the Company.

5. A resigning Management Board member shall be obliged to advise the Supervisory Board and the remaining members of the Management Board of his or her resignation in writing.

6. The term of office of the Management Board shall be five years. The members of the Management Board may be re-appointed for next terms of office. Members of the Management Board are appointed for a joint term of office.

7. The tenure of the Management Board members shall expire as provided for in Art. 369.4 of the Commercial Companies Code. If new members were appointed to fill a vacancy or supplement the composition of the Management Board during its term of office, the term of office of the newly-appointed Management Board member shall expire at the same time as the terms of office of the other Management Board members.

THE POWERS OF THE SUPERVISORY BOARD

The Supervisory Board shall exercise day-to-day supervision over the Company's activities in all areas of its business. The powers of the Supervisory Board shall include in particular:

a) reviewing the Company's financial statements and the report of the Management Board on the Company's operations, in terms of their conformity with the accounting books and documents and with the actual state of affairs, and the Management Board's recommendations concerning the distribution of profit or coverage of loss, and submitting annual written report on the findings of the review to the General Shareholders Meeting,

b) reviewing the financial statements of the Company's Group and the report of the Management Board on the operations of the Company's Group, and submitting annual written report on the findings of the review to the General Shareholders Meeting,

c) supervising the performance of budgets,

d) approving the payment of interim dividend,

e) approving the grant of power of proxy or general power of attorney,

f) issuing opinions on matters to be discussed during the General Shareholders Meeting,

g) issues referred to in Par. 18.8 of the Statute of the Company.

As long as CED remains the Company's shareholder with at least 15% of its share capital, the following issues shall require that the resolutions be adopted by the Supervisory Board with the majority of 80% of the votes of the members present at the meeting or with the majority of 80% of all votes in case of the adoption the resolutions outside the meeting (in writing or through another member of the Supervisory Board):

a) approval of the consolidated economic and financial plan ("the budget") of the capital group of the Company prepared by the Company's Management Board, changing the format used for preparing the Company's budget,

b) approving the Company's long-term operating plans developed by the Management Board,

c) approving any acquisition, purchase or disposal of shares in other entities, as well as joining any commercial-law company or civil-law partnership, by the Company or any company of its Group, where such transactions are not provided for in the budget and their value exceeds 8 000 000 EUR or an equivalent of that amount,

d) approving any share capital increase, sale of a business or an organised part of a business, a demerger, merger or transformation of any company of the Company's Group if the value of assets subject to such transactions exceeds 15% of the Company's assets disclosed in the financial statements for the preceding financial year, where such transactions are not provided for in the budget,

e) approving the conclusion of an agreement (by the Company or any company of its Group) which was not provided for in the budget and under which the Company or a company of its Group would assume a liability whose value exceeds:

- 30 000 000 EUR or an equivalent of that amount – with respect to activities conducted as part of the ordinary course of business,
- 3 000 000 EUR or an equivalent of that amount – with respect to activities conducted outside the ordinary course of business,

f) approving the conclusion of a loan agreement (or another similar agreement concerning financial debt) by the Company or any company of its Group acting as the lender, where such an agreement was not provided for in the budget and its value exceeds 2 000 000 EUR or an equivalent of that amount, except for:

- trade credit granted in the ordinary course of business,
- loans granted on the market principles between subsidiary companies of the Company's Group.

g) approving the issue of any sureties, guarantees (or other forms of assuming responsibility for third-party liabilities) by the Company or any company of its Group, where they are not provided for in the budget and their value exceeds 2 000 000 EUR or an equivalent of that amount; the term „third party" shall not apply to subsidiary companies from the Company's Group,

h) approving acquisition or disposal by the Company or any company of its Group of real property, a perpetual usufruct right or an interest in real property (or in a perpetual usufruct right), where such transactions are not provided for in the Company's budget and their value exceeds 5 000 000 EUR or an equivalent of that amount,

i) approving the disposal of any intellectual property rights of the Company or any company of its Group – where the actual market value of such rights exceeds 1 000 000 EUR or an equivalent of that amount and no such disposal is provided for in the budget,

j) approving the disposal, by the Company or any company of its Group, of assets whose value exceeds 15% of the Company's net assets (or 15% of the net assets of a given Group member) disclosed in the financial statements for the preceding financial year, if no such disposal is provided for in the budget,

k) approving the liquidation of any company of the Company's Group, where the value of such company's assets exceeds 15% of the Company's assets disclosed in the financial statements for the preceding financial year,

l) approving the terms and conditions of remuneration of members of the Company's Management Board as well as members of the management and supervisory boards of companies of the Company's Group, where the total annual remuneration of a given person (including any bonuses, awards, severance pays and other similar benefits) shall exceed the following limits (gross value):

- for members of the Company's Management Board – 175 000 EUR or an equivalent of that amount,
- for members of the management boards of companies of the Company's Group, other than the Company – 175 000 EUR or an equivalent of that amount,
- for members of the supervisory boards of companies of the Company's Group, other than the Company – 25 000 EUR or an equivalent of that amount,

m) suspending, for important reasons, individual or all members of the Management Board and delegating members of the Supervisory Board to temporarily perform the functions of members of the Management Board, in accordance with the rules and at or for such time as specified by the provisions of the Commercial Companies Code,

n) approving the rules of procedure for the Company's Management Board and as well as any changes to those rules,

o) approving the rules of procedure for the Company's Supervisory Board as well as any changes to those rules,

p) appointing an auditor to audit the financial statements of the Company and the companies of its Group,

q) approving the conclusion, by the Company or any company of its Group, of a contract concerning a transaction with a party related to (i) the Company, or (ii) any company of its Group, or (iii) a shareholder or a member of the Supervisory Board or Management Board of the Company or of any company of the Company's Group, except the contracts as provided below:

- the contracts for the sale or for delivery of products and goods and materials to the production, the contracts for the provision of services or the contracts for the sale of fixed assets concluded on the market rules between the companies of the Company's Group where the value of such transactions on a one-off basis or over a period of one year shall not exceed the amount of 1 000 000 EUR or its equivalent,
- the guarantee contracts and other contracts of a similar nature, concluded between the companies of the Company's Group, where the value of the commitment shall not exceed the amount of 5 000 000 EUR or its equivalent,

r) as of the day when Mr Janis Samaras ceases to serve as Chairman of the Company's Management Board: appointing and removing another person serving as Chairman of the Company's Management Board,

s) appointing and removing the Chief Financial Officer – Member of the Company's Management Board,

t) appointing members of the Company's Management Board other than the Chairman of the Management Board and the Chief Financial Officer – Member of the Company's Management Board,

u) approving the appointment of Local Directors General (i.e. members of the Company's senior management staff who, however, do not serve on its Management Board – one such member is appointed in each country where the Company operates directly or through its subsidiaries) or the conclusion of contracts with Local Directors General by the Company or companies of its Group,

v) after the date of the fourth removal – since November 26th 2008 – of (i) a member of the Company's Management Board other than the Chairman or the Chief Financial Officer – Member of the Company's Management Board or (ii) a Local Director General: removing member of the Company's Management Board other than the Chairman or the Chief Financial Officer – Member of the Company's Management Board,

w) after the date of the fourth removal – since November 26th 2008 – of (i) a member of the Company's Management Board other than the Chairman of the Management Board or the Chief Financial Officer – Member of the Company's Management Board or (ii) a Local Director General: approving the removal of Local Directors General or the termination of contractual relationship with Local Directors General by the Company or by companies of its Group,

z) adopting resolutions in connection with the adoption, change, implementation or termination of the Motivating Program for the members of authorities and management of the Company, adopted by the General Meeting in 2009 and appointing the persons entitled to participate in the Motivating Program..

THE POWERS OF MANAGEMENT BOARD

Repesentation of the Company and the Management Board's responsibilities

1. The Management Board shall represent the Company in relations with third parties and make decisions on all matters which are not reserved – under the Company's Statute or the mandatory legal provisions – for any other governing body of the Company.
2. Declarations of will on behalf of the Company shall be made by two members of the Management Board, acting jointly.
3. The Management Board shall present the budget for the next financial year to the Supervisory Board no later than two months prior to the beginning of each following financial year of the Company.
4. If the Supervisory Board does not approve the budget, the Management Board shall conduct activities based on the most recent approved annual budget.
5. The Management Board shall be obliged to prepare and present to the Supervisory Board monthly reports on the performance of the Company's consolidated budget within twenty (20) days of the end of each month.

Passing resolutions

1. The Management Board shall adopt its decisions in the form of resolutions passed at meetings, which shall be convened as the need arises. Resolutions shall be passed by a simple majority of votes. In the event of a voting tie, the Chairman of the Management Board shall have the casting vote.
2. The following matters shall require the adoption of a resolution by the Management Board:

   a) adopting the budget,

b) approving subscription, acquisition or disposal of shares in other entities and approving joining a company under commercial law or a civil-law partnership by the Company or any company of its Group,

c) approving a share capital increase, sale of a business or an organised part of a business, a demerger, merger or transformation of the Company or any company of its Group,

d) approving acquisition or disposal by the Company or any company of its Group of real property, a perpetual usufruct right or an interest in real property,

e) approving the assumption of a liability or the disposal of assets by the Company or any company of its Group in a transaction other than executed in the ordinary course of business of the Company or any company of the Company's Group, where such transaction has not been provided for in the budget of the Company or any company of its Group and its value – based on one or more related legal transactions – exceeds the amount of 250 000 EUR or its equivalent,

f) approving the liquidation of any company of the Company's Group,

g) defining the terms and conditions of remuneration of the management boards and supervisory boards of the companies of the Company's Group,

h) approving amendments of the articles of association (statute) and approving the rules of procedure for supervisory and management boards of the companies of the Company's Group,

i) issuing sureties by the Company or the companies of its Group or creating security on the assets of the Company or the companies of its Group, with a view to securing performance of obligations/discharge of liabilities by entities other than the Company's subsidiaries.

3. The Management Board shall adopt its Rules of Procedure, which shall be subsequently approved by the Supervisory Board.

4. Subject to the provisions of Par. 18.8.h) and Par. 21.2.d) of the Company's Statute, the powers of the Management Board shall include approval of acquisition or disposal by the Company or any company of its Group of real property, a perpetual usufruct right or an interest in real property (Art. 393.4) of the Commercial Companies Code shall not apply).

Acquisition of own shares by the Company

The Company may acquire its own shares in cases referred to in Article 362 of the Commercial Companies Code, with the prior approval of the General Meeting.

1.7.9 Description of methods used to change the statute of the issuer's company

In accordance with the Company's Statute and the provisions of the Commercial Companies Code, any change to the Company's Statute requires the consent of the General Meeting. In the absence of detailed provisions on this matter in the Company's Statute, the procedures for changing the Company's Statute are consistent with the relevant provisions of the Commercial Companies Code.

1.7.10 The manner of operation of the general meeting and its basic powers as well as a description of shareholder rights and their performance, in particular the principles arising out of the general meeting regulations, if such regulations have been passed, as long as the relevant information does not arise directly out of legal regulations

CONVENING OF THE GENERAL MEETINGS

1. An Annual General Shareholders Meeting shall be convened annually by the Management Board, not later than within six (6) months of the end of the Company's financial year.

2. A General Shareholders Meeting shall be convened by the Management Board. The Supervisory Board may convene an Annual General Shareholders Meeting if it is not convened by the Management Board within the period specified in this chapter or in the Statute, and the Extraordinary General Shareholders Meeting, if it considers its convocation as advisable.

3. The shareholders representing at least half of the share capital or at least half of the total votes on the General Shareholders Meeting may convene an Extraordinary General Shareholders Meeting. The shareholders shall appoint the Chairman of this General Shareholders Meeting.

4. A shareholder or shareholders representing at least one twentieth of the share capital may request the convening of the Extraordinary General Meeting and placing certain issues in the agenda of this Meeting. The request to convene an Extraordinary General Meeting must be submitted to the Management Board in writing or in electronic form. If, within two weeks from the date of the request submitted to the Management Board, an Extraordinary General Meeting shall not be convened, the registry court may authorise the shareholders applying with this request to convene an Extraordinary General Meeting. The court shall appoint the chairman of this Meeting.

5. A motion for convening the General Shareholders Meeting shall specify the issues to be included in the agenda. The motion shall require a justification.

6. The General Shareholders Meeting shall be convened for a day that is a business day in Poland.

7. The General Shareholders Meeting convened on the motion of the Shareholders may only be cancelled or its date changed upon the approval by the parties submitting the motion. In all other cases, the General Shareholders Meeting may be cancelled if there occur any extraordinary obstacles to its holding (force majeure) or when holding the Meeting would be obviously purposeless.

8. Any notices pertaining to the General Shareholders Meetings and minutes thereof shall be prepared in the Polish language. Similarly, the Meetings shall be conducted in the Polish language.

PASSING RESOLUTIONS BY THE GENERAL MEETING

1. Subject to the provisions of Art. 404 of the Commercial Companies Code, the General Shareholders Meeting may adopt resolutions only on matters provided for in the Commercial Companies Code, in the Statute and matters included in the agenda of the Meeting.
2. A resolution not to consider an issue included in the agenda of the meeting shall be adopted only for significant reasons. The relevant motion shall be justified in detail.
3. The General Shareholders Meeting shall be opened by the Chairperson of the Supervisory Board or by a person designated by the Chairperson, or – if there is not such a person – by the oldest Supervisory Board member present at the meeting. In the absence of such persons, the General Shareholders Meeting shall be opened by the Chairman of the Management Board, a person designated by the Management Board,

Board, or the Shareholder representing the largest number of the Company shares. If there are two or more Shareholders representing the largest number of the Company shares, the General Shareholders Meeting shall be opened by the oldest of them.

4. The General Shareholders Meeting shall be valid and shall have the capacity to adopt effective resolutions if the attending shareholders represent no less than 50% (fifty per cent) of the share capital. If there is no quorum present at the first General Shareholders Meeting, the Management Board shall immediately convene another General Shareholders Meeting with the same agenda, on a date falling no sooner than after four weeks of the first General Shareholders Meeting, indicating that it is convened after an earlier Meeting was adjourned and that it shall be valid regardless of the percentage of the share capital represented.
5. Subject to the mandatory provisions of the Commercial Companies Code and unless the Statute's provisions provide otherwise, resolutions shall be adopted by a simple majority. As long as CED GROUP S. à r.l., a limited-liability company under the law of Great Duchy of Luxemburg, with registered office in Luxembourg ("CED") remains the Company's shareholder with no less than 15% of shares in its share capital, the following matters shall require a resolution by the General Shareholders Meeting, adopted with the majority of 70% (seventy percent) of the votes cast in favour of the resolution:
   a) payment of dividend to shareholders in the amount exceeding 75% (seventy-five percent) of the net profit generated by the Company in the preceding financial year,
   b) appointment and removal of the independent member of the Supervisory Board,
   c) removal or suspension of members of the Company's Management Board.
6. The General Shareholders Meeting shall adopt Rules of Procedures for the General Shareholders Meeting, specifying in detail the manner of conducting the Meetings and adopting resolutions. In the event of a change to the Rules, the change shall become effective as of the next General Shareholders Meeting.

THE POWERS OF THE GENERAL MEETING

The powers of the General Shareholders Meeting shall include in particular:

a) reviewing and approving the report of the Management Board on the Company's operations and the operations of the Company's group and the financial statements of the Company and the Group for the preceding financial year,
b) adopting resolutions on the distribution of net profit in the form of dividend, or on the exclusion of the net profit from dividend payment, in whole or in part, and retaining it for the Company's own purposes; adopting resolutions on coverage of loss,
c) approving the performance of duties by the members of the Company's governing bodies,
d) selling or leasing the Company's business or its organised part, and encumbering the business or its part with any limited property rights,
e) changing the legal form of the Company and any deciding on any merger of the Company with another company or legal entity,
f) adopting resolutions concerning claims for repair of damage inflicted in connection with Company's formation, its management or supervision,
g) amending the Company's Statute, increasing or reducing the Company's share capital,
h) issuing convertible bonds or bonds with the pre-emptive rights,

i) acquiring Company's own shares,

j) subject to Par. 17.1 below, appointing and removing Supervisory Board members, including the Chairperson of the Supervisory Board,

k) dissolving the Company,

l) defining the terms and conditions concerning the Supervisory Board's remuneration, including in particular payment dates and amounts,

m) adopting the Rules of Procedure for the General Shareholders Meeting,

n) determining the dividend record date, that is the date as at which the list of Shareholders entitled to dividend for the given financial year is determined, subject to the provisions of Art. 348.2 of the Commercial Companies Code, and determining the dividend payment date,

o) resolving the matters presented for consideration to the General Shareholders Meeting by the Management or the Supervisory Board,

p) other matters which fall within the scope of powers of the General Shareholders Meeting under mandatory laws and these Company's Statute.

Binding at the Company are the Rules of Procedure for the General Meeting adopted based on Resolution No. 18 passed by the Ordinary General Meeting of Shareholders of KOFOLA S.A. dated 30 June 2010 ("the Rules of Procedure").

The Rules of Procedure specify the principles of operation of the General Meeting of Shareholders of KOFOLA S.A., including among others:

Right to Participate in the General Meeting of Shareholders

1. The right to participate in the General Shareholders Meeting have only those who are shareholders of the Company for sixteen days before the date of the General Shareholders Meeting (the record date for the participation in the General Meeting).

   a) The bearer shares in a form of the document confer the right to participate in General Meeting if the documents of shares are submitted in the company not later than on the record date for participation in the general meeting and shall not be received before the end of this date. Instead of shares, it may be submitted the certificate issued as the proof of deposit of shares at the notary, in the bank or in the investment firm which have a seat or branch in the European Union or in a state which is the party of the agreement on the European Economic Area, as indicated in the notice of the convention of the General Meeting.

   b) The dematerialized bearer shares confer the right to participate in the General Meeting provided that the notification to the operator of the securities account the participation in the General Meeting shall be submitted by the holder of the dematerialized shares under Art. 406 (3) § 2 of the Commercial Companies Code.

2. The persons entitled to participate in the General Shareholders Meeting pursuant to point 1 of this paragraph are hereinafter referred to as the "Eligible Participants".

3. The members of the Company's Management Board and Supervisory Board, as well as other persons invited by the body which has convened the General Shareholders Meeting, shall be obliged to participate, with the right to speak, in the General Shareholders Meeting.

4. The Shareholder who is natural persons may participate in the General Shareholders Meeting and exercise its voting right personally or through a proxy, unless such voting right has been limited or waived under the applicable laws or the provisions of the Company's Statute adopted on the basis of such laws.

5. A Shareholder which is a legal person or an entity with no legal personality, but with the legal capacity, may participate in the General Shareholders Meeting and exercise its voting

right through a person authorised to make declarations of will on behalf of such Shareholder or through a proxy.

6. The Power of attorney to participate in the General Meeting and to execution of voting right must be granted in writing or in electronic form. Granting power of attorney in electronic form shall not require a provision of it with a secure electronic signature verified by a valid qualified certificate. The Management Board decides of the manner of notification of the fact of granting the power of attorney in the notice of the convention of the General Meeting.
7. If the proxy at the General Meeting is a board member, member of the supervisory board, liquidator, an employee of the Company or member of bodies or employee of the company or subsidiary cooperative of the Company, the power of attorney may authorize to represent on the only one General Meeting. The proxy has an obligation to disclose to the shareholder the circumstances indicating the existence or the possibility of existence of a conflict of interests. Granting further power of attorney is impossible. In aforementioned case, the Proxy votes in accordance with instructions granted by the shareholder.

Opening of a General Meeting and election of its Chairman

1. A General Meeting is opened by the Chairman of the Supervisory Board or a person by him/her authorized, and in the absence of such authorization, the most senior member of the Supervisory Board present at the Meeting. In the absence of those persons, the General Meeting is opened by the Chairman of the Management Board or a person appointed by the Management Board, or the Shareholder holding the greatest number of the Company's shares. If two or more shareholders meet the criteria of the greatest number of shares, the General Meeting is opened by the most senior among them or their representatives.
2. The person opening the General Meeting oversees the submission of candidacies and election of the General Meeting Chairman.
3. The General Meeting Chairman is elected from among the General Meeting's eligible participants.
4. Each Eligible participant has the right to submit one candidate.
5. The General Meeting Chairman directs the meeting in accordance with the agreed agenda, binding legal regulations and the provisions of the present Rules of Procedure, ensuring that the meeting is conducted and voting held in an efficient and proper manner.
6. The Chairman cannot resign from this position without valid reasons.
7. The powers and responsibilities of the General Meeting Chairman include in particular:
   a) preparing an attendance list, signing the list, displaying the list during the General Meeting and attaching it to the minutes,
   b) giving the floor,
   c) overseeing voting and ensuring that it is conducted correctly,
   d) signing documents containing vote results,
   e) concluding the completion of the meeting's agenda,
   f) resolving procedural matters;
   g) overseeing the work of support personnel present at the General Meeting.

8. The Chairman shall make decisions on admitting journalists to the General Meeting of Shareholders and on granting permission to make sound or visual recordings of the General Meeting of Shareholders. If any of Shareholders present at the Meeting should object to the decision of the Chairman, the issue shall be voted upon by the General Meeting of Shareholders.

Binding the General Meeting with the agenda

1. Subject to the provisions of Art. 404 of the Commercial Companies Code, the General Shareholders Meeting may adopt resolutions only on matters included in the agenda of the Meeting.
2. On the motion from an Eligible Participant, the Management Board or the Supervisory Board, the General Shareholders Meeting may adopt a resolution not to consider an issue included in the agenda or to change the order of issues included in the agenda.
3. A resolution not to consider an issue included in the agenda of the meeting shall be adopted only for significant reasons. The relevant motion shall require detailed grounds.
4. A shareholder or shareholders representing at least one-twentieth of the share capital may request the inclusion of certain issues in the agenda of the next General Meeting. The request shall be submitted to the Management Board no later than twenty one days before the scheduled date of the Meeting. The request shall include a justification or a draft of resolution concerning the proposed agenda item. The request may be submitted in electronic form. The Management Board shall announce immediately, but not later than eighteen days before the scheduled date of the General Meeting, the changes in the agenda, introduced at the request of shareholders. The announcement shall be made in a manner appropriate to convene a general meeting.
5. A shareholder or shareholders representing at least one twentieth of the share capital before the date of the General Meeting may submit to the Company in writing or by electronic means of communication, draft of resolutions concerning the issues placed in the agenda of general meeting or the issues which shall be placed in the agenda. The Company shall promptly announce the drafts of resolutions on its website.

Voting

1. Subject to the provisions of par. 2 and 3, voting is open.
2. The ballot shall be in the following cases:
   a) the vote relates to elections and motions to dismiss members of the Company's organs or liquidators,
   b) the vote relates to motions to hold members of the Company's organs or liquidators liable,
   c) the vote relates to personal matters.
3. Subject to the provisions of Article 416 § 3 of the Commercial Companies Code, a ballot is ordered at the request of even one of the present or represented Shareholders.
4. The General Meeting may pass a resolution to waive the secrecy of the vote on matters relating to the election of a Committee appointed by the General Meeting.
5. The provisions of par. 2 and 3 do not apply in cases when the General Meeting is attended by only one Shareholder.

1.7.11 The composition and changes made in the most recent financial year, as well as a description of the operation of the issuer's management, supervisory or administrative organs and their committees

THE RULES OF OPERATION OF THE MANAGEMENT BOARD OF THE COMPANY

The Management Board operates in accordance with applicable provisions of law, Good Practices and the provisions of the Company's Statute.

CHANGES IN THE COMPOSITION OF THE COMPANY'S MANAGEMENT BOARD

THE COMPOSITION OF THE MANAGEMENT BOARD OF KOFOLA S.A. on 31 DECEMBER 2011:

Janis Samaras – Chairman of the Management Board,
Bartosz Marczuk – Member of the Management Board,
Martin Mateáš – Member of the Management Board,
René Musila – Member of the Management Board,
Tomáš Jendřejek – Member of the Management Board.

On the day of preparation of this statement, the aforementioned composition of the Management Board remains unchanged.

CHANGES IN THE COMPOSITION OF THE COMPANY'S SUPERVISORY BOARD

THE COMPOSITION OF THE SUPERVISORY BOARD OF KOFOLA S.A. on 31 DECEMBER 2011:

Mr. René Sommer – Chairman,
Mr. Jacek Woźniak – Vice-Chairman,
Mr. Dariusz Prończuk,
Mr. Raimondo Eggink,
Mr. Martin Dokoupil,
Mr. Anthony Brown.

On 26 January 2011, Mr. Ireneusz Stolarski, a member of the Company's Supervisory Board who was also the Chairman of the Supervisory Board, resigned from the position as a member of the Supervisory Board effective 26 January 2011.

Mr. René Sommer was appointed to the Supervisory Board of KOFOLA S.A. on 4 March 2011, and will serve in the position of Chairman of the Supervisory Board.

On the day of preparation of this statement, the aforementioned composition of the Management Board remains unchanged.

THE AUDIT COMMITTEE COMPRISES:

Mr. Raimondo Eggink – Chairman,
Mr. Jacek Woźniak,
Mr. Dariusz Prończuk,
Mr. René Sommer,
Mr. Anthony Brown.

On 4 March 2011, the Supervisory Board has appointed Mr. René Sommer to the Audit Commitee of KOFOLA S.A., and dismissed Mr. Martin Dokoupil.

On the day of preparation of this statement, the aforementioned composition of the Management Board remains unchanged.

THE REMUNERATION COMMITTEE COMPRISES:

Mr. Jacek Woźniak –Chairman,
Mr. Raimondo Eggink,
Mr. Martin Dokoupil.

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THE RULES OF OPERATION OF THE SUPERVISORY BOARD OF THE COMPANY

The Supervisory Board operates in accordance with applicable provisions of law, provisions of the Company's Statute and provisions of the Rules of Procedures of the Supervisory Board.

MEETINGS OF THE SUPERVISORY BOARD

1. The Supervisory Board passes the rules of procedures for the functioning of the Supervisory Board.
2. For a Supervisory Board meeting to be effective, all of the members of the Supervisory Board must be properly invited, and the meeting must be attended by at least half of the Supervisory Board members, including the Chairman or Vice-Chairman. With the consent of all of its members, the Supervisory Board may meet without a formal call.
3. A Supervisory Board meeting is called by: (i) the Chairman of the Supervisory Board or (ii) the Vice-Chairman of the Supervisory Board, on his own initiative or at the request of the Company's Management Board or at least two members of the Company's Supervisory Board. A meeting should be called within 2 (in words: two) weeks of the submission of such a request by the entitled person, with the date of the meeting set for within 4 (in words: four) weeks of the submission of such a request. A Supervisory Board meeting is called by registered mail, e-mail or fax sent at least 2 (in words: two) weeks prior to the meeting date.
4. The Supervisory Board is required to hold a meeting at least once a quarter. Supervisory Board meetings are held at the Company's registered office or – with the consent of all members – at another location.
5. Subject to Article 388 § 2 and 4 of the Commercial Companies Code, Supervisory Board members may take part in the passing of resolutions by casting their vote in writing through another member of the Supervisory Board.
6. Subject to Article 388 § 4 of the Commercial Companies Code, the Supervisory Board may pass resolutions in writing or by using methods of direct communication. A resolution is valid if all of the Supervisory Board members have been notified of the text of the draft resolution.
7. Subject to the other provisions of the Company's Statute (see point H of the present declaration), the Supervisory Board passes resolutions by an ordinary majority of votes cast by Supervisory Board members present at the meeting, and if the number of votes is equal the Chairman of the Supervisory Board has the deciding vote.
8. The Supervisory Board may appoint permanent or ad hoc committees, operating as the Supervisory Board's collegial consulting and opinion forming organs. Two permanent committees are formed as part of the Supervisory Board: the Audit Committee and the Remuneration Committee. The Supervisory Board appoints members of the Audit Committee and the Supervisory Committee from among members of the Supervisory Board.
9. The work of a Committee is directed by the Committee chairman, who is selected at its first meeting, in a resolution passed by its members, from among members of the Committee. The chairman also supervises the preparation of the agenda, organization of document distribution and preparation of Committee meeting minutes.
10. Committee meetings are called in accordance with the same principles that apply to the calling of Supervisory Board meetings.
11. Committee resolutions are passed by an ordinary majority of votes. In votes where an equal number of votes is cast 'in favor' and 'against', the Committee chairman casts the deciding vote.

AUDIT COMMITTEE

1. The Audit Committee is appointed by the Supervisory Board from among its members, and comprises several members. The number of members, including independent members, is determined by the Supervisory Board in the form of a resolution. At least one member of the Audit Committee should be qualified and experienced in accounting and finance.
2. The duties of the Audit Committee include:
   a) recommending to the Supervisory Board the selection of an auditor of the financial statements of the Company and of the companies from its Group, and of the consolidated financial statements for the previous financial year,
   b) 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,
   c) presenting to the Board 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 Management Board's proposed distribution of profit or coverage of loss,
   d) presenting to the Board its findings and recommendations on granting discharge to the member of the Company's Management Board in charge of the economic and finance department for the duties he/she performed,
   e) performing other tasks determined by the Board depending on the needs arising out of the Company's current situation,
   f) submitting to the Board annual reports on the Committee's operations,
   g) other matters as specified in Article 41 of Directive No. 2006/43/EC passed by the European Parliament on 17 May 2006.

REMUNERATION COMMITTEE

1. The Remuneration Committee is appointed by the Supervisory Board from among its members, and comprises several members. The number of members, including independent members, is determined by the Supervisory Board in the form of a resolution.
2. The Remuneration Committee is the Supervisory Board's opinion forming and consulting organ on the following matters:
   a) determining the terms and conditions for remunerating members of the Company's Management Board and members of the management and supervisory boards of the companies from the Company's group,
   b) granting bonuses or other variable remuneration components to members of the Management Board,
   c) remuneration of the Company's Management Board members agreed in the contracts signed with the Company,
   d) the Company's remuneration policies, including in particular the performance of periodic reviews of the system used to remunerate members of the Management Board and management staff working directly under the supervision of members of the Management Board, and submitting to the Supervisory Board proposed changes in those policies in the context of the Company's strategic goals,
   e) incentive plans for higher level managers,
   f) assessing the human resources management system at the Company and at the companies from its Group.

1.8 Ongoing proceedings before courts, arbitration organs or public administration organs

Fructo-Maj Sp. z o.o.

KOFOLA S.A. has receivables in the bankrupt company Fructo-Maj Sp. z o.o. As at 31 December 2011, the total value of the receivables is PLN 8 880 thousand, the balance sheet value of this item, after revaluation, is PLN 1 464 thousand. The receivables are secured with mortgages on all of the significant real properties of Fructo-Maj Sp. z o.o., and with a registered pledge on the entity's movables.

The assets of Fructo-Maj Sp. z o.o. are currently being sold. The Management believes that, given the current state of affairs and type of collateral, no revaluation is needed with regard to the assets associated with Fructo-Maj Sp. z o.o.

Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.

The subsidiary Pomorskie Centrum Dystrybucji Hoop Sp. z o.o. is currently in the process of significantly reducing operational activities and selling its assets (according to concluded arrangement).

According to Resolution number 1 from 28 February 2012, the Extraordinary Shareholders Meeting of Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. increased the company's share capital by PLN 1 000 thousand through the creation of 2 000 new shares with a nominal value of PLN 500 each, which were acquired by KOFOLA S.A. at the issue value of PLN 5 500 for each share, thus the total issuance amount of PLN 11 000 thousand.

On 5 March 2012, a tripartite agreement on the transfer was concluded, under which the obligations of PCD Hoop Sp. z o.o. to the Hoop Polska Sp. z o.o have been repaid to the amount of PLN 11 000 thousand and under which KOFOLA S.A. performed has given a cash contribution to cover the newly created shares in the increased capital of PCD Hoop Sp. z o.o. in the amount of PLN 11 000 thousand and undertook to pay the amount of transfer to Hoop Polska Sp. z o.o. no later than 28 February 2017, in accordance with the timetable included in the agreement from 7 March 2012 regarding the obligation repayment.

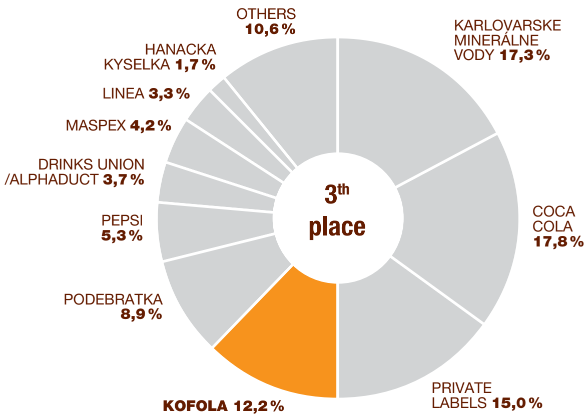
The above-described steps leading to the restructuring of PCD Hoop Sp. z o.o. constitute execution of commitments adopted by KOFOLA S.A. in the course of the arrangement of the company PCD Hoop Sp. z o.o. arising from the decision of 22 November 2010 by the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases , ref. Act VII GUp 13/10 for approval of the arrangements of the PCD Hoop Sp. z o.o.

Market position of the KOFOLA S.A. Group

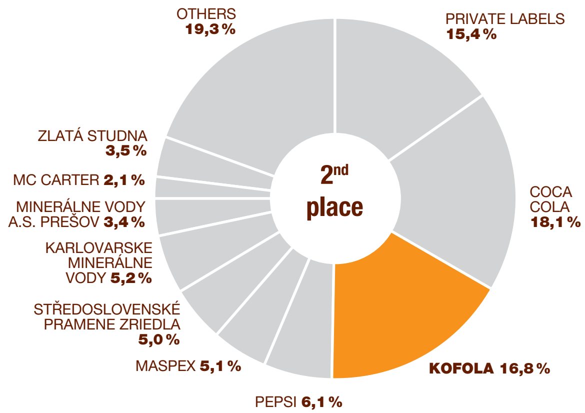
According to AC Nielsen, as at 31 December 2011 the companies of the KOFOLA S.A. Group rank third on the non-alcoholic beverages market in the **Czech Republic** (of which first when it comes to syrups, second on the market of children's drinks, second in colas and second for non-carbonated beverages in PET packaging and forth in mineral water), rank second on the **Slovak** non-alcoholic beverages market (first in mineral water, first in children's drinks, second in colas, second in syrups and fifth for non-carbonated beverages in PET packaging), and eight on the **Polish** market (of which: second in syrups, third in colas, third in children's beverages and sixth on the entire non-carbonated beverages market (all types of packaging).

In **Russia** the company Megapack was until now visible primarily on the local Moscow market. Due to the size of the Russian market, data relating to the company do not appear in market statistics, which makes it difficult to determine its market position.

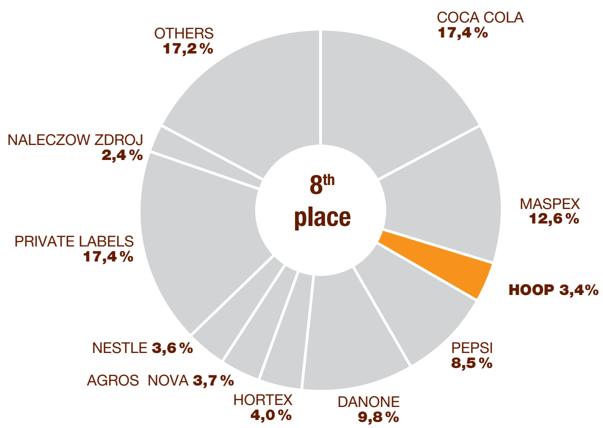
CZECH REPUBLIC



SLOVAKIA



POLAND



Products

The KOFOLA S.A. offers its products in Poland, the Czech Republic, Slovakia and in Russia, as well as exports them to other countries, mainly in Europe.

KOFOLA GROUP BRANDS IN 2011	
CARBONATED BEVERAGES	Kofola, RC Cola, Citrocola, Hoop Cola, Top Topic, Vinea, Orangina, Chito, Citronela, Fruti, Mr. Max
NATURAL SPRING WATERS	Rajec, Arctic
NON-CARBONATED BEVERAGES	Jupí Fruit Drink, Top Topic, Aloe Vera
100% FRUIT JUICES AND NECTARS	Snipp
SYRUPS AND CONCENTRATES	Jupí, Paola
CHILDRENS' DRINKS	Jupík, Jupík Aqua, Jumper, Jupík Smoothie
ICE TEA	Pickwick Just Tea, Green Tea
ENERGY DRINKS	R20, Semtex, Erectus
LOW ALCOHOL BEVERAGES (Russia)	Hooper`s Hooch, Dieviatka

From the beginning of 2011 the Group's assortment of beverages was broadened to include new Rajec flavored waters („Flower", „Birch"), Kofola cherry-flavored drink, canned Kofola, Kofola, Rajec water with herbs, Hoop Cola drink without sugar, and the new Watermelon flavor Jupík Aqua. In addition, from April 2011, the Group, in connection with the purchase of the company Pinelli spol. s r.o., expanded its portfolio with energy drinks and Erektus Semtex and Green Tea iced tea. During June and July, we extended the branch of Vinea by Vinea Rose, a champagne-like drink, but without the alcohol. The newest products of the Group are also Aloe Vera drink and Smoothie Jupik, which are produced using the hot filling technology, new flavors of Paola syrups: yellow summer flavors (orange, lemon, peach) and limited edition flavors (strawberry, vanilla and raspberry winter).

KOFOLA Group S.A. also produces water, and non-carbonated soft drinks and syrups on behalf of external companies, mostly retailers. These companies offer consumer products under its own brand using the distribution capacity in its own shops.

In addition, the company Megapack, operating in the Russian market is also selling drink bottling services on commission. This applies to both low-alcohol beverages and soft drinks. The main innovation in 2011 in the company was Megapack Arctic Fresh, a new line and a new Arctic Fito Hoop soda in cans.

The Group conducts activities as part of the following operating segments:

- Carbonated beverages
- Non-Carbonated beverages
- Mineral waters
- Syrups
- Low alcohol drinks
- Other

The "Other" segment includes beverage (goods for resale) sales made by distribution companies, sales of own energy drinks Semtex, Erektus and R20 (products) and ice coffee Nescafe Xpress (good for resale), ice tea Green Tea (product) as well as transport activities performed for entities from outside the Group.

From January 2011, the Group stopped selling the iced coffee Nescafe Xpress.

Financial revenue and costs, as well as taxes, have not been disclosed by segment, as these values are monitored at Group level and no such information is forwarded to segment-level decision makers.

The Group applies the same accounting methods for all of the segments. Transactions between segments are eliminated in the consolidation process.

As part of presenting its segments, the Group identified one client, who generates more than 10% of the segment's revenues. In 2011 the Group's revenues from this client amounted to 245 531 thousand PLN and related to carbonated beverages, non-carbonated beverages, mineral water and syrups.

Due to the use of joint asset resources as part of operating segments and because of difficulties in allocating these resources to separate segments, the Group does not present to the decision making organ its data on the assets, liabilities, investment spending and depreciation charges allocated to the various segments, and does not present these data in the financial statements.

Total revenues and costs of each operating segment include one-off items and are consistent with data presented in the profit and loss for the reporting and comparable period. Reporting segment results for the period of 12 months ended 31 December 2011 and the period of 12 months ended 31 December 2010:

Operating segments

1.1.2011 - 31.12.2011	Carbo-nated beverages	Non-Carbona-ted beverages	Mineral waters	Syrups	Low alcohol drinks	Other	Total
Revenue	604 165	111 383	216 933	136 557	228 155	39 080	1 336 273
Adjusted operating expenses	(556 064)	(116 726)	(225 900)	(124 210)	(218 348)	(37 641)	(1 278 889)
Adjusted operating result of the segment	**48 101**	**(5 343)**	**(8 967)**	**12 347**	**9 807**	**1 439**	**57 384**
One-off operating expenses (Note 1.5)							(3 343)
Operating result of the segment	**48 101**	**(5 343)**	**(8 967)**	**12 347**	**9 807**	**1 439**	**54 041**
Result on financial activity							(16 562)
Profit before tax							37 479
Income tax							(11 034)
Net profit							**26 445**

1.1.2010 - 31.12.2010	Carbo-nated beverages	Non-Carbona-ted beverages	Mineral waters	Syrups	Low alcohol drinks	Other	Total
Revenue	541 186	155 340	202 425	125 229	177 172	37 811	1 239 164
Adjusted operating expenses	(492 153)	(164 509)	(214 059)	(116 414)	(176 770)	(41 596)	(1 205 502)
Adjusted operating result of the segment	**49 033**	**(9 169)**	**(11 634)**	**8 815**	**402**	**(3 785)**	**33 662**
One-off operating expenses (Note 1.5)							(43 171)
Operating result of the segment	**49 033**	**(9 169)**	**(11 634)**	**8 815**	**402**	**(3 785)**	**(9 509)**
Result on financial activity							(10 387)
Loss before tax							(19 896)
Income tax							(8 696)
Net loss							**(28 592)**

1.10 Geographical segments

The Group's activities are generally concentrated on the four markets:

- Poland
- Czech Republic
- Russia
- Slovakia

Presented below are the data for the above geographical segments.

1.1.2011 - 31.12.2011	Poland	Czech Republic	Russia	Slovakia	Other	Eliminations (consolidation adjustments)	Total
Revenue	486 921	401 497	295 096	258 596	6 079	(111 916)	1 336 273
Sales to external customers	464 857	358 653	295 096	211 588	6 079	-	1 336 273
Inter-segment sales	22 064	42 844	-	47 008	-	(111 916)	-
Adjusted operating expenses	**(486 751)**	**(362 892)**	**(289 671)**	**(242 644)**	**(6 105)**	**109 174**	**(1 278 889)**
Related to third party sales	(465 935)	(321 542)	(289 671)	(195 636)	(6 105)	-	(1 278 889)
Related to inter-segment sales	(20 816)	(41 350)	-	(47 008)	-	109 174	-
Adjusted operating result of the segment	**170**	**38 605**	**5 425**	**15 952**	**(26)**	**(2 742)**	**57 384**
One-off operating expenses (Note 1.5)	-	(3 025)	-	(318)	-	-	(3 343)
Operating result of the segment	**170**	**35 580**	**5 425**	**15 634**	**(26)**	**(2 742)**	**54 041**
Result on financial activity	23 169	(3 173)	813	(2 295)	1	(35 077)	(16 562)
within segment	(8 905)	(6 176)	813	(2 295)	1	-	(16 562)
between segments	32 074	3 003	-	-	-	(35 077)	-
Profit /(loss) before tax	23 339	32 407	6 238	13 339	(25)	(37 819)	37 479
Income tax	(4 745)	(1 552)	(1 812)	(2 925)	-	-	(11 034)
Net profit /(loss)	**18 594**	**30 855**	**4 426**	**10 414**	**(25)**	**(37 819)**	**26 445**
Assets and liabilities							
Segment assets	709 022	430 094	167 738	216 262	217	(178 537)	1 344 796
Total assets	**709 022**	**430 094**	**167 738**	**216 262**	**217**	**(178 537)**	**1 344 796**
Segment liabilities	336 564	447 831	84 753	139 693	17	(204 710)	804 148
Equity							540 648
Total liabilities and equity							**1 344 796**
Other information concerning segment							
Investment expenditure :							
tangibles and intangibles	16 675	24 051	8 724	3 889	-	-	53 339
Depreciation and amortization	25 276	27 275	10 033	15 777	-	-	78 361

1.10 Geographical segments

1.1.2010 - 31.12.2010	Poland	Czech Republic	Russia	Slovakia	Other	Eliminations (consolidation adjustments)	Total
Revenue	471 531	380 634	239 005	245 645	4 485	(102 137)	1 239 164
Sales to external customers	453 364	341 070	239 005	201 241	4 485	-	1 239 164
Inter-segment sales	18 168	39 565	-	44 405	-	(102 137)	-
Adjusted operating expenses	**(481 208)**	**(358 732)**	**(233 269)**	**(230 143)**	**(3 897)**	**101 748**	**(1 205 502)**
Related to third party sales	(463 110)	(319 388)	(233 270)	(185 837)	(3 897)	-	(1 205 502)
Related to inter-segment sales	(18 098)	(39 344)	-	(44 306)	-	101 748	-
Adjusted operating result of the segment	**(9 677)**	**21 903**	**5 736**	**15 502**	**588**	**(389)**	**33 662**
One-off operating expenses (Note 1.5)	(43 171)	-	-	-	-	-	(43 171)
Operating result of the segment	**(52 848)**	**21 903**	**5 736**	**15 502**	**588**	**(389)**	**(9 509)**
Result on financial activity	25 132	(5 060)	1 008	(2 220)	176	(29 423)	(10 387)
within segment	(3 730)	(5 621)	1 008	(2 220)	176	-	(10 387)
between segments	28 862	560	-	-	-	(29 423)	-
Profit /(loss) before tax	(27 716)	16 842	6 744	13 282	764	(29 812)	(19 896)
Income tax	(390)	(2 842)	(2 864)	(2 600)	-	-	(8 696)
Net profit /(loss)	**(28 106)**	**14 000**	**3 880**	**10 681**	**764**	**(29 812)**	**(28 592)**
Assets and liabilities							
Segment assets	738 364	414 274	141 449	216 150	138	(229 273)	1 281 101
Total assets	**738 364**	**414 274**	**141 449**	**216 150**	**138**	**(229 273)**	**1 281 101**
Segment liabilities	380 147	433 837	59 073	147 614	106	(252 462)	768 316
Equity							512 785
Total liabilities and equity							**1 281 101**
Other information concerning segment							
Investment expenditure :							
tangibles and intangibles	10 627	24 497	889	16 650	-	-	52 664
Depreciation and amortization	25 729	31 253	8 087	15 592	-	-	80 661

1 The Directors' Report on the activities of the KOFOLA S.A. Group

1.11 Shareholders holding directly or indirectly significant packets of shares along with the number of shares held, their percentage of share capital, the resulting number of votes and percentage in the total number of votes at general meeting

According to the Company's information as at the date of the preparation of the present report (i.e. 15 March 2012), the following entities held at least 5% of the total number of votes at General Shareholders Meeting of KOFOLA S.A.

KSM Investment S.A. with its registered office in Luxembourg

- 13 395 373 shares, or 51,18% of share capital of KOFOLA S.A.
- 13 395 373 votes, or 51,18% of total votes at General Meeting of KOFOLA S.A.

CED GROUP S. a r.l. with its registered office in Luxembourg

- 11 283 153 shares, or 43,11% of share capital of KOFOLA S.A.
- 11 283 153 votes, or 43,11% of total votes at General Meeting of KOFOLA S.A.

As at 31 December 2011 the share capital amounted to 26 172 602 PLN and consisted of 26 172 602 shares entitling to 26 172 602 votes at General Shareholders Meeting.

1.12 Changes in the ownership of major KOFOLA S.A. share packages in the period since the previous quarterly report

According to the Company's information, no changes were made in the ownership of major share packages in the period since the submission of the previous quarterly report.

SHARE CAPITAL STRUCTURE

Name of entity	Share capital (value)	% in share capital	% in voting power
KSM Investment S.A.	13 395 373	51,18%	51,18%
CED GROUP S. a r.l.	11 283 153	43,11%	43,11%
René Musila	687 709	2,63%	2,63%
Tomáš Jendřejek	687 660	2,63%	2,63%
Others	118 707	0,45%	0,45%
Total	**26 172 602**	**100,00%**	**100,00%**

1.13 Statement of changes in the ownership of KOFOLA S.A. shares or rights to such shares (options) by management and supervisory staff

According to the Company's information as at the date of submission of the report for the 12 month period ended 31 December 2011 no changes occurred in the ownership of KOFOLA S.A. shares by management and supervisory staff compared to the date of submission of the report for the 3rd quarter of 2011.

1.14 Information about the conclusion of material contracts that do not meet the criteria of significant contract

As at 22 April 2011, the subsidiary Kofola a.s. (CZ), purchased 100% of Pinelli spol. s.r.o. (CZ), the producer of the energy drinks Semtex, Erektus and Green Tea ice tea.

According to resolution number 13/XI/2011 of KOFOLA S.A.'s Supervisory Board from 10 November 2011 regarding approval of Bond Issuance Program realisation and KOFOLA S.A. Management resolution number 4/XI/2011 from 21 November 2011 regarding issuance of bonds from series A1 and series A2 , KOFOLA S.A. as at 21 December 2011 issued 3 075 A1 bonds and 29 075 A2 bonds.

According to Resolution number 13/XI/2011 of KOFOLA S.A.'s SupervisoryBoard from 10 November 2011 regarding approval of Bond Issuance Program realisation changed by Supervisory Board resolution number 1/2012 from 20 February 2012 and KOFOLA S.A. Management resolution number 1/II/2012 from 1 February 2012 regarding issuance of bonds from series A3 , KOFOLA S.A. as at 20 February 2012 issued 16 850 bonds from series A3 at the issue price and with nominal value of PLN 1 000 each with a maturity of 34 months.

1.15 Information about significant contracts

No significant contract was concluded in the period covered by the financial statements.

1.16 Information about relationships with other Group entities

Transactions between related parties were conducted on market terms generally applied for a given type of transaction.

A description of the transactions concluded between related parties is presented in Note 5.31 to the financial statements.

1.17 Information about credits and loans

Information on credits and loans is presented in Note 5.25 to the financial statements.

1.18 Information on loans granted

No loan was granted within the Group in the period covered by the financial statements.

After the balance sheet date, KOFOLA S.A. provided a loan to the subsidiary Hop Polska sp. z o.o. (Note 1.26).

1 The Directors' Report on the activities of the KOFOLA S.A. Group

1.19 Information on the granting by the issuer or its subsidiary of credit or loan guarantees or sureties

Entity providing guarantees/ sureties	Entity receiving guarantees/ sureties	Credit value on balance sheet day which were subject to guarantee/ sureties		The period for providing guarantees/ sureties	The entity for which liabilities guarantees/ sureties were provided	Kind of relationship between the entity providing guarantees/ sureties and one on behalf of which it was provided
		in currency	in ths. PLN			
Kofola Holding	UNICREDIT BANK	6 328 T EUR	27 950	12/2014	Kofola a.s., SR	subsidiary
Kofola Holding	VÚB BANKA	8 259 T EUR	36 478	12/2017	Kofola a.s., SR	subsidiary
Kofola Holding	ČSOB a.s.	229 T EUR	1 011	2/2015	Kofola a.s., SR	subsidiary
Kofola Holding	Raiffeisen-Leasing	34 410 T CZK	5 888	10/2015	Kofola a.s., ČR	subsidiary
Kofola S.A.	Bank Zachodni WBK S.A.	16 642 T PLN	16 642	12/2015	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Bank Zachodni WBK S.A.	34 200 T PLN	34 200	12/2015	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Kredyt Bank S.A.	14 332 T PLN	14 332	12/2015	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Bank Pekao S.A.	9 176 T PLN	9 176	12/2015	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Deutsche Leasing	2 452 T EUR	10 830	2/2014	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	ING Commercial Finance	3 151 T PLN	3 151	until termination of the contract	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Komerční banka a.s.	120 925 T CZK	20 690	12/2016	Kofola a.s., ČR	subsidiary
Kofola S.A.	Komerční banka a.s.	192 804 T CZK	32 989	12/2012	Kofola a.s., ČR	subsidiary
Kofola S.A.	Komerční banka a.s.	29 666 T CZK	5 076	03/2012	Kofola Holding a.s.	subsidiary
Total sureties for loans or guarantees issued			**218 413 ths. PLN**			

In the reporting period the companies of the KOFOLA S.A. Group received no remuneration for guaranteeing the liabilities of other Group companies.

1.20 Information on issuing securities

According to resolution number 13/XI/2011 of KOFOLA S.A.'s Supervisory Board from 10 November 2011 regarding approval of Bond Issuance Program realisation and KOFOLA S.A. Management resolution number 4/XI/2011 from 21 November 2011 regarding issuance of bonds from series A^1 and series A^2, KOFOLA S.A. as at 21 December 2011 issued 3 075 A^1 bonds and A^2 29 075 bonds.

In accordance with the Terms of Bonds Issuance:

- bonds are bearer bonds,
- bonds are not secured,
- the nominal value of bonds is PLN 1 000 each,
- the issue price of bonds is equal to their nominal value,
- maturity of bonds from series A^1 is 24 months from the date of the resolution of the allocation and settlement,
- maturity of bonds from series A^2 is 36 months from the date of the resolution of the allocation and settlement,
- interest on the bonds shall be determined separately by the sum of the index and margin WIBOR 6M for each series,
- interest will be paid every six months where the first interest period begins on the date of issue,
- bond purchase proposal was addressed to no more than 99 recipients in the manner specified in Article 9, item 3 of the Act on Bonds,
- bonds do not have the form of a document,
- bonds give rights only to cash benefits,
- bonds will be subject for appliance by the Issuer for their admission to trading in an alternative trading system on the Catalyst market, that is orgnised by the Stock Exchange in Warsaw or BondSpot S.A.,
- after two interest periods the Issuer has granted option call bonds with the assumption that one-time buy-back will be at least 15% of the issued series under the Bond Issuance Program.

According to Resolution number 13/XI/2011 of KOFOLA S.A.'s SupervisoryBoard from 10 November 2011 regarding approval of Bond Issuance Program realisation changed by Supervisory Board resolution number 1/2012 from 20 February 2012 and KOFOLA S.A. Management resolution number 1/II/2012 from 1 February 2012 regarding issuance of bonds from series A^3 , KOFOLA S.A. as at 20 February 2012 issued 16 850 bonds from series A^3 at the issue price and with nominal value of PLN 1 000 each with a maturity of 34 months.

1.21 The Management's standpoint on the feasibility of realizing previously published profit/loss forecasts for a given year, compared to the forecast results

The Group published no financial result forecasts for the year 2011.

1.22 Assessment of the Group's management of its financial resources and its ability to meet its financial obligations

The Group's financial position is good. In 2011 the companies belonging to the Group did not have significant difficulties in meeting their current financial obligations. The Group's net debt, calculated as long- and short-term credits, loans and other debt instruments less cash and cash equivalents amounted to 320 580 thousand PLN as at 31 December 2011 after increasing by 21 577 thousand PLN from the end of December 2010. This increase would, however, only be PLN 2 483 thousand after the conversion with exchange rate of the Polish zloty from the end of December 2011. This increase was in large part compensated by lower use of credit lines due to a decrease in the need to finance working capital and the repayment of some credits.

Detailed information on the external long-term debt securities with a description of the repayment conditions is provided in Note 1.20 to the attached report on the activities of the KOFOLA S.A. Group.

In the period covered by the financial statements the Group financed its operations primarily with funds generated from its operating activities. In 2011 the Group also repaid 78 780 thousand PLN in credit payables. Debt were repaid when due.

The Group's liquidity remained at a safe level, assured by the cash funds held, which as at 31 December 2011 amounted to 50 836 thousand PLN, and thanks to the available credit lines, the Polish zloty equivalent of which totals 510 479 thousand PLN (detailed information in point 5.25). As at 31 December 2011 the Group had unused credit lines for general use on the total amount of 201 701 thousand PLN.

At the end of the year the Group's ratio of net debt to EBITDA amounted to 2,4 times, which is considered to be safe. At this time the Czech, Slovak and Russian companies have the borrowing power to take out additional credits for development purposes and to finance working capital.

Based on the available financial resources and credit lines, as well as appropriate external funding opportunities the Group has sufficient financial resources to implement the assumed investment projects, as well as the planned capital expenditure in 2012.

1.23 The Group's investment plans and their feasibility

In the reporting period for the 12 months ended 31 December 2011, KOFOLA S.A. Group companies made expenditures to increase the value of tangible assets and intangible assets amounting to PLN 53 339 thousand. Investment projects realised in this period mainly concerned the company Kofola a.s. (Czech Republic) (line for bottling beverages in the so-called hot filling technology) and Hoop Polska Sp. z o.o. (nozzle exchange on the production line).

For the year 2012, Kofola Group has planned capital expenditures similar to the realised value in 2011.

The main tasks will be:

- Completion of investment in the bottling line for glass in Russia,
- Complete equipment for the hot filling line,
- Modernisation of water treatment plants in Poland,
- Investment in new forms in order to redesign the bottles and reduce their weight, which should result in savings in raw materials,
- Fridges and taps for catering.

The financing sources of Kofola Group investment activities will be funds derived from operating activities and foreign sources of financing in the form of bank loans.

As at the date of this report the Group's Management finds that the realization of the full investment plan for the year 2012 will depend on the financial results achieved in the course of the year.

1.24 The factors and unusual events that had an effect on the Group's result

The net result of the Group during the reporting period in relation to comparable data was significantly influenced by the increase in prices of basic raw materials, particularly sugar, isoglucose, the the production of granulation for PET bottles and fruit concentrates. Most of the basic raw materials and so-called commodity prices are subject to significant fluctuations in global markets. Sugar prices reached the highest level for 30 years, granulation for the production of PET bottles has also reached the highest price in recent years, like the price of fruit concentrates.

Our companies, in reaction to high raw material prices, had to increase product prices in the first quarter of 2011.

Additionally, in connection with a restructuring plan of sales, production and administration department in the Czech Republic and Slovakia, which resulted in reduced employment in these companies, the Group recognised PLN 3 343 thousand as one-off costs associated with restructuring in the current reporting period.

The result of the Group in the reporting period was also significantly impacted by the weakening of the PLN exchange rate against the CZK, EUR and RUB adopted for the valuation of foreign assets (8% weakening of the PLN average exchange rate against the CZK, 10% against the euro and 9% against the RUB for the 12 months ended 31 December 2011 as compared to the previous year). Because of such significant changes in exchange rates in 2011, the Group has reported net foreign exchange losses that are PLN 3 930 thousand higher as compared to the same period from last year.

1.25 The factors that could have a significant effect on the Group's future financial results

The Kofola Group's competitive position has to do with basic market factors, such as: the strength of its brands, innovation, costs, production quality, the scale effect, swiftness and market position and the ability to obtain raw materials at favourable prices. In the Management's opinion, the Group's financial position, its production potential and market position pose no threats to its continued growth. There are, however, several factors, especially external that will, either directly or indirectly, affect the Group's financial results in the coming quarters.

In the coming quarters the main risk factors with a significant effect on the Group's financial results will include in particular:

- the prices of raw production materials, of which the majority is based on so-called commodities (the prices of raw materials such as oil, sugar, isoglucose, granules for the production of PET bottles, fruit concentrates, foil or paper – which in recent times went up quickly and in many cases are at highest price levels in years),
- pricing policies of competitors, in particular in the segment of carbonated soft drinks (especially cola), mineral waters and syrups,
- the changes in the structure of retail trade, consisting of the growing importance of discount food chains at the expense of traditional channels, with slower than previous growth of the supermarket chains and the speed of adapting Kofola Group's operating business model to the changing market
- the ability to maintain the largest customers at reasonable commercial terms to enable Kofola Group companies to improve performance and generate positive cash flows,
- the level of unemployment and people's willingness to consume outside of home and purchase brand name food products,
- weather conditions (temperature, precipitation)
- changes in foreign exchange rates (PLN, CZK, EUR and RUB) and effectiveness of protection against such changes – so called hedging,
- increases in VAT rates. in Czech Republic from January 2012 from 10% to 14%.,
- increase in excise tax on lowalcohol beverages in Russia and other changes regarding low-alcoholic beverages,
- ability to introduce new innovative products on the market,
- interest rates,
- the availability of funding and the associated expected profit margins of banks and bondholders.

1.26 Subsequent events

Change in registered office of subsidiary

As at 31 January 2012 registered office of subsidiary HOOP Polska Sp. z o.o. was changed from Warsaw to Kutno.

Issue of bonds from series A³ by KOFOLA S.A.

According to Resolution number 13/XI/2011 of KOFOLA S.A. Supervisory Board from 10 November 2011 regarding approval of Bond Issuance Program realization changed by resolution of Supervisory Board number 1/2012 from 20 February 2012 and resolution of KOFOLA S.A. Management number 1/II/2012 from 1 February 2012 regarding issuance of bonds from series A³ , KOFOLA S.A. as at 20 February 2012 issued 16 850 bonds from series A³.

In accordance with the Terms of Bonds Issuance:

- bonds are bearer bonds,
- bonds are not secured,
- the nominal value of bonds is 1 000 PLN each,
- the issue price of bonds is equal to their nominal value,
- maturity of bonds from series A³ falls for 34 months from the date of the resolution of the allocation and settlement,
- interest on the bonds shall be determined by the sum of the index and margin WIBOR 6M separately for each series,
- interest will be paid every six months where the first interest period begins on the date of issue,
- bond purchase proposal was addressed to no more than 99 recipients in the manner specified in Article 9, item 3 of the Act on Bonds,
- bonds do not have the form of a document,
- bonds give rights only to cash benefits,
- bonds will be subject for appliance by the Issuer for their admission to trading in alternative trading system on the Catalyst marget, that is orgnized by the Stock Exchange in Warsaw or BondSpot S.A.,
- after two interest periods Issuer has granted option call bonds with the assumption that one-time buy-back will be at least 15% of the issued series under the Bond Issuance Program.

Loan provided by KOFOLA S.A. to the subsidiary

On 22 February 2012 KOFOLA S.A. provided subordinated loan to the subsidiary Hoop Polska Sp. z o.o. in the amount of 11 000 thousand PLN with maturity on 31 December 2014. The purpose of the loan was to improve the financial ratios required for the Hoop Polska Sp. z o.o. in the credit agreement with Bank Consortium.

Capital increase in subsidiary - an agreement on the transfer and an agreement on the obligation repayment

According to Resolution number 1 from 28 February 2012 Extraordinary Shareholders Meeting of the Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. increased the company's share capital by 1 000 thousand PLN by the creation of 2 000 new shares with a nominal value of 500 PLN each, which were acquired by KOFOLA S.A. by the issue value of 5 500 PLN for each share, thus the total issuance amount of 11 000 thousand PLN.

On 5 March 2012 a tripartite agreement on the transfer was concluded, under which the obligations of PCD Hoop Sp. z o.o. to the Hoop Polska Sp. z o.o have been repaid to the amount of 11 000 thousand PLN and under which KOFOLA S.A. performed an obligation to cash contribution to cover the newly created shares in increased capital of PCD Hoop Sp. z o.o. in the amount of 11 000 thousand PLN and undertook to pay the amount of transfer to the Hoop Polska Sp. z o.o. no later than 28 February 2017, in accordance with the timetable included in the agreement from 7 March 2012 regarding the obligation repayment.

1.26 Subsequent events

The above-described steps leading to the restructuring of the PCD Hoop Sp. z o.o. constitute execution of commitments adopted by KOFOLA S.A. in the course of the arrangement of the company PCD Hoop Sp. z o.o. arising from the decision of 22 November 2010 by the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases , ref. Act VII GUp 13/10 for approval of the arrangements of the PCD Hoop Sp. z o.o.

Credit agreements

On 20 February 2012 Management of Hoop Polska Sp. z o.o. and Management of KOFOLA S.A. as guarantor accepted terms in annexes to the credit agreements with Bank Consortium, according to which the financial ratios required by creditors and financial terms are to be changed.

1.27 Changes in the Group's basic management methods

During 2011 no changes in Company's management methods were made.

1 The Directors' Report on the activities of the KOFOLA S.A. Group

1.28 Agreements concluded between the issuer and the management staff

No agreements have been signed with persons who are members of management organs, which provide for compensation in the event of their resignation or dismissal.

1.29 Remuneration of Management and Supervisory Board members

The following total remuneration has been paid out to members of the Management and Supervisory Boards of KOFOLA S.A. by all the Group companies:

Management Board	2011
Janis Samaras	694
Bartosz Marczuk	621
Martin Mateáš	752
Tomáš Jendřejek	566
René Musila	521
Total*	3 154

* Remuneration of 3 089 thousand PLN have been paid out by subsidiary Kofola Holding a.s.

Supervisory Board	2011
René Sommer **	-
Jacek Woźniak	-
Dariusz Prończuk	-
Martin Dokoupil	18
Raimondo Eggink	72
Anthony Brown	-
Ireneusz Stolarski	18
Total	108

** Remuneration paid out in 2011 from the employment in Kofola Holding a.s. amounted to 563 thousand PLN.

1.30 Information about agreements that may change the proportion of shares held by the existing shareholders in the future

As at the date of the preparation of the present report there are no agreements that could in the future change the proportion of shares held by the existing shareholders.

1.31 Information about the employee shares control system

The terms and conditions of the Incentive Program, its eligible participants, the maximum limit of subscription warrants corresponding to participant categories, as well as the criteria that must be met to receive an allotment of subscription warrants have been set by the Supervisory Board in the Incentive Program Regulations. The costs that will be incurred by KOFOLA S.A. in connection with the introduction of the Incentive Plan are based on the Group's forecast results.

1.32 Information about the entity authorized to audit the financial statements

On 2 July 2009 KOFOLA S.A. concluded an agreement with BDO Numerica International Auditors & Consultants Sp. z o.o. (currently BDO Sp. z o.o.) – an entity authorized to audit financial statements, for the performance of a review and audit of the separate and consolidated financial statements for the year 2009. The agreement was concluded for a year, extendable for another two years.

The total fee arising out of the above agreement with BDO Sp. z o.o., binding also in 2011, due for the audit of the separate financial statements of KOFOLA S.A. for the year 2011 is 21 thousand PLN.

1.32 Information about the entity authorized to audit the financial statements

The total fee arising out of the agreement with BDO Sp. z o.o. due for the audit of the consolidated financial statements of the KOFOLA Group for the year 2011 is 84 thousand PLN.

The total value of the fees due to BDO Sp. z o.o. arising out of the agreement, for other titles relating to the year 2011, is 63 thousand PLN and relates to the review of the separate and consolidated financial statements as at 30 June 2011. Additional work also included translation of the financial statements.

The total compensation for the year 2011, resulting from signed contracts by other Group companies with the auditors of these companies, for the audit of financial statements for 2011, is 447 thousand PLN, for review of half year financial statements 321 thousand PLN and for other services (mainly tax advice) 242 thousand PLN.

1.33 Statement of the Management Board of KOFOLA S.A.

According to § 91 clause 1, item 6 of the Decree of the Council of Ministers from 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by law of a non-member state Management Board of KOFOLA S.A. declares that the entity authorized to audit the financial statements, which audited the financial statements for the year 2011, was selected in accordance with the law regulations and that this entity and the auditors performing the audit of the report, met the conditions for an impartial and independent opinion on the audited annual financial statements in accordance with applicable regulations and professional standards.

According to § 91 paragraph 1 point 5 of the Council of Ministers of 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the law regulations of a non-member state Management Board of KOFOLA S.A. declares that according to its best knowledge, the annual financial statements for 2011 and comparative figures have been prepared in accordance with applicable accounting principles and give a true and fair view about KOFOLA S.A. financial position and its financial performance, and that the issuer's activity report presents a true view of the development and achievements as well as position of KOFOLA S.A., including a description of the main risks and threats.

Document signed on the Polish original.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

15.3.2012	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	name and surname	position	signature
15.3.2012	**Bartosz Marczuk**	**Member of the Board of Directors**	....
date	name and surname	position	signature
15.3.2012.	**Martin Mateáš**	**Member of the Board of Directors**	....
date	name and surname	position	signature
15.3.2012	**René Musila**	**Member of the Board of Directors**	....
date	name and surname	position	signature
15.3.2012	**Tomáš Jendřejek**	**Member of the Board of Directors**	....
date	name and surname	position	signature

SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

15.3.2012	**Katarzyna Balcerowicz**	**Chief Accountant**	....
date	name and surname	position	signature

2 Consolidated financial statements KOFOLA S.A. Group

2 Consolidated financial statements KOFOLA S.A. Group

2.1 Consolidated income statement

for the 12 month period ended 31 December 2011 and the 12 month period ended 31 December 2010.

Consolidated income statement	Note	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Continuing operations			
Revenue from the sale of finished products and services	5.1,5.2	1 320 851	1 213 764
Revenue from the sale of goods and materials	5.1,5.2	15 422	25 400
Revenue		1 336 273	1 239 164
Cost of products and services sold	5.3	(869 788)	(753 897)
Cost of goods and materials sold	5.3	(13 650)	(21 175)
Total cost of sales		(883 438)	(775 072)
Gross profit		**452 835**	**464 092**
Selling, marketing and distribution costs	5.3	(332 211)	(353 701)
Administrative costs	5.3	(69 478)	(76 655)
Other operating income	5.4	8 016	3 346
Other operating expenses	5.5	(5 121)	(46 591)
Operating result		**54 041**	**(9 509)**
Financial income	5.6	8 440	9 945
Financial expense	5.7	(24 891)	(20 250)
Share in profit received from subsidiaries and associates	5.8	(111)	(82)
Profit before tax		**37 479**	**(19 896)**
Income tax	5.11	(11 034)	(8 696)
Net profit on continued activity		**26 445**	**(28 592)**
Discontinued activity			
Net profit on discontinued activity		-	-
Net profit for the financial year		**26 445**	**(28 592)**
Assigned to:			
Shareholders of the parent company		24 232	(30 532)
Non-controlling interests shareholders		2 213	1 940
Earnings per share (in PLN)			
- basic earnings per share	5.13	0,9258	(1,1666)
- basic earnings per share from continuing operations		0,9258	(1,1666)
- diluted earnings per share	5.13	0,9258	(1,1663)
- diluted earnings per share from continuing operations		0,9258	(1,1663)

2.2 Consolidated Statement of comprehensive income

for the 12 month period ended 31 December 2011 and the 12 month period ended 31 December 2010.

Consolidated Statement of comprehensive income	Note	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Net profit/(loss) for the period		**26 445**	**(28 592)**
Other comprehensive income			
Currency differences from translation of foreign subsidiaries		22 959	2 507
Cash flow hedges		-	-
Income tax relating to components of other comprehensive income	5.11	-	-
Other comprehensive income (net)		**22 959**	**2 507**
Total comprehensive income	**2.5**	**49 404**	**(26 085)**
Assigned to:			
Shareholders of the parent company	2.5	43 656	(29 171)
Non-controlling interests shareholders	2.5	5 748	3 086

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2.3 Consolidated balance sheet

as at 31 December 2011 and as at 31 December 2010.

ASSETS	Note	31.12.2011	31.12.2010
Fixed assets		**903 635**	**863 203**
Tangible fixed assets	5.14	541 122	540 072
Goodwill	5.15	118 972	111 836
Intangible fixed assets	5.15	218 870	186 869
Financial assets available for sale		73	85
Other financial assets		3 481	4 671
Deferred tax assets	5.11	21 117	19 670
Current assets		**441 161**	**405 311**
Inventories	5.19	130 523	127 106
Trade receivables and other receivables	5.20	247 242	203 700
Income tax receivables		2 560	9 242
Cash and cash equivalents	5.21	50 836	55 263
Assets (group of assets) held for sale	5.17	10 000	10 000
TOTAL ASSETS		**1 344 796**	**1 268 514**

2.3 Consolidated balance sheet

LIABILITIES AND EQUITY	Note	31.12.2011	31.12.2010
Equity assigned to the shareholders of the parent company		**499 151**	**471 597**
Share capital	5.22.1	26 173	26 173
Other capital	5.22.2	511 605	482 870
Retained earnings	5.22.3	(38 627)	(37 446)
Equity assigned to the non-controlling interests shareholders	**5.22.4**	**41 497**	**41 188**
Total equity		**540 648**	**512 785**
Long-term liabilities		**225 218**	**256 145**
Bank credits and loans	5.25	84 392	149 283
Bonds issued	5.25	31 808	-
Financial leasing liabilities	5.29	15 727	27 232
Provisions	5.23	70	215
Other liabilities	5.26	20 281	17 408
Deferred tax reserve	5.11	72 940	62 007
Short-term liabilities		**578 930**	**499 584**
Bank credits and loans	5.25	224 386	161 997
Bonds issued	5.25	82	-
Financial leasing liabilities	5.29	12 779	12 947
Trade liabilities and other liabilities	5.26	313 576	290 658
Income tax liabilities		3 358	703
Other financial liabilities		18	33
Provisions	5.23	22 490	30 439
Liabilities (group of liabilities) related to assets held for sale	5.17	2 241	2 807
Total liabilities		**804 148**	**755 729**
TOTAL LIABILITIES AND EQUITY		**1 344 796**	**1 268 514**

2.4 Consolidated cash flow statement

for the 12 month period ended 31 December 2011 and the 12 month period ended 31 December 2010.

Consolidated cash flow statement	Note	1.1.2011 - 31.12.2011	1.1.2010 – 31.12.2010
Cash flow on operating activity			
Gross profit		37 479	(19 896)
Adjustments for the following items:			
Depreciation	5.3	78 361	80 661
Net interest and dividends	5.6,5.7	17 684	16 035
Net foreign exchange differences	5.6,5.7	2 288	(1 641)
(Profit)/loss on investment activity		(1 566)	(7 019)
Change in the balance of receivables	5.36	(36 897)	(48 329)
Change in the balance of inventories	5.36	(1 347)	(20 132)
Change in the balance of liabilities	5.36	28 943	13 735
Change in the balance of provisions	5.36	(8 094)	(1 074)
Paid income tax		1 550	(15 846)
Impairment of fixed assets		-	40 311
Other currency differences from translation		(13 146)	(771)
Net cash flow on operating activity		**105 255**	**132 692**
Cash flow on investing activity			
Sale of intangible assets and fixed assets		3 598	3 218
Purchase of intangible assets and fixed assets	5.36	(53 339)	(52 664)
Purchase of subsidiaries (including received cash)		(9 757)	-
Sale of financial assets		-	13 849
Interest received		2 097	1 516
Other		-	(2)
Net cash flow on investing activity		**(57 401)**	**(34 083)**
Cash flow on financial activity			
Repayment of financial leasing liabilities		(20 309)	(22 226)
Proceeds from loans and bank credits received		56 364	140 010
Wpływy z emisji obligacji		31 890	
Repayment of loans and bank credits		(78 780)	(163 284)
Dividends paid to the shareholders of the parent company	5.10	(16 227)	(25 126)
Dividends paid to the non-controlling interests shareholders	5.22.4	(5 439)	(4 780)
Interest paid		(19 781)	(18 380)
Other		-	(63)
Net cash flow on financing activity		**(52 282)**	**(93 849)**
Total net cash flow		(4 428)	4 760
Cash at the beginning of the period		**55 263**	**50 503**
Cash at the end of the period		**50 836**	**55 263**
Cash with limited ability to use		-	-

2.5 Consolidated statement of changes in equity

for the 12 month period ended 31 December 2011 and the 12 month period ended 31 December 2010.

Consolidated statement of changes in equity	Note	Assigned to the shareholders of the parent company					Assigned to the non-controlling interests shareholders	Total equity
		Share capital	Other capital		Retained earnings	Total		
			Total other capital	including: Currency differences from translation of foreign subsidiaries				
As at 1.1.2010		**26 173**	**502 951**	**23 408**	**(2 914)**	**526 210**	**42 882**	**569 092**
Capital relating to subscription warrant allocation program	5.22.2	-	(82)	-	-	(82)	-	(82)
Total comprehensive income for the period	**2.2**	**-**	**1 361**	**1 361**	**(30 532)**	**(29 171)**	**3 086**	**(26 085)**
Dividends payment	5.10	-	(23 510)	-	(1 616)	(25 126)	(4 780)	(29 906)
Profit distribution	5.22.2	-	2 150	-	(2 384)	(234)	-	(234)
As at 31.12.2010		**26 173**	**482 870**	**24 769**	**(37 446)**	**471 597**	**41 188**	**512 785**
As at 1.1.2011		**26 173**	**482 870**	**24 769**	**(37 446)**	**471 597**	**41 188**	**512 785**
Capital relating to subscription warrant allocation program	5.22.2	-	-	-	-	-	-	-
Total comprehensive income for the period	**2.2**	**-**	**19 424**	**19 424**	**24 232**	**43 656**	**5 748**	**49 404**
Dividends payment	5.10	-	-	-	(16 227)	(16 227)	(5 439)	(21 666)
Profit distribution	5.22.2	-	9 311	-	(9 186)	125	-	125
As at 31.12.2011		**26 173**	**511 605**	**44 193**	**(38 627)**	**499 151**	**41 497**	**540 648**

3 General information

3 General information

Information about the holding company of the KOFOLA Group ("the Group", "the KOFOLA S.A. Group", "the Issuer"):

Name: KOFOLA Spółka Akcyjna [joint-stock company] ("the Company", "the Issuer")

Registered office: currently ul. Wschodnia 5, 99-300 Kutno, until 24 October 2011 ul. Jana Olbrachta 94, 01-102 Warsaw

Main areas of activity: the activities of head offices and holdings, excluding financial holdings (PKD 2007) 7010Z (the activities of holdings in accordance with PKD 2004). The classification of the Warsaw Stock Exchange places the Company in the food sector.

Registration organ: the Regional Court for the capital city of Warsaw, XII Business Division of the National Court Register, KRS 0000134518.

The Company has been formed for an unspecified time.

The Group's consolidated financial statements cover the year ended 31 December 2011 and include comparatives for the year ended 31 December 2010.

The Group's structure and changes therein in the reporting period

As at 31 December 2011 the Group comprised the following entities:

	Company Name	Headquarters	Range of activity	Consolidation method	% part in share capital	% part in voting rights
1.	**KOFOLA S.A.**	Poland, Kutno	holding	acquisition accounting		
2.	**Kofola Holding a.s.**	Czech Republic, Ostrava	holding	acquisition accounting	100,00%	100,00%
3.	**Hoop Polska Sp. z o.o.**	Poland, Warsaw	production of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
4.	**Kofola a.s.**	Czech Republic, Krnov	production and distribution of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
5.	**Kofola a.s.**	Slovakia, Rajecká Lesná	production and distribution of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
6.	**Kofola Sp. z o.o.**	Poland, Kutno	rent of production assets	acquisition accounting	100,00%	100,00%
7.	**Santa-Trans s.r.o.**	Czech Republic, Krnov	road cargo transport	acquisition accounting	100,00%	100,00%
8.	**Santa-Trans.SK s.r.o.**	Slovakia, Rajec	road cargo transport	acquisition accounting	100,00%	100,00%
9.	**OOO Megapack**	Russia, Widnoje	production of non-alcoholic and low-alcoholic beverages	acquisition accounting	50,00%	50,00%
10.	**OOO Trading House Megapack**	Russia, Widnoje	sale and distribution of non-alcoholic and low-alcoholic beverages	acquisition accounting	50,00%	50,00%
11.	**Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.**	Poland, Koszalin	wholesale of alcoholic and non-alcoholic beverages, activity extinguished	acquisition accounting	100,00%	100,00%
12.	**Transport Spedycja Handel Sulich Sp. z o.o.**	Poland, Bielsk Podlaski	road cargo transport, spedition	equity accounting	50,00%	50,00%
13.	**Pinelli spol. s r.o.**	Czech Republic, Krnov	trademark licencing	acquisition accounting	100,00%	100,00%
14.	**Kofola Zrt.**	Hungary, Budapest	in liquidation	acquisition accounting	100,00%	100,00%

The holding company – **KOFOLA S.A.** ("the Company", "the Issuer") with its registered office until 24 October 2011 in Warsaw, 01-102, ul. Jana Olbrachta 94, currently Company's registered office is in Kutno, 99-300, ul. Wschodnia 5. Company has formed as a result of the 30 May 2008 merger of HOOP S.A and Kofola SPV Sp. z o.o. Effective with the merger's registration, the name HOOP S.A. was changed to KOFOLA - HOOP S.A. and since 24 December 2008 to KOFOLA S.A. At this time the Company's functions consist primarily of management and ownership of all of the entities belonging to the KOFOLA S.A. Group.

The subsidiary **Hoop Polska Sp. z o.o.** with its registered office until 31 January 2012 in Warsaw, 01-102, ul. Jana Olbrachta 94, currently Company's registered office is in Kutno, 99-300, ul. WSCHODNIA 5, of which KOFOLA S.A. holds 100%. The company's main area of activities is the production and sale of non-alcoholic beverages.

The subsidiary **Kofola Holding a.s.** is the company that manages the Group and at the same time the holding company of the Kofola Holding a.s. Group, with its registered office in Ostrava, Nad Porubkou 2278/31A, 708 00 Ostrawa - Poruba, CZECH REPUBLIC, of which KOFOLA S.A. holds 100%.

The Kofola Holding a.s. Group comprises the following entities:

- Kofola Holding a.s. – the holding company – registered in the Czech Republic, performing management and control of the other entities comprising the KOFOLA S.A. Group,
- Kofola a.s. (CZ) – a company registered in the Czech Republic, with main activities consisting of the production and distribution of beverages on the territory of the Czech Republic,
- Kofola a.s. (SK) – a company registered in Slovakia, with main activities consisting of the production and distribution of beverages on the territory of Slovakia,
- Kofola Sp. z o.o. – a company registered in Poland, with main activities consisting of renting out the production line in Kutno to the company Hoop Polska Sp. z o.o., which conducts its production there,
- Santa-Trans s.r.o. (CZ) – a company registered in the Czech Republic, with main activities consisting of road cargo transport provided mainly to Kofola a.s. (Czech Republic),
- Santa-Trans.SK s.r.o. (SL) – a company registered in Slovakia, with main activities consisting of road cargo transport provided mainly Kofola a.s. (Slovakia),
- Pinelli spol. s.r.o. (CZ) – a company registered in the Czech Republic, of which Kofola a.s. (CZ) holds 100%. Until the end of June 2011 activities of Pinelli spol. s.r.o. consisted of production and sale of beverages. In July and August 2011 activities were transferred to Kofola a.s. (CZ) and production to plant in Krnov. Presently Pinelli spol s.r.o. owns trademarks Semtex, Erektus and ice tea Green Tea. Due to the fact, that from the day of takeover as at 22 April 2011 until 30 April 2011, no operations that could have material impact on Group's financial situation were noted, this report includes results of Pinelli spol. s.r.o, for the period commencing 1 May 2011.
- Kofola Zrt. (HU) – a company registered in Hungary, is not active from 2010 and currently is in liquidation.

The subsidiary **Megapack Group**, with its holding company OOO Megapack with its registered office in Promozno, Widnoje, Leninskiy District, Moscow Region, the Russian Federation, of which KOFOLA S.A. holds 50%. The activities of the Megapack Sp. z o.o. Group consist of the provision of services consisting of bottling beverages for third parties, production of own beverages, as well as their distribution on the territory of the Russian Federation. The KOFOLA S.A. Group is able to control the financial and operating policies of the Megapack Group, and as such it consolidates its financial results using acquisition accounting. In accordance with the binding Statute, the Director General of Megapack is selected by the Shareholders Meeting, with KOFOLA S.A. having the deciding vote in this matter. The Director General is Megapack's one-man executive and representative organ.

The subsidiary **Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.** with its registered office in Koszalin, 75-209, ul. Bowid 9e, of which KOFOLA S.A. holds 100% and has 100% of votes at Shareholders Meeting. The activities of PCD HOOP Sp. z o.o. consist of the wholesale of beverages. Since April 2011 the company successively sells its assets significantly reducing operational activities with the intention of the future liquidation. For purposes of these consolidated financial statements value of net assets held by the Company was reviewed for possible impairment.

The co-subsidiary T**ransport – Spedycja – Handel - Sulich Sp. z o. o.** with its registered office in Bielsk Podlaski, of which KOFOLA S.A. holds 50% and has 50% of votes at Shareholders Meeting. The company's activities consist of road transport of cargo. This co-subsidiary is consolidated using equity method.

Bobmark International Sp. z o.o. with its registered office in Warsaw, of which KOFOLA S.A. held 100%. The activities of Bobmark International Sp. z o.o. consisted of the wholesale of beverages. In accordance with a conditional agreement of 8 July 2010, the shares of Bobmark were sold at the moment of the registration of a share capital increase as at 18 October 2010, whereas control over the company was lost already at the signing of the conditional agreement and appointment of a new management set up by the new owner. Therefore results of Bobmark International Sp. z o.o. are presented only in comparable data for the six months of 2010.

KLIMO s.r.o. – a company registered in the Czech Republic. Until the end of 2007 company was distributing beverages on the territory of the Czech Republic. From the beginning of 2008 company ceased its operations. Liquidation process ended in January 2011. Accordingly results of KLIMO s.r.o. are presented only in comparable data.

MANAGEMENT BOARD

As at 31 December 2011 the Management Board of the holding company KOFOLA S.A. comprised:

Janis Samaras
– Chairman of the Management Board,

Bartosz Marczuk
– Member of the Management Board,

Martin Mateáš
– Member of the Management Board,

René Musila
– Member of the Management Board,

Tomáš Jendřejek
– Member of the Management Board.

No changes were made in the composition of the holding company's Management Board prior to the publication of the present financial statements.

SUPERVISORY BOARD

As at 31 December 2011 the Supervisory Board comprised:

Mr. René Sommer – Chairman,
Mr. Jacek Woźniak – Vice-Chairman,
Mr. Dariusz Prończuk,
Mr. Raimondo Eggink,
Mr. Martin Dokoupil,
Mr. Anthony Brown.

On 26 January 2011 Mr. Ireneusz Stolarski, member of the Company's Supervisory Board who was also the Chairman of the Supervisory Board, resigned from the position of member of the Supervisory Board effective 26 January 2011.

Mr. René Sommer was appointed to the Supervisory Board of KOFOLA S.A. on 4 March 2011, and will serve in the position of Chairman of the Supervisory Board.

No changes were made in the composition of the holding company's Supervisory Board prior to the publication of the present financial statements.

AUDIT COMMITTEE

As at 31 December 2011 the Audit Committee comprised:

Mr. Raimondo Eggink – Chairman,
Mr. Jacek Woźniak,
Mr. Dariusz Prończuk,
Mr. René Sommer,
Mr. Anthony Brown.

On 4 March the Supervisory Board 2011 has appointed Mr. René Sommer to the Audit Commitee of KOFOLA S.A., and dismissed Mr. Martin Dokoupil.

No changes were made in the composition of the holding company's Audit Committee prior to the publication of the present financial statements.

4 Information about the methods used to prepare the consolidated financial statements of the KOFOLA S.A. Group

4 Information about the methods used to prepare the consolidated financial statements of the KOFOLA S.A. Group

4.1 Basis for the preparation of the consolidated financial statements

The present consolidated financial statements ("consolidated financial statements") have been prepared in accordance with the laws binding in the Republic of Poland 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, and therefore comply with Article 4 of the E.U. Directive on the application of international accounting standards. The consolidated financial statements have been prepared on a going concern basis and in accordance with the historical cost method, with the exception of assets and financial liabilities stated at amortized cost, financial assets stated at fair value, and the assets, liabilities and contingent liabilities of the acquiree, which were stated at fair value as at the date of the merger of the Kofola Group and Hoop Group, as required by IFRS 3.

Consolidated financial statement includes consolidated balance sheet, consolidated income statement, statement of comprehensive income, statement of changes in equity, consolidated cash flow statement and selected explanatory notes.

The consolidated financial statements are presented in Polish zlotys ("PLN"), and all values, unless stated otherwise, are listed in thousands PLN.

New standards, changes in accounting standards and interpretations binding as at 1 January 2011

The following standards, changes in standards and interpretations (adopted or in the process of being adopted by the European Union) are binding as at 1 January 2011:

- Changes to IAS 32 "Financial Instruments: Presentation",
- Changes to IAS 24 "Related Party Disclosures",
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments",
- Changes to IFRIC 14" The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- Improvements to International Financial Reporting Standards – a set of changes to International Financial Reporting Standards, the majority of the changes apply to annual periods beginning on or after 1 January 2011.

The adoption of the above standards and interpretations did not result in significant changes in the Group's accounting policies, or presentation of financial statements.

Standards and interpretations that have been published, but no yet adopted:

The Management has not opted for early complete application of the following standards and interpretations (adopted or in the process of being adopted by the European Union):

- - IFRS 9 "Financial Instruments" applies to annual periods beginning on or after 1 January 2013. The standard has not been approved by the European Union,
- Changes to IFRS 7 "Financial instruments: Disclosures", apply to annual periods beginning on or after 1 July 2011 or later. The changes have not been approved by the European Union,
- IFRS 10 "Consolidated Financial Statements" applies to annual periods beginning on or after 1 January 2013 or later. The standard has not been approved by the European Union,
- Changes to IAS 27 "Consolidated and Separate Financial Statements" apply to annual periods beginning on or after 1 January 2013 or later. The changes have not been approved by the European Union,

4 Information about the methods used to prepare the consolidated financial statements of the KOFOLA S.A. Group

4.1 Basis for the preparation of the consolidated financial statements

- Changes to IAS 28 “Investments in Associates” apply to annual periods beginning on or after 1 January 2013 or later. The changes have not been approved by the European Union,
- IFRS 11 “Joint Arrangements” applies to annual periods beginning on or after 1 January 2013 or later. The standard has not been approved by the European Union,
- IFRS 12 “Disclosure of Interests in Other Entities” applies to annual periods beginning on or after 1 January 2013 or later. The standard has not been approved by the European Union,
- IFRS 13 “Fair Value Measurement” applies to annual periods beginning on or after 1 January 2013 or later. The standard has not been approved by the European Union,
- Changes to IAS 1 “Presentation of Financial Statements” apply to annual periods beginning on or after 1 January 2012 or later. The changes have not been approved by the European Union,
- Changes to IAS 19 “Employee Benefits” apply to annual periods beginning on or after 1 January 2013 or later. The changes have not been approved by the European Union..

The Management is currently analyzing the consequences and effect of the above new standards and interpretations.

4.2 Functional currency and presentation currency

The Polish zloty is the functional currency of the holding company and the presentation currency of the consolidated financial statements.

4.3 Translation of amounts expressed in foreign currencies

The methods used to recognize and value transactions expressed in foreign currencies have been specified in IAS 21 "The Effects of Changes in Foreign Exchange Rates". Transactions expressed in foreign currencies are translated by the companies comprising the Group into their functional currencies using the exchange rates as at the date of the transaction. Financial assets and liabilities expressed as at the balance sheet date in foreign currencies are translated using the average exchange rate announced by the National Bank of Poland for the end of the reporting period, and all foreign exchange gains or losses are recognized in the income statement under:

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

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

Foreign exchange differences on loans granted to related parties covered by the consolidation are transferred as part of consolidation adjustments from the income statement to other capital as foreign exchange differences on currency translation.

The following rates were used in the balance sheet valuation:

Currency rates at the end of period	31.12.2011	31.12.2010
PLN/USD	3,4174	2,9641
PLN/EUR	4,4168	3,9603
PLN/RUB	0,1061	0,0970
PLN/CZK	0,1711	0,1580
Average currency rates, calculated as arithmetical mean of currencies on last day of each month in period	**1.1.2011 - 31.2.2011**	**1.1.2010 - 31.12.2010**
PLN/USD	2,9679	3,0402
PLN/EUR	4,1401	4,0044
PLN/RUB	0,1008	0,0998
PLN/CZK	0,1682	0,1585

4 Information about the methods used to prepare the consolidated financial statements of the KOFOLA S.A. Group

4.3 Translation of amounts expressed in foreign currencies

The financial statements of foreign entities are translated into PLN in the following manner:

- corresponding balance sheet items at the average exchange rate announced by the National Bank of Poland for the balance sheet date;
- corresponding income statement items at the rate constituting the arithmetical mean of the average exchange rates announced by the National Bank of Poland for each day ending a reporting month. The resulting foreign exchange differences are recognized directly under equity as a separate component.
- corresponding cash flow statement items (investment and financing activities) at the rate constituting the arithmetical mean of the average exchange rates announced by the National Bank of Poland for each day ending a reporting period. The resulting foreign exchange differences are recognized under the “Other currency differences from translation” item of the cash flow statement.

4.4 Consolidation methods

The financial statements of the subsidiaries are prepared for the same period as the financial statements of the holding company, using consistent accounting policies, based on the same accounting methods applied to similar transactions and economic events. Adjustments have been made to eliminate any differences in accounting methods.

All material balances and transactions between the Group’s entities, including unrealized profits arising out of transactions within the Group, have been fully eliminated. Unrealized losses are eliminated unless they prove impairment.

The subsidiaries are consolidated in the period from the date on which the Group began to exercise control, to the date on which such control ceases. Control is exercised by the holding company whenever it holds, directly or indirectly through its subsidiaries, more than half of the votes in a given company, unless it is possible to prove that such holding does not constitute control. Control is also exercised when the Group is able to influence the entity’s financial and operating policies.

4.5 Accounting methods and changes in presentation

The accounting methods based on which the present financial statements have been prepared have not changed compared to the methods used in the consolidated financial statements for the period of 12 months ended 12 December 2010, with the exception of the following presentation changes:

Consolidated balance sheet

In comparable periods bonuses for customers which decrease the revenues, are reported as liabilities, and currently are presented as an item reducing trade and other receivables.

	31.12.2010		
	Published financial statements	Comparable data	change
Trade receivables and other receivables	216 287	203 700	(12 587)
Trade liabilities and other liabilities	303 245	290 658	(12 587)

In comparable periods short and long-term lease obligations relating to assets held for sale were displayed at position of lease obligations, and are currently presented in a separate item of current liabilities as liabilities directly associated with the asset (asset group) classified as held for sale.

	31.12.2010		
	Published financial statements	Comparable data	change
Long-term lease obligations	29 279	27 232	(2 047)
Short-term lease obligations	13 707	12 947	(760)
Liabilities directly associated with the asset (asset group) classified as held for sale	-	2 807	2 807

Consolidated cash flow statement

In the consolidated financial statements for the comparative period, an adjustment between positions flow from operating activities „Change in accounts receivable“ and „Change in liabilities“ resulting from the different way of recognition of bonuses awarded to recipients described in the section above on the balance sheet.

4.5.1 Tangible fixed assets

Tangible fixed assets are stated at acquisition cost less accumulated depreciation and impairment write downs, if any, with the exception of items stated at fair value constituting the assets of the entity that was the acquiree from an accounting standpoint – the company HOOP S.A. as at 31 May 2008. The opening value of fixed assets consists 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 balance sheet value of tangible fixed assets may not be recoverable, the said assets are tested for impairment. 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 cost to sell, or the value in use. When determining value in use, the estimated future cash flows are discounted to the present value using a gross 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 recognized in the income statement under other operating costs.

A given tangible fixed asset may be removed from the balance sheet after it is sold or if no economic benefits are anticipated from its continued use. All profits and losses arising out of removing a given item from the balance sheet (calculated as the difference between the potential net income from the sale and the balance sheet value of a given item) are recognized in the income statement in the period in which the removal was performed.

Assets under construction consist of fixed assets that are being constructed or assembled, and are stated at acquisition price or cost of production. Fixed 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 fixed assets are verified, and if need be – adjusted, at the end of each financial year.

Depreciation

Tangible fixed assets, or their significant and separate components, are depreciated using the straight-line method throughout their economic useful lives. Land is not depreciated. The Group assumes the following economic useful lives for the following categories of fixed assets:

Buildings and constructions	5 - 40 years
Plant and equipment	2 - 15 years
Vehicles	4 – 6 years

4.5.2 Borrowing costs

Borrowing costs are capitalized as part of the fixed assets acquisition costs. Borrowing costs consist of interest and foreign exchange differences to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are recognized as costs as they are incurred.

4.5.3 Leases and perpetual usufruct of land

Finance lease agreements that basically transfer to the Group all of the risks and benefits of owning the subject of the lease, are recognized in the balance sheet at the commencement of the lease at the lower of the following two values: the fair value of the fixed asset constituting the subject of the lease or the present value of minimum lease payments. Lease payments are allocated between financial costs and the lease liability so as to achieve a constant rate of interest on the outstanding balance. Financial costs are charged directly to the income statement.

Fixed assets used under finance leases are depreciated using the shorter of the two periods: the asset’s estimated useful life or the lease term.

Lease agreements under which the lessor retains basically all of the risks and benefits of owning the subject of the lease are classified as operating leases. Operating lease payments are recognized as costs in the income statement on a straight-line basis over the term of the lease.

4.5.4 Goodwill

Goodwill on the acquisition of a company is initially recognized at the acquisition price constituting the excess of the costs of the acquisition over the acquirer's share in the acquiree's identifiable assets, liabilities and contingent liabilities. After its initial recognition, goodwill is stated at the acquisition price less all accumulated impairment write downs. Impairment tests are performed once a year. Goodwill is not amortized.

As at the date of the acquisition, goodwill is allocated to each of the cash generating units that may benefit from the synergy of the business combination. Goodwill impairment is measured by estimating the recoverable amount of the cash generating unit to which the given goodwill pertains. If the recoverable amount of the cash generating unit is lower than the balance sheet value, a goodwill write down is recognized. If the goodwill is part of a cash generating unit and a sale is made of a portion of the operations within that unit, then when determining the profits or losses from the sale of such operations the goodwill associated with the sale of operations is included in its balance sheet value. In such circumstances, the sold goodwill is determined based on the relative value of the sold operations and the value of the retained portion of the cash generating unit.

4.5.5 Intangible fixed assets

Intangible fixed assets acquired in a separate transaction are initially stated at acquisition price or cost of production. 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 acquisition price or cost of production less accumulated amortization and impairment write downs. Expenses incurred for intangible assets produced by the entity, except for capitalized costs of development, are not capitalized and are recognized in the costs of the period in which they were incurred.

The Group determines whether the economic useful life of an intangible asset is definite or indefinite. Definite-lived intangible assets are amortized over their estimated useful life and tested for impairment whenever an impairment trigger indicates that the asset may be impaired. The period and method of amortizing definite-lived intangible assets are verified at least at the end of each financial year effective from the next financial year. Changes in the estimated useful lives or the anticipated manner of consuming the economic benefits from a given asset are recognized by changing the amortization period or method, and treated as a change in estimated values. Amortization write downs of definite-lived intangible assets are recognized in the income statement under the category that corresponds to the function of the given intangible asset.

Indefinite-lived intangible assets, and intangible assets that are not being used, are tested for impairment annually, either each asset separately or at the level of the cash generating unit. Other intangible fixed assets are checked each year for indications of impairment. Their useful lives are also verified annually, and if necessary – adjusted effective from the beginning of the financial year.

4.5.6 Recoverable amount

The Group evaluates its assets for impairment as at each balance sheet date. If there are indications of impairment, the Group performs a formal estimate of the recoverable amount. If the balance sheet value of a given asset or cost generating unit exceeds its recoverable amount, it is considered impaired and written down to the value of the recoverable amount. The recoverable value corresponds to the higher of the following two values: the fair value less cost to sell, or the value in use of a given asset or cost generating unit.

4.5.7 Financial instruments

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

The most significant asset components that are subject to the valuation methods applicable to financial instruments:

1. shares of other entities,
2. stocks of other entities,
3. loan receivables,
4. derivative instruments (options, forward contracts, futures, swap contracts, embedded derivative instruments),
5. other financial assets.

Short-term term trade receivables are stated at amortized cost by applying the effective interest rate method, and reduced by impairment write downs, if any.

The most significant liabilities components that are subject to the valuation methods applicable to financial instruments:

1. loan payables,
2. credit payables,
3. derivative instruments (options, forward contracts, futures, swap contracts, embedded derivative instruments),
4. other financial liabilities..

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

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

- financial assets stated at fair value through profit or loss,
- loans and receivables,
- financial assets held to maturity,
- financial assets available for sale.

Financial liabilities are divided into:

- financial liabilities stated at fair value through profit or loss,
- financial liabilities stated at amortized cost.

Classification is based on the designation and nature of the asset. The Group classifies its assets at their initial recognition, with subsequent verifications performed at each reporting date.

Financial assets

Financial assets are initially recorded 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 of a possible asset disposal are not considered in the subsequent valuation of financial assets. The asset is listed in the balance sheet when the Group becomes a party to the agreement (contract), out of which the financial asset arises.

The Group checks at each balance sheet date for indications of an impairment of a financial asset (or group of financial assets). In the case of instruments classified as available for sale, the presence of impairment is determined by taking into account, among others, a significant or long-lasting drop in the security's fair value below cost.

Financial assets stated at fair value through profit or loss

This category includes two groups of assets: financial assets held for sale and financial assets initially recognized as stated at fair value through profit or loss. A financial asset is included in the held for sale category if it was acquired in order to be resold within a short time, if it constitutes a component of a portfolio that generates short-term profits, or if it is a derivative instrument with a positive fair value.

At the Group, this category includes primarily derivative instruments (in cases when the Group's companies do not apply hedge accounting), as well as debt and equity instruments acquired in order to be resold within a short time.

Embedded derivative instruments are separated from the contracts and treated as derivative instruments if all of the following conditions are met:

- the economic nature and risk of the embedded instrument are not strictly tied into the economic nature and risk of the contract in which the given instrument is embedded,
- a standalone instrument with realization terms identical to the embedded instrument would meet the definition of derivative instrument,
- a hybrid instrument is not stated at fair value, and changes in its fair value are not charged to the net profit/loss (i.e. a derivative instrument that is embedded in a financial asset or financial liability stated at fair value through profit or loss, is not divided out).

Embedded derivative instruments are presented in the same manner as standalone derivative instruments.

Assets classified as financial assets stated at fair value through profit or loss are stated as at each reporting date at fair value, and all gains or losses are charged to financial revenue 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 realizing the transactions. Other financial assets stated 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 of recent transactions or listings, comparisons with similar instruments, option valuation models. The fair value of debt instruments consists primarily of future cash flows discounted at the current market interest rate applicable to similar instruments.

Loans and receivables

Loans and receivables are financial assets not included in derivative instruments with specified or specifiable payments, not listed on the active market. Depending on their maturity date, they are included in fixed assets (assets due in more than 1 year of the reporting day) or current assets (assets due within 1 year of the reporting day). Loans and receivables are stated as at the balance sheet date at amortized cost. Included in this group are primarily trade receivables and bank deposits and other cash funds, as well as loans and acquired, non-listed debt instruments not included in the other financial assets categories.

Financial assets held to maturity

Financial assets held to maturity are investments with specified or specifiable payments and a specified maturity date, which the Group intends and can hold to maturity. This category includes only listed debt instruments, as long as they have not been previously classified as financial assets stated at fair value through profit or loss, or as financial assets available for sale. Financial assets held to maturity are stated as at each balance sheet date at amortized cost by applying the effective interest rate.

Financial assets available for sale

Financial assets available for sale are financial instruments, other than derivative instruments, designated as “available for sale” or not included in any other category. Financial assets available for sale consist primarily of debt instruments acquired to invest excess funds, as long as the instruments have not been classified as financial assets stated at fair value through profit or loss due to the intention to hold them for a short time. In addition this category also includes equity investments that are not covered by the consolidation requirement.

Financial assets available for sale are included in fixed assets, as long as there is no intention to dispose of them within 1 year of the balance sheet date, or in current assets – if such intention exists. Financial assets available for sale are stated as at each reporting date at fair value, and gains and losses (except for impairment losses) are recognized in equity.

Financial liabilities

Financial liabilities are initially recognized at fair value. Their initial recognition includes transaction costs, except for financial liabilities classified as stated at fair value through the profit or loss. The transaction costs of disposing of a financial liability component are not considered in the subsequent valuation of financial liabilities. The component is listed in the balance sheet when the Group becomes a party to the agreement (contract), out of which the financial liability arises.

Financial liabilities stated at fair value through profit or loss

This category includes two groups of liabilities: financial liabilities held for sale and financial liabilities initially recognized as stated at fair value through profit or loss. Financial liabilities held for sale are liabilities that: have been taken out primarily to be sold or bought back within a short time, are a component of portfolio of specific financial instruments that are managed jointly, and for which it is possible to confirm the generation of short-term profits, or constitute derivative instruments.

The Group’s financial liabilities stated at fair value through profit or loss include primarily derivative instruments (in cases when the Group’s companies do not apply hedge accounting) with a negative fair value. Liabilities classified as financial liabilities stated at fair value are stated at fair value as at each reporting date, and all gains or losses are charged to financial revenue and costs. Derivative instruments are stated at fair value as at each balance sheet date as well as at the end of each reporting period based on valuations performed by the banks realizing the transactions. The fair value of debt instruments consists of future cash flows discounted at the current market interest rate applicable to similar instruments.

Financial liabilities stated at amortized cost

Other financial liabilities, not classified as financial liabilities stated at fair value through profit or loss, are included in financial instruments stated at amortized cost. This category includes primarily trade payables, as well as credits and loans. The liabilities included in this category are stated at amortized cost by applying the effective interest rate.

Derivative financial instruments and hedge accounting

Derivative instruments or in limited cases another component of financial assets or a financial liability that have been designated as hedging instruments are meant to hedge the fair value of assets or liabilities or future cash flows so that a change in their fair offsets, fully or partially, the fair value of the hedged item or of the future cash flows attributable to the hedged item.

The given derivative instruments may be considered hedges and recognized in accordance with hedge accounting methods after meeting at least the following conditions specified in IAS 39:

- At the inception of the hedge the entity has documentation that includes at least the following: the risk management objective and strategy, identification of the hedging instrument and of the assets or liabilities or planned transactions being hedged by the instrument, the nature of the risk associated with the hedged item or planned transaction, the term of the hedge, a description of the method that will be used to assess the effectiveness of the changes in the fair value or cash flows of the hedged instrument attributable to the hedged risk.
- The hedge is highly effective in offsetting changes in the fair value or cash flows. The effectiveness of the hedge is measured by comparing changes in the value of the hedging instrument or the cash flows arising out of the instrument, with changes in the value of the hedged item or the cash flows arising out of the item. The hedge is considered highly effective if throughout the term of the hedge nearly the entire amount of changes in the fair value of the hedged item or in the cash flows associated with the hedged item is offset with changes in the fair value or cash flows of the hedging instrument, and the actually achieved level of effectiveness fits within the range of 80% to 125%.
- The effectiveness of a hedge may be reliably assessed by measuring the fair value of the hedged item or the cash flows associated with the hedged item, and the fair value of the hedging instrument. The effectiveness of the hedge is assessed retrospectively (so-called ex-post tests) to show whether a given hedging relationship was highly effective in the audited financial periods, and prospectively (so-called ex-ante tests) to show whether a given hedging relationship is still expected to be highly effective.
- In cases of hedging cash flows relating to a future transaction, it must be highly probable.

The use of cash flow hedges makes it possible to spread the effect of the valuation of hedging instruments and realization of the hedged item on the financial result by carrying the effective portion of the hedge to the Revaluation reserve. This makes it possible to limit the variability of the financial result on the valuation of derivative financial instruments and enables the achievement of an offsetting effect in the income statement in a single reporting period. Thus the economic and accounting effect of the hedge is reflected in the same period.

The portion of the gains and losses arising out of changes in the fair value of a cash flow hedge, which corresponds to the effectiveness of a given instrument in hedging an item, is recognized under a separate equity item (Revaluation reserve). The ineffective portion is charged to the income statement (financial costs/revenue).

In cases of hedging a probable future transaction, if it was found unrealizable, then the accumulated effective result on hedge transactions recognized in the Revaluation reserve should be moved to financial revenue or costs.

The Group should cease to recognize instruments as hedges if a derivative instrument expires, is sold or realized, or if the Company withdraws the given instrument's designation as a hedge. In such cases, the accumulated profits/losses associated with the hedging instrument, previously carried to a separate equity item, remain in equity until the transaction is realized.

The derivative instruments the Group uses to secure against currency risk are primarily forward contracts and put and call options. Such derivative financial instruments are originally stated at fair value as at the date of the contract's conclusion, and subsequently restated each time to fair value. Derivative instruments are recognized as assets when their value is positive, and as liabilities – when their value is negative. Gains and losses resulting from changes in the fair value of derivative instruments, which do not comply with hedge accounting principles, as well as the ineffective portion of an effective hedge transaction, are charged directly to the net financial result for the year.

The hedging instrument's gains and losses relating to the effective portion of the hedge are recognized directly in equity, and the remainder (relating to the ineffective portion of the hedge) is charged directly to the income statement. Amounts accumulated directly in equity are recognized in the income statement in the same period in which the hedged transaction affects the profit or loss, for example when the hedge financial costs or revenues are recognized, or when a planned sales transaction takes place. If the hedged item is a non-financial asset or liability, than the amounts previously charged to equity are added to the initial measurement of the non-financial asset or liability.

If the occurrence of the hedged planned transaction of future binding liability is no longer expected, than the amounts charged to equity are moved to the income statement. If the hedging instrument expires, is sold or realized without being replaced with another instrument or being extended, or if the hedging relationship is invalidated, then the amounts previously charged to equity continue to be recognized in equity until the planned transaction or binding liability occurs. The Group uses its currency contracts to hedge its exposure to foreign exchange risk on future transactions and binding liabilities.

Embedded derivative instruments

Embedded derivative instruments are separated from the contracts and treated as derivative instruments if all of the following conditions are met:

- the economic nature and risk of the embedded instrument are not strictly tied into the economic nature and risk of the contract in which the given instrument is embedded,
- a standalone instrument with realization terms identical to the embedded instrument would meet the definition of derivative instrument,
- a hybrid instrument is not stated at fair value, and changes in its fair value are not charged to the net profit/loss (i.e. a derivative instrument that is embedded in a financial asset or financial liability stated at fair value through profit or loss, is not divided out).

Embedded derivative instruments are presented in the same manner as standalone derivative instruments that are not considered hedging instruments.

The extent to which, in accordance with IAS 39, the economic features and risk corresponding to an embedded derivative instrument in a foreign currency are strictly related to the economic features and risk corresponding to the host contract also includes situations where the currency of the host contract is the customary currency for purchase of sales contracts of non-financial items on the market for the given transaction.

4.5.8 Inventories

Inventory is stated at the lower of the two values: the acquisition price/cost of production, and the net realizable price.

Inventory is stated at net amount (less revaluation write downs). Inventory write downs are performed in connection with impairment, to bring the value of inventory to the net realizable prices. Inventory write downs are recognized in the income statement under the "cost of goods sold" item. Whereas reversals of inventory write downs are recorded as a decrease of the cost of goods sold. The value of a write down decreases the balance sheet value of the written down inventory.

4.5.9 Trade receivables and other receivables

Trade and other financial receivables are stated as at the balance sheet date at amortized cost (i.e. discounted using the effective interest rate) less impairment write downs. Short-term receivables due within 360 days are stated at amount due.

In cases when the effect of the time value of money is significant, the value of a receivable is determined by discounting the forecast future cash flows to the present value, using a gross discounted rate that reflects the current market assessments of the time value of money. If a discounting method was used, the increase in the receivable relating to the passing of time is recorded as financial revenue.

Receivables that are not financial assets are initially recognized at nominal value and stated as at the balance sheet date at amounts due.

Receivables are revalued in consideration of the likelihood of their repayment, by creating provisions for doubtful receivables. A provision for doubtful receivables is created when there is objective evidence that it will not be possible to collect all of the amounts due under the original contractual terms. The existence of such objective evidence is assessed on a continuous basis, after obtaining information of the existence of objective evidence that may determine impairment.

If there is objective evidence that the receivables recognized at amortized costs have been impaired, the impairment loss is determined as the difference between the balance sheet value of the asset and the present value of the future cash flows discounted based on the effective percentage rate. The likelihood of future cash flows is determined based on analyzing historical data. The likelihood of losing the receivables determined as a result of estimates based on historical data may decrease if the Management has reliable documents indicating that the receivables have been secured and their collection is very likely.

Generally, provisions for doubtful receivables are created for 100% of the following receivables:

- from debtors placed in a state of liquidation or bankruptcy, up to the amount that has not been covered by a guarantee or otherwise secured,
- from debtors whose bankruptcy filing has been rejected, if the debtor's assets are insufficient to satisfy the costs of the bankruptcy proceeding at the full value of the claim,
- disputed by the debtors, as well as overdue up to the amount that has not been covered by a guarantee or otherwise secured, if an analysis of the debtor's financial position indicates that the repayment of the contractual amount in the nearest six months is not possible,
- constituting an equivalent of the amounts increasing the receivables with regard to which a provision had previously been created at the value of those amounts until they are received or written off,
- overdue or not overdue with a significant likelihood of non-collectability, at a reliably estimated amount of provision for doubtful receivables,
- late interest charges,
- receivables that are overdue by more than 360 days as at the balance sheet date.

4.5.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, as well as liquid instruments that can be readily convertible to cash in known amounts and are subject to minor value changes.

The balance of cash and cash equivalents listed in the consolidated cash flow statement consists of cash at bank and in hand, as well as short-term deposits.

4.5.11 Assets (group of assets) held for sale

Fixed assets (or groups of assets) are classified as held for sale if their balance sheet value will be recovered through sales transactions rather than through continued use, on the condition that they are available for immediate sale in the current condition, subject to the terms customarily applied in the sale of such assets (or groups of assets), and their sale is very likely.

Immediately before an asset (or group of assets) is classified as held for sale, the asset is valued, i.e. its balance sheet value is determined in accordance with the applicable standards. Tangible and intangible assets are subject to depreciation/amortization up to the date of their classification, and if there are indications of impairment, the asset is also tested for impairment and written down, in accordance with IAS 36 “Impairment of assets”.

Fixed assets (or groups of assets) whose value was determined as above are subject to being reclassified to assets held for resale. At their reclassification the assets are stated at the lower of the following two values: the balance sheet value or the fair value less cost to sell. The difference on valuation to fair value is recognized in other operating costs. At a later valuation, any reversal of fair value is recognized in other operating revenue.

If an entity no longer meets the criteria for classifying an asset as held for sale, the asset is recognized under the balance sheet item from which it had been previously reclassified and stated at the lower of the following two amounts:

- the balance sheet value from the day preceding the asset’s classification as held for sale, adjusted by depreciation or revaluation, which would have been recognized had the asset not been reclassified as held for sale, or
- at the recoverable amount from the day on which the decision to not sell the asset was made.

4.5.12 Equity

Equity is recognized in the books of account by type and in accordance with binding legal regulations and the Company’s Statute.

Share capital is listed at the amount disclosed 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 reduce the value of the Company’s equity.

Share premium – this capital consists of the premium earned on the issue of shares, less the costs of the issue.

Other capital is supplementary capital, capital reserve fund from foreign exchange differences on translation of subsidiaries and the revaluation reserve. In the position of other capital also capital reserve fund is presented (Dividend Fund) for the payment of dividends. Balance of capital reserve fun from foreign exchange differences is adjusted for exchange differences arising from the conversion of financial statements of foreign subsidiaries. Summary capital will not be divided.

Accumulated profits consist of: accumulated profit or uncovered loss from previous years (accumulated profit/loss from previous years), the financial result for the year.

Dividends are recognized as liabilities in the period, in which they were passed.

Dividends received by the holding company for a period after acquiring control are subject to elimination from the financial revenue of the holding company and inclusion in the equity of the entity paying the dividend. This inclusion is made after the entity's equity is divided into capital attributable to the Group and non-controlling interests. The elimination of dividend increases the accumulated profits attributable to the Group.

Non-controlling interest

Non-controlling interest is calculated as a percentage of the equity held by the minority shareholders as at the balance sheet date. This value is consistent with the value of the minority shareholders' capital calculated by adding to the value of the minority shareholders' capital as at the end of the previous period (which at the same time constitutes the opening balance) any changes made in the value of minority shareholders' capital in the reporting period. These changes may in particular be due to:

- changes in the percentage of shares held by minority shareholders – such as purchase, sale, increase or decrease of share capital,
- changes in the value of equity not related to changes in the percentage of shares held – such as increase or decrease without changing the share percentages, contributions to capital made by minority shareholders, the result for the year, capital on revaluation if it took place in the current year, payment of bonuses from prior year's profits.

In cases when the losses attributable to non-controlling interests in a consolidated subsidiary exceed the non-controlling interests in the equity of that subsidiary, then the excess and any further losses attributable to the non-controlling interests are charged to the controlling interests, except for situations when the minority shareholders are required to and able to make an additional investment in order to cover the losses. If at a later time the subsidiary earns a profit, the profit is attributed to the controlling interests until the losses attributed to the non-controlling interests, previously covered by the controlling shareholder, are covered.

4.5.13 Interest bearing bank credits, loans and debt securities

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

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

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

4.5.14 Trade liabilities and other liabilities

Liabilities constitute a current obligation arising out of past events, the fulfillment of which is expected to result in an outflow of funds containing economic benefits.

Financial liabilities other than financial liabilities stated at fair value through profit or loss are valued as at the balance sheet date at amortized cost (i.e. discounted using the effective interest rate). Short-term liabilities due within 360 days are stated at amounts due.

Liabilities not included in financial liabilities are stated at amounts due.

4 Information about the methods used to prepare the consolidated financial statements of the KOFOLA S.A. Group

4.5.15 Provisions

Provisions are created when the Group has a present obligation (legal or customarily expected) arising out of past events, and when it is likely that the fulfillment of this obligation will result in an outflow of economic benefits, and that the amount of the obligation may be reliably estimated. 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 recognized as a separate asset component, but only if it is practically certain that the refund will indeed occur. The costs relating to a given provision are disclosed in the income statement less any refunds. If the time value of money is material, the value of the provision is determined by discounting the forecasted future cash flows to their present values using a gross discount rate reflecting the current market assessments of the time value of money and any risk associated with the given liability. If a method was used consisting of discounting, then any subsequent provision increases are recognized as financial costs.

4.5.16 Employee benefits

Jubilee bonuses and retirement compensation

In accordance with remuneration regulations binding some of the Group's companies, their employees are entitled to retirement compensation benefits and jubilee bonuses.

The companies do not separate assets that could be used in the future to pay retirement compensation liabilities. The companies create provisions for future retirement compensation liabilities in order to allocate costs to the periods, to which they relate.

The value of the companies' future retirement compensation benefits and jubilee bonuses is calculated by an actuary using the accumulated future benefits method subject to the forecasted rise in the remuneration constituting the basis for the calculation of future benefits, assumed discount rate, the assumed likelihood of reaching a sufficiently long term of employment (the likelihood of becoming eligible for a jubilee bonus), the likelihood that the employee will reach retirement age (the likelihood of becoming eligible for a one-off retirement payment), the likelihood of disability prior to reaching retirement age (the likelihood of becoming eligible for a one-off disability payment), on the condition of remaining employed by the current employer.

The provision is revalued once a year – at the end of each financial year. Up or down adjustments are charged to operating costs (employee benefits) based on a wage distribution list.

The use of such provisions decreases the provision (it is not allowed to charge benefit payments to current operating costs and to make year-end provision adjustments). The release of the above provision adjusts (decreases) the costs of employee benefits.

Termination benefits

In the event of employment termination, the employees of the Group's companies are entitled to benefits in accordance with the labour regulations binding in Poland, such as unused annual leave equivalent and compensation for compliance with a non-compete agreement.

The provision for unused annual leave is revalued as at the last day of the financial year and as at the last day of each six-month period.

Provisions for other termination benefits are created once employment is terminated.

Other employee benefits

The costs of other employee benefits are recognized in the costs of the year in which they were approved for payment, because the value of the benefit can only be reliably determined when it is approved for payment.

Incentive programs based on allocation of subscription warrants

On 18 December 2009 the General Shareholders Meeting approved the Incentive Program Regulations. As part of the Incentive Program, its participants (management staff) are eligible to take up A, B, C and D series subscription warrants, providing that they meet the criteria specified in the Regulations. The realization of the warrants is tied to employment at the Kofola S.A. Group, and their fair value is recognized as a cost of employee benefits with a corresponding rise in the appropriate capital reserve while eligibility is acquired.

4.5.17 Revenue

Revenue is recognized at the amount of the economic benefits the Group is likely to obtain from a given transaction, and when the amount of revenue may be measured reliably. Revenue is recognized less value added tax (VAT), excise tax and rebates (discounts, bonuses and other "costs of bringing the product to the store shelf").

The amount of revenue is determined at the fair value of the payment received or receivable. Revenue is stated at discounted value when the effect of the time value of money is material (when the time within which payment is received is longer than 360 days). If revenue is recognized at discounted value, the value of the discount is recognized proportionately to the amount of time passed as an increase in receivables, and on the other side as financial revenue.

Foreign exchange differences on the realization and balance sheet valuation of trade receivables are listed under revenue.

Foreign exchange differences on the realization and balance sheet valuation of trade payables are listed in the cost of goods sold.

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

4.5.17.1 Sale of goods and products

Revenue is recognized when the significant risks and benefits of the ownership of goods and products have been transferred to the buyer, and when the amount of revenue may be measured reliably.

4.5.17.2 Provision of services

Revenue from the provision of services is recognized after the service is rendered based on invoices issued by the end of the month in which the service was performed.

4.5.17.3 Interest

Interest income is recognized gradually as it accrues.

4.5.17.4 Dividends

Dividends are recognized once the shareholders' right to receive them is established.

4.5.17.5 Government subsidies

The Group recognizes government and European Union subsidies once there is reasonable assurance that the subsidy will be granted and that all of the related required criteria will be complied with. Both of the above conditions must be met for a government subsidy to be recognized.

The Group may receive non-refundable government grants, mostly in the form of direct or indirect subsidies to investment projects. Subsidies reduce the value of assets and are recognized in profit and loss statement, as a reduction of depreciation, depending on the expected pattern of economic benefits from the asset.

If the subsidy relates to a cost item, then it is recognized as revenue, matching the costs the subsidy is meant to compensate.

4.5.18 Income tax

For the purposes of financial reporting a provision is created for income tax using the balance sheet method with regard to all temporary differences as at the balance sheet date between the tax value of assets and liabilities and the their accounting value listed in the financial statements.

A provision for deferred income tax is recognized on all positive temporary differences:

- except for situations when the provision for deferred income tax arises as a result of the initial recognition of goodwill or the initial recognition of an asset or liability component in a transaction that is not a business combination and has no effect on either the gross financial result or the taxable income or loss,
- in the case of positive temporary differences arising out of investments in subsidiaries or associates and interests in joint ventures – except for situations when the dates on which temporary differences are reversed are controlled by the investor and when it is likely that they will not reverse in the foreseeable future,
- deferred income tax assets are recognized on all negative temporary differences, as well as unused tax assets and unused tax losses that have rolled forward to future years, up to the amount that it is likely that future taxable income will be available that will make it possible to utilize the above mentioned differences, assets and losses,
- except for situations when the deferred income tax assets on negative temporary differences arise as a result of the initial recognition of goodwill or the initial recognition of an asset or liability component in a transaction that is not a business combination and has no effect on either the gross financial result or the taxable income or loss, and
- in the case of negative temporary differences arising out of investments in subsidiaries or associates and interests in joint ventures, the deferred income tax assets component is recognized in the balance sheet only at an amount that the above temporary differences are likely to be reversed in the foreseeable future and taxable income will be available that will make it possible to deduct the negative temporary differences.

The balance sheet value of deferred income tax assets is verified as at each balance sheet date and is subject to a relevant reduction to an extent that it is no longer likely that sufficient income will be available to partially or totally realize the deferred income tax asset.

Deferred income tax assets and provisions for deferred income tax are stated using the tax rates that are expected to apply when the asset will be realized or provision released, based on the tax rates (and tax regulations) binding as at the balance sheet date, or tax rates and regulations that are certain to apply in the future.

The Group recognizes a deferred income tax asset from a tax credit associated with operations in a special economic zone and investment credits. Tax credits are available providing that all of the criteria relating to minimum capital expenditures are met. Basically, tax credits are recognized when the fulfillment of these criteria is highly probable, and in particular at the moment when the expense is incurred and the likelihood of using the credit in the future is very high.

Income tax relating to items recognized directly in equity is recognized in equity, and not in the income statement.

4.5.19 Earnings per share

The net profit per share is calculated for each reporting period by dividing the net profit for the period attributable to the holding company's ordinary shareholders by the weighted average number of ordinary shares in the period.

Diluted net profit per share is calculated by dividing the net profit for the period attributable to the company's ordinary shareholders (less interest on redeemable preferred shares convertible to ordinary shares) by the weighted average number of ordinary shares in the period (adjusted by the effect of diluting options or diluting redeemable preferred shares convertible to ordinary shares).

4.6 Correction of error

No adjustments of material errors have been made in the financial statements for the year.

4.7 Professional judgment

When a given transaction is not regulated in any standard or interpretation, the Management, based on its subjective judgment, develops and applies accounting policies that will ensure that the financial statements contain proper and reliable information, and that they:

- present truly and fairly the Company's financial position, financial result and cash flows,
- reflect the economic substance of transactions,
- are objective,
- are prepared in accordance with the prudence principle,
- are complete in all material respects.

As at 31 December 2011 the Management's professional judgment relates to provisions for claims and court cases, as well as to contingent liabilities. It is also used in assessing the risk associated with the repayment of overdue receivables – the Group verifies its provisions for doubtful debts as at each balance sheet date, taking into account the potential risk of significant delays in their repayment.

4.8 Uncertainty of estimates

Since some of the information contained in the financial statements cannot be measured precisely, to prepare the financial statements the Group's Management must perform estimates. The Management verifies the estimates based on changes in the factors taken into account at their calculation, new information or past experiences. For this reason the estimates performed as at 31 December 2011 may be changed in the future. The main estimates pertain to the following matters:

Estimates	Type of information	Note
Impairment of cash generating units and individual tangible and intangible fixed asset components	Main assumptions used to determine the recoverable amount: indications of impairment, models, discount rates, growth rate.	4.5.4, 4.5.5, 4.5.6, 5.15
Provisions for doubtful debts	Main assumptions used to determine the recoverable amount.	4.5.9, 5.20, 5.9
Income tax	Assumptions used to recognize deferred income tax assets.	4.5.18, 5.11
Employee benefits	Discount rates, inflation, wage increases, anticipated average length of employment.	4.5.16, 5.24.2
Provisions	Provisions for the costs of severance pay and restructuring: discount rates and other assumptions. The assumptions used to value provisions for retirement benefits.	4.5.15, 5.9, 5.23
Economic useful lives of tangible and intangible fixed assets	The economic useful life and depreciation method are verified at least as at the end of each financial year.	4.5.1, 4.5.5
Write down of slow moving and obsolete inventory items	The methods used to determine the recoverable net amount of inventory.	4.5.8, 5.9, 5.19

4.9 Approval of financial statements

The Board of Directors approved the present consolidated financial statements for publication on 15 March 2012.

5 Notes to the consolidated financial statements of the KOFOLA S.A. Group

5 Notes to the consolidated financial statements of the KOFOLA S.A. Group

5.1 Operating segments

An operating segment is a component of an entity:

A) which engages in business activities as a result of which it may earn revenue and incur costs (including revenue and costs associated with transactions with other components of the same entity),

B) whose results are regularly reviewed by the main body in charge of making operating decisions at the entity, which uses those results to decide on the allocation of resources to the segment and to assess the segment's results, as well as

C) for which separate financial information is available.

Change in the presentation of information about operating segments

Due to the new segment reporting requirements introduced effective 1 January 2009 by IFRS 8 Operating Segments, the KOFOLA S.A. Group presents a new breakdown by segment. The Group has performed an analysis to identify potential operating segments. The Group conducts activities as part of the following operating segments:

- Carbonated beverages
- Non-Carbonated beverages
- Mineral waters
- Syrups
- Low alcohol drinks
- Other

The "Other" segment includes beverage (goods for resale) sales made by distribution companies, sales of own energy drinks Semtex, Erektus and R20 (products) and ice coffee Nescafe Xpress (good for resale), ice tea Green Tea (product) as well as transport activities performed for entities from outside the Group.

From January 2011 the Group finished the sale of ice coffee Nescafe Xpress.

Financial revenue and costs, as well as taxes, have not been disclosed by segment, as these values are monitored at Group level and no such information is forwarded to segment-level decision makers.

The Group applies the same accounting methods for all of the segments. Transactions between segments are eliminated in the consolidation process.

As part of presenting its segments, the Group identified one client, who generates more than 10% of the segment's revenues. In 2011 the Group's revenues from this client amounted to 245 531 thousand PLN and related to carbonated beverages, non-carbonated beverages, mineral water and syrups.

Due to the use of joint asset resources as part of operating segments and because of difficulties in allocating these resources to separate segments, the Group does not present to the decision making organ its data on the assets, liabilities, investment spending and depreciation charges allocated to the various segments, and does not present these data in the financial statements.

5 Notes to the consolidated financial statements of the KOFOLA S.A. Group

5.1 Operating segments

Reporting segment results for the 12 month period ended 31 December 2011 and for the 12 month period ended 31 December 2010:

Operating segments

1.1.2011 - 31.12.2011	Carbonated beverages	Non-Carbonated beverages	Mineral waters	Syrups	Low alcohol drinks	Other	Total
Revenue	604 165	111 383	216 933	136 557	228 155	39 080	1 336 273
Adjusted operating expenses	(556 064)	(116 726)	(225 900)	(124 210)	(218 348)	(37 641)	(1 278 889)
Adjusted operating result of the segment	**48 101**	**(5 343)**	**(8 967)**	**12 347**	**9 807**	**1 439**	**57 384**
One-off operating expenses (note 1.5)							(3 343)
Operating result of the segment	**48 101**	**(5 343)**	**(8 967)**	**12 347**	**9 807**	**1 439**	**54 041**
Result on financial activity							(16 562)
Profit before tax							37 479
Income tax							(11 034)
Net profit							**26 445**

1.1.2010 - 31.12.2010	Carbonated beverages	Non-Carbonated beverages	Mineral waters	Syrups	Low alcohol drinks	Other	Total
Revenue	541 186	155 340	202 425	125 229	177 172	37 811	1 239 164
Adjusted operating expenses	(492 153)	(164 509)	(214 059)	(116 414)	(176 770)	(41 596)	(1 205 502)
Adjusted operating result of the segment	**49 033**	**(9 169)**	**(11 634)**	**8 815**	**402**	**(3 785)**	**33 662**
One-off operating expenses (note 1.5)							(43 171)
Operating result of the segment	**49 033**	**(9 169)**	**(11 634)**	**8 815**	**402**	**(3 785)**	**(9 509)**
Result on financial activity							(10 387)
Loss before tax							(19 896)
Income tax							(8 696)
Net loss							**(28 592)**

5.2 Geographical segments

The Group's activities are generally concentrated on the four markets:

- Poland
- Czech Republic
- Russia
- Slovakia

Presented below are the data for the above geographical segments.

1.1.2011 - 31.12.2011	Poland	Czech Republic	Russia	Slovakia	Other	Eliminations (consolidation adjustments)	Total
Revenue	**486 921**	**401 497**	**295 096**	**258 596**	**6 079**	**(111 916)**	**1 336 273**
Sales to external customers	464 857	358 653	295 096	211 588	6 079	-	1 336 273
Inter-segment sales	22 064	42 844	-	47 008	-	(111 916)	-
Adjusted operating expenses	**(486 751)**	**(362 892)**	**(289 671)**	**(242 644)**	**(6 105)**	**109 174**	**(1 278 889)**
Related to third party sales	(465 935)	(321 542)	(289 671)	(195 636)	(6 105)	-	(1 278 889)
Related to inter-segment sales	(20 816)	(41 350)	-	(47 008)	-	109 174	-
Adjusted operating result of the segment	**170**	**38 605**	**5 425**	**15 952**	**(26)**	**(2 742)**	**57 384**
One-off operating expenses (note 1.5)	-	**(3 025)**	**-**	**(318)**	**-**	**-**	**(3 343)**
Operating result of the segment	**170**	**35 580**	**5 425**	**15 634**	**(26)**	**(2 742)**	**54 041**
Result on financial activity	23 169	(3 173)	813	(2 295)	1	(35 077)	(16 562)
within segment	(8 905)	(6 176)	813	(2 295)	1	-	(16 562)
between segments	32 074	3 003	-	-	-	(35 077)	-
Profit /(loss) before tax	23 339	32 407	6 238	13 339	(25)	(37 819)	37 479
Income tax	(4 745)	(1 552)	(1 812)	(2 925)	-	-	(11 034)
Net profit /(loss)	**18 594**	**30 855**	**4 426**	**10 414**	**(25)**	**(37 819)**	**26 445**
Assets and liabilities							
Segment assets	709 022	430 094	167 738	216 262	217	(178 537)	1 344 796
Total assets	**709 022**	**430 094**	**167 738**	**216 262**	**217**	**(178 537)**	**1 344 796**
Segment liabilities	336 564	447 831	84 753	139 693	17	(204 710)	804 148
Equity							540 648
Total liabilities and equity							
Other information concerning segment							
Investment expenditure:							
tangibles and intangibles	16 675	24 051	8 724	3 889	-	-	53 339
Depreciation and amortization	25 276	27 275	10 033	15 777	-	-	78 361

5.2 Geographical segments

1.1.2010 - 31.12.2010	Poland	Czech Republic	Russia	Slovakia	Other	Eliminations (consolidation adjustments)	Total
Revenue	**471 531**	**380 634**	**239 005**	**245 645**	**4 485**	**(102 137)**	**1 239 164**
Sales to external customers	453 364	341 070	239 005	201 241	4 485	-	1 239 164
Inter-segment sales	18 168	39 565	-	44 405	-	(102 137)	-
Adjusted operating expenses	**(481 208)**	**(358 732)**	**(233 269)**	**(230 143)**	**(3 897)**	**101 748**	**(1 205 502)**
Related to third party sales	(463 110)	(319 388)	(233 270)	(185 837)	(3 897)	-	(1 205 502)
Related to inter-segment sales	(18 098)	(39 344)	-	(44 306)	-	101 748	-
Adjusted operating result of the segment	**(9 677)**	**21 903**	**5 736**	**15 502**	**588**	**(389)**	**33 662**
One-off operating expenses (note 1.5)	(43 171)	-	-	-	-	-	(43 171)
Operating result of the segment	**(52 848)**	**21 903**	**5 736**	**15 502**	**588**	**(389)**	**(9 509)**
Result on financial activity	25 132	(5 060)	1 008	(2 220)	176	(29 423)	(10 387)
within segment	(3 730)	(5 621)	1 008	(2 220)	176	-	(10 387)
between segments	28 862	560	-	-	-	(29 423)	-
Profit /(loss) before tax	(27 716)	16 842	6 744	13 282	764	(29 812)	(19 896)
Income tax	(390)	(2 842)	(2 864)	(2 600)	-	-	(8 696)
Net profit /(loss)	**(28 106)**	**14 000**	**3 880**	**10 681**	**764**	**(29 812)**	**(28 592)**
Assets and liabilities							
Segment assets	738 364	414 274	141 449	216 150	138	(229 273)	1 281 101
Total assets	**738 364**	**414 274**	**141 449**	**216 150**	**138**	**(229 273)**	**1 281 101**
Segment liabilities	380 147	433 837	59 073	147 614	106	(252 462)	768 316
Equity							512 785
Total liabilities and equity							**1 281 101**
Other information concerning segment							
Investment expenditure:							
tangibles and intangibles	10 627	24 497	889	16 650	-	-	52 664
Depreciation and amortization	25 729	31 253	8 087	15 592	-	-	80 661

Products

The KOFOLA S.A. offers its products in Poland, the Czech Republic, Slovakia, in Russia and in Hungary, as well as exports them to other countries, mainly in Europe.

BRANDS OF KOFOLA S.A. GROUP IN 2011	
CARBONATED BEVERAGES	Kofola, RC Cola, Citrocola, Hoop Cola, Top Topic, Vinea, Orangina, Chito, Citronela, Fruti, Mr. Max
NATURAL SPRING WATERS	Rajec, Arctic
NON-CARBONATED BEVERAGES	Jupí Fruit Drink, Top Topic, Aloe Vera
100% FRUIT JUICES AND NECTARS	Snipp
SYRUPS AND CONCENTRATES	Jupí, Paola
CHILDRENS' DRINKS	Jupík, Jupík Aqua, Jumper, Jupík Smoothie
ICE TEA	Pickwick Just Tea, Green Tea
ENERGY DRINKS	R20, Semtex, Erectus
LOW ALCOHOL BEVERAGES (Russia)	Hooper`s Hooch, Dieviatka

From the beginning of 2011 the Group's assortment of beverages was broadened to include new Rajec flavored waters („Flower“, „Birch“), Kofola drink cherry flavored, canned Kofola, Kofola, Rajec water with herbs, Hoop Cola drink without sugar, the new Watermelon flavor Jupík Aqua. In addition, from April 2011, the Group, in connection with the purchase of the company Pinelli spol s ro, expanded its portfolio with energy drinks and Erektus Semtex and iced tea Green Tea. At the turn of June and July we extended family of Vinea Vinea Rose, drink like champagne, but without the alcohol. The newest products of the Group are also drink Aloe Vera, Smoothie Jupik already produced in the hot filling technology, new flavors of syrups Paola: yellow summer flavors (orange, lemon, peach) and limited edition flavors (strawberry, vanilla and raspberry winter).

KOFOLA Group S.A. also produces water, and non-carbonated soft drinks and syrups on behalf of external companies, mostly retailers. These companies offer consumers products under its own brand using the distribution capacity in its own shops.

In addition, company Megapack operating in the Russian market, the company sells sells drink bottling services on commission. This applies to both low-alcohol beverages and soft drinks. The main innovation in 2011 the company was Megapack Arctic Fresh, new line and a new Arctic Fito Hoop soda in cans.

Seasonal and cyclical nature of the operations of the KOFOLA S.A. Group

Seasonality

Seasonality, associated with periodic deviations in demand and supply, is of certain significance in the shaping of the KOFOLA Group's general sales trends. Beverage sales peak in the 2nd and 3rd quarter of the year. This is caused by increased drink consumption in the spring and summer months. In the years ended 31 December 2011 and 2010, approximately 21% (19% in 2010) of revenue from the sale of finished products and services was earned in the 1st quarter, with 31% (27% in 2010), 23% (30% in 2010) and 25% (24% in 2010) of total annual consolidated revenues earned in the 2nd, 3rd and 4th quarters. The Management is expecting similar seasonality in the year 2012.

Periodicity

Group results are dependent on economic cycles, in particular, fluctuations in demand and price fluctuations of production raw material, so called „commodities“.

5.3 Expenses by type

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Depreciation of fixed assets and intangible assets	78 361	80 661
Employee benefits costs	173 852	176 182
Consumption of materials and energy	777 871	684 655
Services	219 260	220 911
Taxes and fees	7 106	7 839
Property and life insurence	2 933	3 046
Other costs, including:	19 789	26 199
- change in revaluation write-off of inventory	(533)	1 218
- change in revaluation write-off of receivables	2 899	(911)
- other operating costs	17 423	25 892
Total expenses by type	**1 279 172**	**1 199 493**
Change in inventories, work in progress and accruals	(7 695)	(15 240)
Reconciliation of expenses by type to expenses by function	**1 271 477**	**1 184 253**
Costs of sales, marketing and distribution	332 211	353 701
Administrative costs	69 478	76 655
Administrative costs	869 788	753 897
Total costs of product sold, merchandise and materials, sales costs and overhead costs	**1 271 477**	**1 184 253**

Costs of employee benefits

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Cost of salary	136 920	140 108
Reserves costs for pension, jubilee award and other employee benefit	36 932	36 074
Total costs of employee benefits	**173 852**	**176 182**

5.4 Other operating income

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Revenue from the sale of non-financial assets	2 622	2 276
Profit from the resale of services, reinvoiced payments	13	142
Received subsidies	824	-
Write-off liabilities	50	17
Received penalties and damages	1 110	670
Tax return	3 397	14
Other	-	227
Total other operating income	**8 016**	**3 346**

5.5 Other operating expenses

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Net loss from the sale of non-financial assets	758	2 028
Revaluation write-off of intangible assets	-	33 924
Revaluation write-off of tangible fixed assets	13	4 795
Loss from liquidation of tangible and intangible assets	291	67
Provided donations	584	559
Paid penalties and damages	1 949	3 441
Other taxes paid	-	255
Other	1 526	1 522
Total other operating expenses	**5 121**	**46 591**

The revaluation write-off of intangible fixed assets made in 2010 has to do with an impairment of the value of trademarks at the subsidiary Hoop Polska Sp. z o.o.

The revaluation write-off of tangible fixed assets made in 2010 has to do with an impairment of the value of the plant in Tychy owned by Hoop Polska Sp. z o.o.

5.6 Financial income

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Financial interest income from:		
- bank deposits	1 738	1 593
- credits and loans granted	325	346
- interest on receivables	35	7
Net financial income from realized FX differences	331	1 924
Profit from the sale of shares and other securities	-	5 696
Dissolved provision	6 000	-
Other financial income	11	379
Total financial income	**8 440**	**9 945**

The verification of the 2011 estimates, resulted in partially dissolved provision for losses from investments in distribution companies in the amount of 6 000 thousand PLN.

The profit from the sale of shares and other securities in the year 2010 includes the profit from the sale of shares of and the company BOMI S.A.

5.7 Financial expense

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Financial interest expense from:		
- credits and financial leases	19 781	17 981
Net financial losses from FX differences	2 619	282
Revaluation of financial assets	-	71
Bank charges	2 491	1 915
Total financial expense	**24 891**	**20 250**

5.8 Share in result received from subsidiaries and associates

The item includes the result of TSH Sulich Sp. z o.o. corresponding in the current period to KOFOLA S.A. Owing to the fact that KOFOLA S.A. holds 50 % of the company's share capital, TSH Sulich Sp. z o.o. is not consolidated by acquisition accounting.

5.9 Changes in reserves and provisions

	Receivables	Inventories	Tangible assets	Intangible assets	Financial assets	Provisions
As at 1.1.2011	**19 564**	**8 995**	**24 514**	**34 120**	**800**	**30 654**
Currency differences from translation	1 199	71	-	-	-	713
Increase due to creation	5 807	2 419	13	-	-	16 566
Decrease due to release and use	(2 908)	(2 952)	(1 645)	-	-	(25 373)
As at 31.12.2011	**23 662**	**8 533**	**22 882**	**34 120**	**800**	**22 560**

Specifications of reserves created by the Group are presented in Note 5.23.

5.10 Dividends paid and declared

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Dividends declared in the given period	16 227	25 126
Dividends on common shares:	-	-
paid out in the given period	16 227	25 126
Dividends paid and declared	**16 227**	**25 126**

In its Resolution No. 17 the Ordinary General Meeting of KOFOLA S.A. of 29 June 2011 designated part of the net profit generated by KOFOLA S.A. in the period from 1 January 2010 to 31 December 2010, amounting to 16 227 thousand PLN for the payment of a dividend.

The shares of all series (A,B,C,D,E,F,G) partook in the dividend. The dividend date was set for 29 September 2011. As per the above resolution, the dividend was paid out on 6 December 2011.

In the reporting period KOFOLA S.A. received a dividend from its subsidiaries: Kofola Holding a.s. in the gross amount of 9 368 thousand PLN and from OOO Megapack in the gross amount of 5 439 thousand PLN. These positions were eliminated in the consolidation adjustments.

5.11 Income tax

Main income tax elements for the period of 12 months ended 31 December 2011 and for the period of 12 months ended 31 December 2010:

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Profit and loss		
Current income tax	**5 821**	**6 901**
Current Income tax charge	6 935	6 825
Adjustments of current income tax from previous years	(1 114)	76
Deferred income tax	**5 213**	**1 795**
Related with arising and reversing of temporary differences	6 722	5 039
Related with tax losses	(1 509)	(3 244)
Income tax charge recorded in consolidated profit and loss	**11 034**	**8 696**
Statements of changes in equity		
Current income tax	**-**	**-**
Tax effect of changes in share capital	-	-
Deferred income tax	**-**	**-**
Tax from Fair value gains on available-for-sale financial assets	-	-
Tax from Cash flow hedges	-	-
Tax benefit / tax burdens shown in equity	**-**	**-**

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Profit/(loss) before tax from continuing activity	37 479	(19 896)
Profit/(loss) before tax from discontinued activity	-	-
Profit/(loss) before income tax	**37 479**	**(19 896)**
Tax expense at the theoretical domestic tax rates in Poland	(7 121)	3 780
Tax effect of:		
Non-deductible expenses	(3 222)	(4 149)
Non-capitalized tax losses of Group companies	(7 398)	(8 551)
Investment incentives	-	-
Non-taxable income	408	987
Current tax adjustments relating to prior periods	1 157	(219)
Deferred tax adjustments relating to prior periods	(765)	(257)
Expired tax losses	-	-
Tax effect on tax losses	5 963	320
Effect of different tax rates of subsidiaries operating in other jurisdictions	(62)	(62)
Other	6	(546)
Income tax presented in profit and loss	**(11 034)**	**(8 696)**
Effective tax rate (%)	**29,4%**	**(43,7%)**

5 Notes to the consolidated financial statements of the KOFOLA S.A. Group

5.11 Income tax

Deferred income tax

Deferred income tax arises out of the following items:

31.12.2011

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX RESERVES	Deferred income tax assets	Deferred income tax reserves	Net amount
Tangible and intangible fixed assets	-	28 887	(28 887)
Inventories	2 002	-	2 002
Receivables	3 535	6 265	(2 730)
Contribution in kind	-	60 189	(60 189)
Tax losses	8 072	-	8 072
Liabilities and provisions	11 170	-	11 170
Other (including investment incentives)	18 739	-	18 739
Deferred income tax assets/deferred tax reserves	**43 518**	**95 341**	**(51 823)**
Presentation corrections	(22 401)	(22 401)	-
Deferred income tax assets/deferred tax reserves recorded in balance	**21 117**	**72 940**	**(51 823)**

31.12.2010

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX RESERVES	Deferred income tax assets	Deferred income tax reserves	Net amount
Tangible and intangible fixed assets	-	20 822	(20 822)
Inventories	2 655	-	2 655
Receivables	2 526	5 051	(2 525)
Contribution in kind	-	60 189	(60 189)
Tax losses	7 690	-	7 690
Liabilities and provisions	10 862	-	10 862
Other (including investment incentives)	19 982	-	19 982
Deferred income tax assets/deferred tax reserves	**43 725**	**86 062**	**(42 337)**
Presentation corrections	(24 055)	(24 055)	-
Deferred income tax assets/deferred tax reserves recorded in balance	**19 670**	**62 007**	**(42 337)**

5.12 Discontinued operations

The Group did not discontinue any operations in the reporting period.

5.13 Earnings per share

The basic profit per share is calculated by dividing the net profit for the period attributable to the holding company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The diluted profit per share is calculated by dividing the net profit 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 diluting redeemable preferred shares convertible to ordinary shares).

Presented below are the data relating to the profits and shares used to calculate basic and diluted profit per share:

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Net profit/(loss) assigned to the shareholders of the parent company	24 232	(30 532)

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Weighted average number of issued common shares used to calculate the regular earnings per share ratio	26 172 602	26 172 602
Impact of dilution: Subscribtion warrants	-	6 099
Adjusted weighted average number of common shares used to calculate diluted earnings per share	**26 172 602**	**26 178 701**

No other transactions involving ordinary shares or potential ordinary shares took place in the period from the balance sheet date to the preparation of the financial statements.

Based on the above information, the basic and diluted profit per share amounts to:

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Net profit/(loss) assigned to the shareholders of the parent company	24 232	(30 532)
Weighted average number of issued common shares	26 172 602	26 172 602
Regular earnings per share (PLN/share)	**0,9258**	**(1,1666)**

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Net profit/(loss) assigned to the shareholders of the parent company, used to calculate diluted earnings per share	24 232	(30 532)
Adjusted weighted average number of common shares used to calculate diluted earnings per share	26 172 602	26 178 701
Diluted earnings per share (PLN/share)	**0,9258**	**(1,1663)**

5.14 Tangible fixed assets

In the reporting period of 12 months ended 31 December 2011 the companies of the KOFOLA S.A. Group incurred 50 813 thousand PLN in expenses to increase the value of tangible fixed assets. The investment projects realized in this period pertain primarily to entity Kofola a.s. (Czech republic) (line for bottling beverages in so-called technology hot filling) and Hoop Polska Sp. z o.o. (nozzle exchange on the production line).

5 Notes to the consolidated financial statements of the KOFOLA S.A. Group

5.14 Tangible fixed assets

1.1.2011 - 31.12.2011

TABLE OF CHANGES IN TANGIBLE FIXED ASSETS	Land	Buildings and constructions	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	TOTAL
a) gross book value at the beginning of the period	**14 151**	**316 064**	**446 257**	**78 985**	**93 703**	**14 301**	**963 461**
b) increases	**476**	**11 870**	**40 050**	**8 376**	**6 532**	**(7 027)**	**60 277**
- purchase of fixed assets	476	5 185	37 517	2 757	6 507	2 241	54 683
- transfer from investment	-	6 685	2 533	25	25	(9 268)	-
- tangible fixed assets acquired pursuant to a financial lease agreement	-	-	-	5 594	-	-	5 594
c) decreases	**(205)**	**(2 773)**	**(12 180)**	**(19 391)**	**(7 549)**	**-**	**(42 098)**
- sale	(205)	(1 923)	(8 432)	(4 721)	(2 980)	-	(18 261)
- liquidation	-	(850)	(3 774)	(4 170)	(4 516)	-	(13 310)
- reclassification to another group	-	-	26	(10 500)	(53)	-	(10 527)
FX diff. from translation	**725**	**15 470**	**39 361**	**10 875**	**7 787**	**1 058**	**75 276**
d) gross book value at the end of the period	**15 147**	**340 631**	**513 488**	**78 845**	**100 473**	**8 332**	**1 056 916**
e) accumulated depreciation at the beginning of the period	**(878)**	**(36 244)**	**(244 446)**	**(48 167)**	**(59 140)**	**-**	**(388 875)**
f) depreciation charge for the period	**(61)**	**(7 806)**	**(38 995)**	**(6 935)**	**(677)**	**-**	**(54 474)**
- annual depreciation charge	(61)	(8 167)	(45 850)	(13 069)	(8 134)	-	(75 281)
- sale	-	131	3 113	3 056	2 910	-	9 210
- liquidation	-	230	3 774	2 609	4 496	-	11 109
- reclassification to other categories	-	-	(32)	32	-	-	-
- other (decreases)	-	-	-	437	51	-	488
FX diff. from translation	**-**	**(2 219)**	**(26 156)**	**(5 772)**	**(5 416)**	**-**	**(39 563)**
g) accumulated depreciation at the end of the period	**(939)**	**(46 269)**	**(309 597)**	**(60 874)**	**(65 233)**	**-**	**(482 912)**
h) impairment charges at the beginning of the period	**-**	**(22 542)**	**(1 995)**	**23**	**-**	**-**	**(24 514)**
increase	**-**	**-**	**(5)**	**-**	**(8)**	**-**	**(13)**
- establishment of impairment charges	-	-	(5)	-	(8)	-	(13)
decreases	**-**	**-**	**1 645**	**-**	**-**	**-**	**1 645**
- sale of tangible fixed assets	-	-	1 645	-	-	-	1 645
i) impairment charges at the end of the period	**-**	**(22 542)**	**(355)**	**23**	**(8)**	**-**	**(22 882)**
j) net book value at the beginning of the period	**13 273**	**257 278**	**199 816**	**30 841**	**34 563**	**14 301**	**550 072**
k) net book value at the end of the period	**14 208**	**271 820**	**203 536**	**17 994**	**35 232**	**8 332**	**551 122**
including:							
Tangible fixed assets							**541 122**
Assets (group of assets) held for sale							**10 000**

5.14 Tangible fixed assets

1.1.2010 - 31.12.2010

TABLE OF CHANGES IN TANGIBLE FIXED ASSETS	Land	Buildings and constructions	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	TOTAL
a) gross book value at the beginning of the period	**12 860**	**309 062**	**418 694**	**81 085**	**95 467**	**15 443**	**932 611**
b) increases	**1 082**	**5 848**	**30 981**	**9 581**	**3 919**	**(2 411)**	**49 000**
- purchase of fixed assets	1 082	2 638	23 715	383	2 448	8 817	39 083
- transfer from investment	-	3 210	6 175	372	1 471	(11 228)	-
- tangible fixed assets acquired pursuant to a financial lease agreement	-	-	1 091	8 826	-	-	9 917
c) decreases	**(97)**	**930**	**(22 608)**	**(10 919)**	**(6 465)**	**926**	**(38 233)**
- sale	(195)	(1 978)	(10 311)	(11 088)	(9)	-	(23 581)
- liquidation	-	(6)	(10 482)	(1 343)	(2 820)	-	(14 651)
- reclassification to another group	98	2 914	(1 815)	1 513	(3 636)	926	-
FX diff. from translation	**306**	**223**	**19 190**	**(763)**	**782**	**344**	**20 082**
d) gross book value at the end of the period	**14 151**	**316 064**	**446 257**	**78 985**	**93 703**	**14 301**	**963 461**
e) accumulated depreciation at the beginning of the period	**(606)**	**(22 594)**	**(195 136)**	**(38 638)**	**(58 476)**	**-**	**(315 450)**
f) depreciation charge for the period	**(60)**	**(11 533)**	**(34 280)**	**(7 064)**	**(179)**	**-**	**(53 116)**
- annual depreciation charge	(60)	(8 646)	(46 391)	(13 447)	(8 033)	-	(76 577)
- sale	-	3	3 338	7 128	3	-	10 472
- liquidation	-	-	7 237	612	2 762	-	10 611
- reclassification to other categories	-	(2 890)	1 536	(1 356)	2 710	-	-
- other (decreases)	-	-	-	-	2 379	-	2 379
FX diff. from translation	**(212)**	**(2 117)**	**(15 030)**	**(2 465)**	**(485)**	**-**	**(20 309)**
g) accumulated depreciation at the end of the period	**(878)**	**(36 244)**	**(244 446)**	**(48 167)**	**(59 140)**	**-**	**(388 875)**
h) impairment charges at the beginning of the period	**-**	**(19 247)**	**(6 931)**	**23**	**(23)**	**-**	**(26 178)**
increase	**-**	**(4 795)**	**(1 592)**	**-**	**-**	**-**	**(6 387)**
- establishment of impairment charges	-	(4 795)	(1 592)	-	-	-	(6 387)
decreases	**-**	**1 500**	**6 528**	**-**	**23**	**-**	**8 051**
- sale	-	1 500	6 263	-	-	-	7 763
- liquidation	-	-	**265**	-	-	-	**265**
- reversal of impairment - to financial result	-	-	-	-	23	-	23
i) impairment charges at the end of the period	**-**	**(22 542)**	**(1 995)**	**23**	**-**	**-**	**(24 514)**
j) net book value at the beginning of the period	**12 254**	**267 221**	**216 627**	**42 470**	**36 968**	**15 443**	**590 983**
k) net book value at the end of the period	**13 273**	**257 278**	**199 816**	**30 841**	**34 563**	**14 301**	**550 072**
including:							
Tangible fixed assets							**540 072**
Assets (group of assets) held for sale							**10 000**

5.15 Intangible fixed assets

1.1.2011 - 31.12.2011

TABLE OF CHANGES IN INTANGIBLE FIXED ASSETS	Goodwill	Patents, licenses	Computer software	Trademarks	Other fixed intangible assets	TOTAL
a) gross book value at the beginning of the period	**111 836**	**2 132**	**19 107**	**208 198**	**1 240**	**342 513**
b) increases	**5 003**	**655**	**1 698**	**23 691**	**355**	**31 402**
- purchase of intangible assets	5 003	655	1 595	23 691	458	31 402
- transfer from development work	-	-	103	-	(103)	-
c) decrease	**-**	**(508)**	**(354)**	**-**	**(18)**	**(880)**
- sale	-	(336)	-	-	-	(336)
- liquidation	-	(172)	(354)	-	(18)	(544)
FX diff. from translation	**2 132**	**625**	**1 159**	**8 978**	**(786)**	**12 108**
d) gross book value at the end of the period	**118 971**	**2 904**	**21 610**	**240 867**	**791**	**385 143**
e) accumulated depreciation at the beginning of the period	**-**	**(1 315)**	**(8 373)**	**-**	**-**	**(9 688)**
f) depreciation charge for the period	-	(63)	(2 365)	-	-	(2 428)
- annual depreciation charge	-	(361)	(2 719)	-	-	(3 080)
- liquidation	-	298	354	-	-	652
FX diff. from translation	-	(393)	(673)	-	-	(1 066)
g) accumulated depreciation at the end of the period	**-**	**(1 771)**	**(11 411)**	**-**	**-**	**(13 182)**
h) impairment charges at the beginning of the period	-	29	-	(33 924)	(225)	(34 120)
- increase	**-**	**-**	**-**	**-**	**-**	**-**
- impairment write down	-	-	-	-	-	-
i) impairment charges at the end of the period	**-**	**29**	**-**	**(33 924)**	**(225)**	**(34 120)**
j) net book value at the beginning of the period	**111 836**	**846**	**10 734**	**174 274**	**1 015**	**298 705**
k) net book value at the end of the period	**118 971**	**1 162**	**10 199**	**206 943**	**566**	**337 841**
including:						
Goodwill						**118 971**
Intangible fixed assets						**218 870**

5.15 Intangible fixed assets

Goodwill consists from the merger of Kofola Group with Hoop Group (including Megapack goodwill), goodwill for the company Pinelli spol. s r.o. purchased in April 2011 (see Note 5.32) and the value acquired by Kofola a.s. (Czech Republic) in 2006, part of the production of the company Klimo s r.o. Change in the goodwill value in comparison to the comparable period includes goodwill arising on the acquisition of shares in the company Pinelli spol. s r.o. and taking into account the exchange rate differences on translation.

The value of trade marks consists, among others of such trademarks as: Kofola, Vinea, Hoop Cola, Paola, Arctic, Hooper `s Hooch, Citrocola, Semtex and Erektus.

Change in the value of Trademarks to the comparable period results from the inclusion, in the reporting period, trademarks resulting from the acquisition of shares in the company Pinelli spol. s r.o. (see Note 5.32) and from the advance payments to trademark Citrocola.

In the reporting period of 12 months ended 31 December 2011 KOFOLA S.A. Group companies made expenditures to increase the value of intangible assets amounting to 2 526 thousand PLN. Investment projects realized in this period relate mainly to the company‘s software Kofola Holding a.s.

5.15 Intangible fixed assets

1.1.2010 - 31.12.2010

TABLE OF CHANGES IN INTANGIBLE FIXED ASSETS	Goodwill	Patents, licenses	Computer software	Trademarks	Other fixed intangible assets	TOTAL
a) gross book value at the beginning of the period	**111 693**	**3 831**	**14 232**	**208 443**	**3 548**	**341 747**
b) increases	**-**	**386**	**4 721**	**8**	**(1 619)**	**3 496**
- purchase of intangible assets - transfer from development work	- -	386 -	2 707 2 014	8 -	395 (2 014)	3 496 -
c) decrease	**-**	**(1 562)**	**(256)**	**(948)**	**(131)**	**(2 898)**
- sale - liquidation	- -	- (1 562)	- (256)	- (948)	- (131)	- (2 898)
FX diff. from translation	143	(523)	411	695	(559)	168
d) gross book value at the end of the period	111 836	2 132	19 107	208 198	1 239	342 513
e) accumulated depreciation at the beginning of the period	-	(1 367)	(4 955)	-	-	(6 322)
f) depreciation charge for the period	-	171	(3 015)	720	-	(2 124)
- annual depreciation charge - liquidation	- -	(814) 985	(3 270) 255	- 720	- -	(4 084) 1 960
FX diff. from translation	**-**	**(119)**	**(403)**	**(720)**	**-**	**(1 241)**
g) accumulated depreciation at the end of the period	**-**	**(1 315)**	**(8 373)**	**-**	**-**	**(9 688)**
h) impairment charges at the beginning of the period	**-**	**29**	**-**	**-**	**(225)**	**(196)**
- increase				**(33 924)**	**-**	**(33 924)**
- impairment write down	-	-	-	(33 924)	-	(33 924)
i) impairment charges at the end of the period	**-**	**-**	**-**	**(33 924)**	**-**	**(33 924)**
j) net book value at the beginning of the period	**111 693**	**2 493**	**9 277**	**208 443**	**3 323**	**335 229**
k) net book value at the end of the period	**111 836**	**846**	**10 735**	**174 274**	**1 014**	**298 705**
including:						
Goodwill **Intangible fixed assets**						**111 836** **186 869**

In the annual impairment tests performed by the Group the calculation of fair value for indefinite-lived trademarks less cost to sell was based on discounted free cash flows and used estimated cash flow projections based on financial plans adopted by the Management for period to 2016 for goodwill and 2017 for brands. Cost to sell was set at 2% of the fair value of the cash generating unit. The individual trademarks are treated as individual cash generating units.

Main assumptions used in financial plans and cash flow projections:

Trademarks	31.12.2011	31.12.2010
Infinite growth rate	2,5%	2,5%
Exchange rate PLN/EUR	4,30 (2012) 4,15 (2013-2017)	4,00
Discount rate (before tax)*	8,5-10,3%	7,1-10,0%

* Discount rate depends on the country risk of the trademark owner

Goodwill	31.12.2011	31.12.2010
Infinite growth rate	2,5%	2,5%
Exchange rate PLN/EUR	4,30 (2012) 4,15 (2013-2017)	4,00
Discount rate (before tax)*	9,3-9,5%	8,3-8,9%

* Discount rate depends on the country risk of the cash generating unit

According to IAS 36 the Management of KOFOLA S.A. analyzed identified variations within the Group for each company for cash flow purposes during the previous two years, identifying the reasons for these variations. The main reasons of variations in the last two years were primarily unexpected increases in commodity prices in an unprecedented scale, the economic downturn and higher-than-expected decline in real household incomes and high unemployment, competitors behavior, large fluctuations in exchange rates and changes in the management team in 2009 and 2010. During preparation of financial forecasts for the years 2012-2017 the Management of KOFOLA S.A. upheld the conclusions of this analysis and significantly revised down previous assumptions about the potential future revenue, raw material prices fluctuation, the formation of exchange rates and other assumptions underlying the preparation of forecasts. Also discount rate factor was increased used to discount future cash flows indicated in the table above.

The Group's Management believes that the main assumptions used in impairment tests of cash generating units as at 31 December 2011 are rational and based on the Group's experience, 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, interest rates, are beyond the Group's control. Changes in these assumptions may affect the Group's financial position, including the results of fixed asset impairment tests, and in consequence, may change the Company's financial position and financial result in future years.

The sensitivity analysis to changes in some of the assumptions contained in the financial plans and cash flow projections

Effect of a hypothetical failure of the Hoop Polska Sp. z o.o. cash flow projections

Hypothetical decline of non-discounted cash flows by 10% compared to the estimated value by the Hoop Polska Sp. z o.o. would result in the need to recognize impairment losses of goodwill in amount of 9,2 million PLN in the consolidated financial statements on 31 December 2011.

The impact of hypothetical change in the discount rate

Hypothetical increase in after-tax discount rate used to discount future cash flows by 1% (ie 100 basis points) compared to the estimated value would result in the need to recognize an impairment loss of goodwill in the amount of 26,7 million PLN in the consolidated financial statements on 31 December 2011.

5 Notes to the consolidated financial statements of the KOFOLA S.A. Group

5.16 Shares and interests in subsidiaries and financial assets available for sale

As at 31 December 2011 the Group does not have financial assets available for sale.

5.17 Assets (group of assets) held for sale

Assets (groups of assets) held for sale include the available for immediate sale fixed assets of the subsidiary Hoop Polska Sp. z o.o. with a balance sheet value of 10 000 thousand PLN (the plant in Tychy along with office building), and assets related to these liabilities in the amount of 2 241 thousand PLN presented in the position Liabilities directly associated with assets (asset groups) classified as held for sale and constitute in totall leasing obligations.

In accordance with IFRS 5 the Issuer classifies a fixed asset (or group of fixed assets) as held for sale, if its balance sheet value will be recovered primarily through a sale transaction rather than through continued use.

5.18 Assets of the Company Social Benefit Fund and its liabilities

The Company Social Benefits Fund Act of 4 March 1994 with subsequent amendments, states that company social benefits funds are to be formed by employers with more than 20 full time employees. The Group established such a fund and makes periodic contributions at the basic contribution amount. The purpose of the fund is to subsidize the Companies KOFOLA S.A. and Hoop Polska Sp. z i.i. social activities, loans granted to its employees and other social costs.

Company Social Benefits Fund (ZFŚS)	31.12.2011	31.12.2010
Loans granted to employees	71	99
Cash	878	691
Fund's liabilities	(1 011)	(790)
Other receivables	62	-
Balance after compensation	**-**	**-**
Charges to the fund during the reporting period	799	872

5.19 Inventories

	31.12.2011	31.12.2010
Materials	97 240	92 750
Goods	353	3 217
Production in progress	106	33
Finished products	41 357	40 101
Gross inventory	**139 056**	**136 101**
Inventory provision (-)	**(8 533)**	**(8 995)**
Net inventory	**130 523**	**127 106**

Information on created, released or used inventory write downs is presented in point 5.9 of the notes to the consolidated financial statements.

5.20 Trade receivables and other receivables

	31.12.2011	31.12.2010
Receivables from non-consolidated related parties	**4 088**	**3 498**
Other receivables (see note 5.31)	4 088	3 498
Receivables from third parties	**266 816**	**219 766**
Trade receivables	212 816	176 025
Loans granted	14	16
Debts of Fructo-Maj	8 880	11 586
Other financial reveivables	1 676	2 468
Receivables from the state budget other than current income tax	23 094	10 816
Prepayments for inventories	1 615	1 154
Prepayments for tangible assets	8 165	2 870
Prepayments for intangible assets	-	5 948
Other non-financial receivables	4 623	2 833
Other prepayments	5 933	6 050
Gross reveivables	**270 904**	**223 264**
Revaluation charges for receivables	**(23 662)**	**(19 564)**
of which for debts of Fructo-Maj (see note 5.30)	(7 416)	(7 226)
Total net receivables	**247 242**	**203 700**

The terms of transactions with related parties are presented in point 5.31 of the notes to the financial statements. Trade receivables are not interest bearing and are usually payable within 30-60 days, unless they are the subject of factoring or discounting.

Trade and other receivables are stated at amortized cost using the effective interest rate, subject to revaluation write downs. The book value of trade receivables is close to their fair value. Trade receivables due in less than 360 days of their creation are not discounted. The increase in budget receivables is due to changes in the accounting for excise duty in Russia. Previous payments after 30-days from the date of production have been replaced by advances to be discharged to the tax office 15 days before the start of the month in which it is planned to produce alcoholic beverages

The risks associated with trade and other receivables, as well as the Group's policy relating to managing such risks, are described in point 5.33 of the notes to the financial statements.

Information on created, released or used provisions for the impairment of receivables is presented in point 5.9 of the notes to the consolidated financial statements. Information on liens established on receivables to secure credits and loans is presented in point 5.25 of the notes to the consolidated financial statements.

5.21 Cash and cash equivalents

The balance of cash and cash equivalents listed in the consolidated balance sheet and cash flow statement consisted of the following items as at:

	31.12.2011	31.12.2010
Cash in bank and in hand	25 718	20 073
Short-term deposits	25 100	35 176
including deposits with maturity dates of more than 3 months from the contracting date*	-	26 676
Other cash paid or due within three months from the date received, issued - REPO transation, cheques, bills and other cash assets	18	14
Total cash and cash equivalents	**50 836**	**55 263**

* Short-term deposits that can be readily convertible to cash in known amounts and are subject to insignificant changes in value.

Free funds are held at bank and invested in the form of term and overnight deposits, primarily with variable interest rates.

Currency structure of cash and cash equivalents:

	31.12.2011	31.12.2010
in PLN	36 097	14 673
in EUR	1 795	2 361
in CZK	8 241	3 211
in USD	828	1 016
in RUB	3 875	34 002
Total cash and cash equivalents	**50 836**	**55 263**

5.22 Share capital and Other capital

5.22.1 Share capital

31.12.2011

SHARE CAPITAL								
Series	Type of share	Type of preferred shares	Type of rights restiction to shares	Number of shares	Par value of one share (in ths. PLN)	Way of covering the capital (cash/ contibution in kind)	Date registered	Right to dividend (from the date)
A	ordinary	N/A	N/A	447 680	448	cash	03.10.1997	
B	ordinary	N/A	N/A	100 000	100	cash	22.01.1998/07.02.2007	03.10.1997
C	ordinary	N/A	N/A	71 080	71	cash	05.03.1998	22.01.1998
C	ordinary	N/A	N/A	11 776	12	cash	05.03.1998/07.02.2007	05.03.1998
D	ordinary	N/A	N/A	9 458 040	9 458	cash	21.01.2003	01.01.2003
E	ordinary	N/A	N/A	3 000 000	3 000	cash	01.09.2003	01.01.2003
F	ordinary	N/A	N/A	13 083 342	13 083	contribution in kind	30.05.2008	30.05.2008
G	ordinary	N/A	N/A	684	1	merger	31.3.2009	01.01.2009
Total				**26 172 602**	**26 173**			

SHARE CAPITAL STRUCTURE

Name of entity	Share capital (value)	% in share capital	% in voting power
KSM Investment S.A.	13 395 373	51,18%	51,18%
CED GROUP S. a r.l.	11 283 153	43,11%	43,11%
René Musila	687 709	2,63%	2,63%
Tomáš Jendřejek	687 660	2,63%	2,63%
Other	118 707	0,45%	0,45%
Total	**26 172 602**	**100,00%**	**100,00%**

Nominal value of shares

All of the issued shares have a nominal value of 1 PLN and have been fully paid up.

Shareholder rights

The shares of all series are equally privileged with regard to dividend and return on equity.

5.22.2 Other capital

	Supplementary Capital	Currency differences from translation of foreign subsidiaries	Capital on allocation of subscription warrants	Other	Total
As at 1.1.2010	**479 284**	**23 408**	**424**	**(165)**	**502 951**
Currency differences from translation of foreign subsidiaries	-	1 361	-	-	1 361
Cost of subscription warrant allocation program	-	-	(82)	-	(82)
Profit distribution	2 150	-	-	-	2 150
Dividends payment	(23 510)	-	-	-	(23 510)
As at 31.12.2010	**457 924**	**24 769**	**342**	**(165)**	**482 870**
As at 1.1.2011	**457 924**	**24 769**	**342**	**(165)**	**482 870**
Currency differences from translation of foreign subsidiaries	-	19 424	-	-	19 424
Cost of subscription warrant allocation program	-	-	-	-	-
Other (including profit distribution)	9 311	-	-	-	9 311
As at 31.12.2011	**467 235**	**44 193**	**342**	**(165)**	**511 605**

Nature and purpose of other capital

Supplementary capital

Reserve capital is created based on statutory requirements (in accordance with binding legal regulations) or voluntarily (in accordance with the entity's by-laws) using funds from the distribution of profits, share premium and contributions made by the shareholders. It is used to cover losses, refund capital contributions, redeem shares. The main source of the reserve capital presented in these financial statements is the settlement of the merger with the Hoop Group.

In the Supplementary capital – capital fund (dividend fund) is presented in the amount of 29 541 thousand PLN designed for future dividend payments (Notes 1.3).

Reserve on foreign exchange difference on revaluation of subsidiaries

The balance of the reserve on foreign exchange differences is adjusted by the foreign exchange differences arising out of the currency translation of the financial statements of foreign subsidiaries. This capital is not distributed.

5.22.3 Retained earnings

Retained earnings	31.12.2011	31.12.2010
Retained earnings	(62 859)	(6 914)
Net profit for the financial year	24 232	(30 532)
Total retained earnings	**(38 627)**	**(37 446)**

Current profits, up to the amount specified in legal regulations, should be used to increase the reserve capital.

5.22.4 Non-controlling interests

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
At the beginning of the period	**41 188**	**42 882**
Dividends paid by related parties	(5 439)	(4 780)
Non-controlling interest participation in financial results of related parties	2 213	1 940
Currency differences from translation of foreign subsidiaries	3 535	1 146
At the end of the period	**41 497**	**41 188**

5.23 Provisions

5.23.1 Changes in provisions

	Benefits after the period of employment	Provisions for litigation, fines, court cases, demages	Provision for personal expenses (bonuses, untaken holiday)	Other provisions	Total
As at 1.1.2011	**399**	**1 534**	**10 950**	**17 771**	**30 654**
Currency differences from translation	-	-	38	675	713
Creation	-	11	14 452	2 103	16 566
Utilization	(211)	(1 420)	(10 950)	(5 539)	(18 120)
Dissolution	(64)	(113)	-	(7 076)	(7 253)
As at 31.12.2011	**124**	**12**	**14 490**	**7 934**	**22 560**

Provisions time framework	31.12.2011	31.12.2010
Long-term	70	215
Short-term	22 490	30 439
Total provisions	**22 560**	**30 654**

5.23.2 Other provisions

Under other provisions the Group presents a provision for anticipated losses associated with investments in related parties in the amount of 2 175 thousand PLN, as well as a provision for any damages associated with failure of the holding companylabour to meet the contract the conditions in the amount of 3 228 thousand PLN.

5.24 Employee benefits

5.24.1 Employee share program

In 2009 the Group introduced an employee share program. On 18 December 2009 the General Shareholders Meeting passed a resolution establishing an Incentive Program. Under the Incentive Program, the participants (members of management staff) were to become eligible to take up A, B, C and D series subscription warrants, providing that they met the criteria specified in the Regulations. Persons eligible in the portion of the program starting in 2009 obtained the right to the allocation of no fewer than 81 790 and no more than 163 579 A series warrants. As the financial conditions required by the Regulations were not met, the present financial statements include only the fair value of the A series warrants estimated based on the Black-Scholes model, subject to the payment of dividends in accordance with the Group's policies.

On 18 August 2010 Kofola S.A. issued 26 843 inscribed A-series subscription warrants, entitling members of the Company's and subsidiaries' management staff (eligible based on Resolution No. 15/2010 passed by the Supervisory Board on 31 May 2010) to take up a total of 26 843 ordinary H-series bearer's shares at an issue price of 43,20 PLN per share; in accordance with Resolution No. 4/2009 of the Company's Extraordinary Shareholders Meeting, the right to the shares may be realized by submitting a letter of intention to take up shares no sooner than after 12 months, and no later than within 3 years of the warrant issue date.

5.24.2 Retirement benefits

The Group's companies pay retirement compensation benefits to their retiring employees as specified by the local labour codes. For this reason, the companies create provisions for the current value of their retirement compensation liabilities based on calculations performed by a professional actuarial firm. The value of such provisions and the changes made therein in the reporting period are presented below:

	31.12.2011	31.12.2010
At the beginning of the period	399	503
Creation of provision	-	82
Use and release of provision	(275)	(186)
At the end of the period	**124**	**399**

Main assumptions made by the actuary as at the balance sheet date and used in the years ended 31 December 2011 and 31 December 2010 to calculate the value of the liabilities:

	31.12.2011	31.12.2010
Discount rate (%)	6,00%	6,00%
Anticipated inflation rate (%)	2,50%	2,50%
Employee turnover ratio	determined individually by the Group's companies	determined individually by the Group's companies
Anticipated wage growth rate (%)	determined individually by the Group's companies (2,5%)	determined individually by the Group's companies (2,5%)

5.25 Credits, loans and issued bonds

As at 31 December 2011 the Group's total credit and loan debt amounts to 308 778 thousand PLN after decreasing by

2 502 thousand PLN compared to the end of the year 2010.

In the year 2011 the parent company has issued long-term bonds. Obligations resulting from this emission in the amount of 31 808 thousand PLN are presented in long-term liabilities and interest payments in the amount of 82 thousand PLN in current liabilities.

As at 31 December 2011 KOFOLA S.A. has obligations from issued bonds in the total amount of 31 890 thousand PLN.

According to resolution nr 13/XI/2011 of KOFOLA S.A. Supervisory Board from 10 November 2011 regarding approval of Bond Issuance Program realization and KOFOLA S.A. Management resolution number 4/XI/2011 from 21 November 2011 regarding issuance of bonds from serie A^1 and serie A^2 KOFOLA S.A. as at 21 December 2011 issued 3 075 bonds A^1 and 29 075 bonds A^2.

In accordance with the Terms of Bonds Issuance:

- bonds are bearer bonds,
- bonds are not secured,
- the nominal value of bonds is 1 000 PLN each,
- the issue price of bonds is equal to their nominal value,
- maturity of bonds from series A^1 falls for 24 months from the date of the resolution of the allocation and settlement,
- maturity of bonds from series A^2 falls for 36 months from the date of the resolution of the allocation and settlement,
- interest on the bonds shall be determined by the sum of the index and margin WIBOR 6M separately for each series,
- interest will be paid every six months where the first interest period begins on the date of issue,
- bond purchase proposal was addressed to no more than 99 recipients in the manner specified in Article 9, item 3 of the Act on Bonds,
- bonds do not have the form of a document,
- bonds give rights only to cash benefits,
- bonds will be subject for appliance by the Issuer for their admission to trading in alternative trading system on the Catalyst marget, that is orgnized by the Stock Exchange in Warsaw or BondSpot S.A.,
- after two interest periods Issuer has granted option call bonds with the assumption that one-time buy-back will be at least 15% of the issued series under the Bond Issuance Program.

Issued bonds are valued using adjusted price methode (amortized cost) until maturity.

In accordance with the Terms of Bond Issuance KOFOLA S.A. is obliged to fulfill certain non-financial indicators (i.e. covenants) for the consolidated data. On 31 December 2011 levels of all required indicators have been achieved.

On 28 February 2011 annexes were signed to the credit agreements between the subsidiary Hoop Polska Sp. z o.o. and Bank Consortium, where KOFOLA S.A. played the role of a guarantor. In accordance with the terms of the annexes, changes were made in the values of the financial ratios required by the creditors as well as financial terms of rendered loans.

Credit terms

Based on credit agreements, the companies of the Group are required to meet specified financial ratios (so-called covenants). Credit agreements ended in the

5.25 Credits, loans and issued bonds

current reporting period have been extended. 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 short-term.

In the period of 12 months in the year 2011 there was breach of credit covenants in the company Kofola a.s. (Czech Republic), in particular the liquidity ratio (defined as short-term assets/short-term liabilities). Waiver from the bank was received after the balance sheet date, and therefore the debt in amount of 681 thousand PLN, which according to credit agreement should be in long-term liability position, in current report is presented as short-term liability – in accordance with above mentioned IAS 1.

In the period of 12 months in the year 2011 there was breach of credit covenants in the company Kofola a.s. (Slovakia), in particular the liquidity ration (defined as short-term assets/short-term liabilities) and EBIT ratio. Waiver from the bank was received after the balance sheet date, and therefore the debt in amount of 16 029 thousand PLN, which according to credit agreement should be in long-term liability position, in current report is presented as short-term liability – in accordance with above mentioned IAS 1.

In the period of 12 months in the year 2011 there was breach of credit covenants in the company Hoop Polska

Sp. z o.o., in particular the ratio of net financial debt (net financial debt / EBITDA) and interest coverage ratio (EBIT / borrowing costs). However, because of the loan granted by KOFOLA S.A. to Hoop Polska Sp. z o.o. (agreement dated 22 February 2012), financial ratios, in accordance with terms of loan agreements shall be deemed to be met. Therefore, the commitment of Hoop Polska Sp. z o.o. under these loan agreements are presented in this report in accordance with the schedules of payments provided for in these agreements.

As at the balance sheet date the Group had the following credits, loans and open credit lines:

Financing entity	Credit currency	Credit/ limit amount	Credit value on balance sheet day		Interests terms	Maturity date	Collaterals
			in currency	in PLN			
Komerční banka a.s.	CZK	30 000	29 666	5 076	1M PRIBOR + margin	3/2012	promissory note
ČSOB a.s.	CZK	40 000	5 217	893	1M PRIBOR + margin	6/2012	receivables, inventory, promissory note
ČSOB a.s.	CZK	29 200	11 946	2 044	1M PRIBOR + margin	6/2013	receivables, inventory, promissory note
Česká spořitelna a.s.	CZK	12 000	3 244	555	3M PRIBOR + margin	6/2014	receivables, promissory note, real estate
Česká spořitelna a.s.	CZK	13 000	2 710	464	3M PRIBOR + margin	12/2013	receivables, promissory note, real estate
Komerční banka a.s.	CZK	160 000	99 999	17 110	3M PRIBOR + margin	12/2016	promissory note, real estate

5.25 Credits, loans and issued bonds

Financing entity	Credit currency	Credit/ limit amount	Credit value on balance sheet day		Interests terms	Maturity date	Collaterals
			in currency	in PLN			
Komerční banka a.s.	CZK	28 600	20 926	3 580	1M PRIBOR + margin	12/2016	receivables, promissory note
RBS a.s.	CZK	120 000	82 700	14 150	3M PRIBOR + margin	12/2015	receivables, inventory, promissory note
ČSOB a.s.	CZK	210 000	151 945	25 998	1M PRIBOR + margin	11/2012	receivables, inventory, promissory note
ČSOB a.s.	CZK	10 000	-	-	1M PRIBOR + margin	11/2012	promissory note, real estate
Komerční banka a.s.	CZK	180 000	180 000	30 798	1M PRIBOR + margin	12/2012	promissory note, real estate
Komerční banka a.s.	CZK	40 000	12 804	2 191	1M PRIBOR + margin	12/2012	receivables, promissory note
Česká spořitelna a.s.	CZK	100 000	36 504	6 246	3M PRIBOR + margin	5/2012	receivables, promissory note
Česká spořitelna a.s.	CZK	40 000	39 915	6 829	3M PRIBOR + margin	5/2012	technology
Česká spořitelna a.s.	CZK	140 000	111 837	19 135	1M PRIBOR + margin	6/2016	promissory note, real estate
Česká spořitelna a.s.	CZK	37 000	35 368	6 051	1M PRIBOR + margin	4/2017	promissory note "in blanco"
Komerční banka a.s.	CZK	20 000	20 000	3 422	1M PRIBOR + margin	1/2012	Receivables, real estate, movables (subject of credit), guarantee by Kofola Holding a.s., debt accession Kofola Holding a.s. - KSM Investment S.A.
Unicredit Bank a.s.	EUR	5 500	1 069	4 723	1M EURIBOR + margin	2/2012	Promissory note "in blanco" Kofola a.s.nr 301/2007/D , receivables
VÚB banka a.s.	EUR	4 000	1 560	6 890	1M EURIBOR + margin	2/2012	Receivables, real estate, movables (subject of credit), guarantee by Kofola Holding a.s., debt accession Kofola Holding a.s. - KSM Investment S.A.
Unicredit Bank a.s.	EUR	652	46	203	1M EURIBOR + margin	6/2012	Receivables, real estate, movables (subject of credit), guarantee by Kofola Holding a.s., debt accession Kofola Holding a.s. - KSM Investment S.A.
Unicredit Bank a.s.	EUR	8 298	4 667	20 613	1M EURIBOR + margin	6/2012	Receivables, real estate, movables (subject of credit), guarantee by Kofola Holding a.s., debt accession Kofola Holding a.s. - KSM Investment S.A.
Unicredit Bank a.s.	EUR	4 715	546	2 412	1M EURIBOR + margin	12/2014	Receivables, real estate, movables, inventory, guarantee by Kofola Holding, a.s.
ČSOB a.s.	EUR	620	229	1 011	1M EURIBOR + margin	3/2014	Receivables, real estate, movables, inventory, guarantee by Kofola Holding, a.s.

Financing entity	Credit currency	Credit/ limit amount	Credit value on balance sheet day		Interests terms	Maturity date	Collaterals
			in currency	in PLN			
VÚB banka a.s.	EUR	3 600	1 227	5 419	1M EURIBOR + margin	3/2014	Agreement establishing a right to current assets No. 1566/2007/ZZ, promissory note No. 2645/2007/D
VÚB banka a.s.	EUR	540	8	35	1M EURIBOR + margin	6/2012	Agreement establishing a right to current assets No. 1566/2007/ZZ, promissory note No. 2645/2007/D
VÚB banka a.s.	EUR	807	184	813	1M EURIBOR + margin	4/2013	Agreement establishing a right to current assets No. 1566/2007/ZZ, promissory note No. 2645/2007/D
VÚB banka a.s.	EUR	996	195	861	1M EURIBOR + margin	3/2014	Agreement establishing a right to current assets No. 1566/2007/ZZ, promissory note No. 2645/2007/D
VÚB banka a.s.	EUR	9 960	6 699	29 588	1M EURIBOR + margin	12/2017	Agreement establishing a right to fixed assets; promissory note "in blanco" Kofola a.s., guarantor Kofola Holding a.s.
Absolut bank OOO	RUB	200 000	133 535	14 167	MosPrimeRate + margin	5/2012	Plant and equipment and guarantees for 200 thousand RUB issued by Dom Handlowy Megapack LLC
Bank Zachodni WBK S.A.	PLN	34 200	34 200	34 200	3M WIBOR + margin	3/2014	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
Bank Zachodni WBK S.A.	PLN	27 000	16 642	16 642	1M WIBOR + margin	3/2012	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.

Financing entity	Credit currency	Credit/ limit amount	Credit value on balance sheet day		Interests terms	Maturity date	Collaterals
			in currency	in PLN			
Kredyt Bank S.A.	PLN	20 000	14 332	14 332	1M WIBOR + margin	3/2012	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
Bank Pekao S.A.	PLN	10 000	9 176	9 176	1M WIBOR + margin	3/2012	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
ING Commercial Finance	PLN	15 000	3 151	3 151	margin		factoring
Total credits and loans				**308 778 ths. PLN**			

Security provided by the Group

Security provided by the Group – balance sheet value	31.12.2011	31.12.2010
- Tangible fixed assets	267 142	207 899
- Intangible assets (trade marks)	127 103	127 404
- Inventories	52 420	54 509
- Receivables	76 377	59 627
Total	**523 042**	**449 439**

5.26 Trade liabilities and other liabilities

Other long-term liabilities	31.12.2011	31.12.2010
Other liabilities	20 281	17 408
Total other long-term liabilities	**20 281**	**17 408**

Other long-term liabilities consist primarily of liabilities relating to purchases of fixed assets with deferred payment terms.

	31.12.2011	31.12.2010
Trade liabilities and other liabilities to related parties	**661**	**173**
Trade liabilities	661	173
Trade liabilities and other liabilities to third parties	**312 915**	**290 485**
Trade liabilities	251 480	188 628
Liabilities towards employees	7 712	8 707
Budget commitments other than the current income tax	11 578	23 661
Advances received	29 344	32 897
Special funds	300	105
Accruals	12 501	36 487
Total trade liabilities and other liabilities (short-term)	**313 576**	**290 658**

Trade payables are not interest bearing and are usually paid within 30-90 days.

Other payables are not interest bearing and payable on average within 1 month.

Accruals relate to performed but not yet invoiced supplies of materials and services.

5.27 Government subsidies

On 15 December 2011 Kofola a.s. (CZ) received a grant from the EU funds for the purchase of a hot line for bottling. According to the accounting policy, the amount of grants received has decreased the purchase price of the asset in the amount of 7 648 thousand PLN.

In the reporting period, a subsidiary Hoop Polska Sp. z o.o. received a grant from the European Training Fund in the amount of 824 thousand PLN. This grant is presented in other operating income and relates to the staff training expenses.

5.28 Contingent assets and liabilities

5.28.1 Liabilities concerning operational leasing - Group as a lesee

As at 31 December 2011, the future minimum payments arising out of non-revocable operating lease agreements are as follows:

	31.12.2011	31.12.2010
In one year period	11 182	12 908
In period from one to five years	38 184	9 628
Over five years	-	-
	49 366	**22 536**

5.28.2 Other contingent assets and liabilities

	Contingent assets	Contingent liabilities
As at 1.1.2011	**-**	**250**
Increase (+)	-	-
Decrease (-)	-	(250)
As at 31.12.2011	**-**	**-**

5.29 Finanse lease

The Kofola S.A. Group uses tangible fixed assets (mainly vehicles and various types of machines and equipment) based on finance lease agreements.

As at 31 December 2011 the balance sheet value of leased tangible assets with purchase option was 14 000 thousand PLN.

Future minimum lease payments on these agreements and present value of minimum net lease payments:

	31.12.2011	31.12.2010
Nominal value of minimum lease payment		
In one year period	16 204	14 971
From one to five year	16 967	31 244
Over five year	-	-
Total finance lease liabilities - total minimum lease payments	**33 171**	**46 215**
Finance costs of finance lease	2 424	3 229
Present Value of minimum lease payments		
In one year period	15 020	13 707
From one to five year	15 727	29 279
Over five year		-
Total present value of minimum lease payments	**30 747**	**42 986**

5.30 Court litigations

Fructo-Maj Sp. z o.o.

KOFOLA S.A. has receivables in bankrupt company Fructo-Maj Sp. z o.o. As at 31 December 2011 the total value of the receivables is 8 880 thousand PLN, the balance sheet value of this item, after revaluation, is 1 464 thousand PLN. The receivables are secured with mortgages on all of the significant real properties of Fructo-Maj Sp. z o.o., and with a registered pledge on the entity's movables.

The assets of Fructo-Maj Sp. z o.o. are currently being sold. The Management believes that given the current state of affairs and type of collateral, no revaluation is needed with regard to the assets associated with Fructo-Maj Sp. z o.o.

Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.

Subsidiary Pomorskie Centrum Dystrybucji Hoop Sp. z o.o. is currently in the process of executing decisions from arrangement by significantly reducing operational activities and selling its assets.

According to Resolution number 1 from 28 February 2012 Extraordinary Shareholders Meeting of the Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. increased the company‘s share capital by 1 000 thousand PLN by the creation of 2 000 new shares with a nominal value of 500 PLN each, which were acquired by KOFOLA S.A. by the issue value of 5 500 PLN for each share, thus the total issuance amount of 11 000 thousand PLN.

On 5 March 2012 a tripartite agreement on the transfer was concluded, under which the obligations of PCD Hoop Sp. z o.o. to the Hoop Polska Sp. z o.o have been repaid to the amount of 11 000 thousand PLN and under which KOFOLA S.A. performed an obligation to cash contribution to cover the newly created shares in increased capital of PCD Hoop Sp. z o.o. in the amount of 11 000 thousand PLN and undertook to pay the amount of transfer to the Hoop Polska Sp. z o.o. no later than 28 February 2017, in accordance with the timetable included in the agreement from 7 March 2012 regarding the obligation repayment.

The above-described steps leading to the restructuring of the PCD Hoop Sp. z o.o. constitute execution of commitments adopted by KOFOLA S.A. in the course of the arrangement of the company PCD Hoop Sp. z o.o. arising from the decision of 22 November 2010 by the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases , ref. Act VII GUp 13/10 for approval of the arrangements of the PCD Hoop Sp. z o.o.

5.31 Information on transactions with related parties

Presented below are the total amounts of transactions concluded in a given financial year with related parties:

Revenues from the sale to related companies	1.1.2011 - 31.12.2011	
	revenues on the sale of products and services	revenues on the sale of merchandise and materials
- to affiliates (TSH Sulich)	19	2
- to other related companies (KSM Investment)	-	-
Total revenues from the sale to related companies	**19**	**2**

Purchases from related companies	1.1.2011 - 31.12.2011	
	purchase of services	purchase of merchandise and materials
- from affiliates (TSH Sulich)	8 433	3
- from other related companies (KSM Investment)	-	-
Total purchases from related companies	**8 433**	3

Receivables from related companies	31.12.2011	31.12.2010
- from affiliates (TSH Sulich)	18	10
- from other related companies (KSM Investment)	4 070	3 488
Total receivables from related companies	**4 088**	**3 498**

Liabilities towards related companies	31.12.2011	31.12.2010
- towards affiliates (TSH Sulich)	661	173
- towards other related companies (KSM Investment)	5 447	5 030
Total liabilities towards related companies	**6 108**	**5 203**

All transactions with related parties have been concluded on market terms.

Participation of management staff in employee share program

The Group's companies have introduced employee share program – see Note 5.24.1

Remuneration of the Group's senior management staff

Presented below is the structure of the remuneration paid out to members of the Management Board of the holding company and to members of the Management Boards of the subsidiary companies:

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Short-term employee benefits (salaries, wages and other remuneration components)	10 603	10 744
Employee benefits in the form of own shares	-	-
Total value of benefits for the key staff of the Group	**10 603**	**10 744**

Remuneration paid out to members of the Management and Supervisory Board of the holding company and to members of the Management and Supervisory Boards of the subsidiary companies:

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Management Board	10 603	10 744
Supervisory Board	108	216
Total	**10 711**	**10 960**

Remuneration paid out to members of the Management and Supervisory Board of the holding company for the period from 1 January 2011 to 31 December 2011:

- Total remuneration of Management Board members: 3 154 thousand PLN.
- Total remuneration of Supervisory Board members: 108 thousand PLN.

5.32 Acquisition of subsidiary

On 22 April 2011 Kofola a.s. (Czech Republic), a subsidiary of KOFOLA S.A., acquired 100% shares of the Czech company Pinelli spol. s r.o. manufacturer of energy drinks Semtex and Erektus and ice tea Green Tea.

The Company's value was set as the excess of acquisition cost over the fair value of identifiable assets, liabilities and contingent liabilities. The settlement of the transaction was included in this consolidated financial statements. The purchase price for the final transaction settlement was established in accordance with IFRS 3, based on a price included in the share purchase agreement taking into account the time value of money. Due to the fact that since the gain of control on 22 April 2011 until 30 April 2011, no significant transactions were noted, that could materially affect the valuation of the acquired company, for the purposes of determining the value of the Company data as at 30 April 2011 were adopted.

The following table presents a comparison of the major positions of assets and liabilities arising from the financial statements of the Company Pinelli spol. s r.o. at the acquisition date with the fair values established for the settlement of the acquisition:

	Net book value	Fair value
Tangible fixed assets	1 157	1 874
Intangible assets	4 893	16 799
Inventories	1 846	2 034
Receivables	6 651	6 651
Cash and Cash equivalents	3 132	3 132
Total assets	17 679	30 490
Liabilities and provisions	3 443	6 885
Net assets	14 236	23 605
Purchase price		28 608
Goodwill		5 003

If the acquisition occurred at the beginning of 2011, consolidated net profit attributable to shareholders of the parent company for the 12 months ended 31 December 2011 would be higher by 481 thousand PLN, and sales for this period would be higher by 4 436 thousand PLN.

5.33 Objectives and methods of financial risk management

The Group's primary financial instruments consist of bank credits,bonds, lease payables, cash and cash equivalents, deposits and loans. The main goal of such financial instruments is to obtain funds for business operations, or to invest the Company'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 have been described above (note 4.5).

It is the Group's principle – now and throughout the reporting period – to not trade in financial instruments.

The Group's activities are exposed to several types of financial risk: market risk (including foreign exchange risk, pricing 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. Risk is managed by the Company's Management, which recognizes and assesses the above financial risks. The general risk management process is focused on the unpredictability of financial markets, and the Group tries to minimize 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. As at 31 December 2011 we had no options or forward contracts, in either dollars or euros. The Management verifies and agrees risk management methods with regard to every type of risk. A short description of these methods is presented below.

5.33.1 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 Group has interest bearing financial liabilities consisting mainly of bank credits. The Group has credit payableswith variable interest rates, which gives 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 will 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 receivable. Trade and other receivables and payables are not interest bearing and have due dates of up to a year.

The Group monitors its exposure to interest rate risk and interest rate forecasts.

The below tables show the ageing and balance sheet value of the Group's financial instruments exposed to interest rate risk.

Year ended 31 December 2011

31.12.2011

Fixed interest	<1year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities concerning financial lease and tenancy agreement with possibility of optional purchase	1 037	996	985	1 017	189	-	4 224
Total	**1 037**	**996**	**985**	**1 017**	**189**	**-**	**4 224**

Variable interest rate	<1year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash assets (-)	(50 836)	-	-	-	-	-	(50 836)
Current account credits	74 423	-	-	-	-	-	74 423
Bank loans	146 812	31 401	23 458	14 039	10 184	5 310	231 204
Bonds issued	82	3 042	28 766	-	-	-	31 890
Liabilities concerning financial lease and tenancy agreement with possibility of optional purchase	13 983	8 779	2 631	704	426	-	26 524
Other (factoring)	3 151	-	-	-	-	-	3 151
Total	**187 615**	**43 222**	**54 855**	**14 743**	**10 610**	**5 310**	**316 355**

Year ended 31 December 2010

31.12.2010

Fixed interest	<1year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities concerning financial lease and tenancy agreement with possibility of optional purchase	3 168	151	36	19	15	-	3 389
Total	**3 168**	**151**	**36**	**19**	**15**	**-**	**3 389**

Variable interest rate	<1year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash assets (-)	(55 263)	-	-	-	-	-	(55 263)
Current account credits	25 544	45 232	-	-	-	-	70 776
Bank loans	133 306	45 135	17 007	12 576	12 352	16 981	237 357
Liabilities concerning financial lease and tenancy agreement with possibility of optional purchase	10 539	17 676	10 744	500	138	-	39 597
Other (factoring)	3 147	-	-	-	-	-	3 147
Total	**117 273**	**108 043**	**27 751**	**13 076**	**12 490**	**16 981**	**295 614**

The interest rates applicable to financial instruments with variable interest rates are updated in periods of less than a year. The interest rates applicable to financial instruments with fixed interest rates are fixed until the instruments achieve maturity.

The Group's other financial instruments that have not been included in the above tables are not interest bearing and as such are not subject to interest rate risk.

5.33.2 Currency risk

The Group is exposed to the risk of changes in foreign exchange rates due to a significant amount of sales of finished products in Polish zlotys and the fact that more than half of the costs of raw materials are incurred in foreign currencies. The currency risk relates primarily to the EUR and USD exchange rates. The Group's exposure associated with other, below listed currencies, is immaterial.

The effect of currency risk on the Group's position is presented in the below note (sensitivity analysis). 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 the Management for currency risk illustrates the effect of changes in the exchange rate of the euro, dollar and Czech crone to the Polish zloty, on the fair value or future cash flows of a given financial instrument.

As at 31.12.2011	PLN	CZK	RUB	USD	EUR	Other	Total
Cash and cash equivalents	36 097	8 241	3 875	828	1 795	-	50 836
Trade receivables and other receivables*	53 630	56 939	58 081	44	32 937	297	201 928
Total	**89 727**	**65 180**	**61 956**	**872**	**34 732**	**297**	**252 764**
Bank credits and loans	77 501	144 541	14 168	-	72 568	-	308 778
Bonds issued	31 890	-	-	-	-	-	31 890
Financial leasing liabilities	1 784	11 798	-	-	17 165	-	30 747
Trade payables and other payables*	54 989	59 647	55 630	651	65 580	306	236 803
Other long-term liabilities*	-	20 281	-	-	-	-	20 281
Total	**166 164**	**236 267**	**69 798**	**651**	**155 313**	**306**	**628 499**
Exposure to currency risk	**(76 437)**	**(171 087)**	**(7 842)**	**221**	**(120 581)**	**(9)**	**(375 735)**

*Only financial assets and liabilities according to IFRS 7 are included

5.33.3 Market risk sensitivity analysis

The Group has estimated the potential changes in market risk as follows:

100 pb change in PLN interest rate (interest rate increase or decrease),

100 pb change in EUR interest rate (interest rate increase or decrease),

10% change in the PLN/EUR or PLN/CZK exchange rate (PLN increase or decrease).

The Company's sensitivity analysis does not take into account the effect of taxation.

The effect of potential changes on the Company's financial result and equity:

Item in the financial statement	value in thousands of PLN	Interest rate risk		Currency risk			
		influence on financial results		influence on financial results		influence on equity	
		+ 100 bp in PLN + 100 bp in EUR	- 100 bp in PLN - 100 bp in EUR	Appreciation of PLN by 10%	Depreciation of PLN by 10%	Appreciation of PLN by 10%	Depreciation of PLN by 10%
Financial assets available for sale		-	-	-	-	-	-
Other financial assets	74	-	-	-	-	-	-
Trade receivables and other receivables*	201 929	-	-	(180)	180	(14 650)	14 650
Cash and cash equivalents	50 836	508	(508)	(203)	203	(1 271)	1 271
Influence on financial assets after tax	**-**	**508**	**(508)**	**(382)**	**382**	**(15 921)**	**15 921**
Financial liabilities	18	-	-	-	-	-	-
Trade payables and other payables*	236 803	-	-	3 566	(3 566)	14 616	(14 616)
Credits and loans	308 778	(3 088)	3 088	-	-	23 128	(23 128)
Bonds issued	31 890	(319)	319	-	-	-	-
Financial lease liabilities	30 747	(307)	307	1 596	(1 596)	1 300	(1 300)
Influence on financial liabilities after tax		**(3 714)**	**3 714**	**5 162**	**(5 162)**	**39 044**	**(39 044)**
Increase/(decrease) in total		**(3 206)**	**3 206**	**4 780**	**(4 780)**	**23 123**	**(23 123)**

* Only financial assets and liabilities according to IFRS 7 are included

5.33.4 Credit risk

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. 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 value of the Group's exposure to this risk is equal to the balance sheet value of these instruments.

As at 31 December 2011 the Group's maximum exposure to credit risk amounts to 201 929 thousand PLN (167 590 thousand PLN as at 31 December 2010), and has been estimated as the balance sheet value of trade and other receivables.

Presented below is the ageing structure of receivables:

31.12.2011			Overdue receivables				
Ageing of financial receivables	Value of receivables	Non-overdue receivables	<30 days	31-90 days	91-180 days	181-360 days	>360 days
Trade receivables (net)	196 393	141 701	28 507	6 829	16 243	1 657	1 456
Other receivables (net)	5 536	4 070	-	-	-	-	1 466
TOTAL*	**201 929**	**145 771**	**28 507**	**6 829**	**16 243**	**1 657**	**2 922**

31.12.2010			Overdue receivables				
Ageing of financial receivables	Value of receivables	Non-overdue receivables	<30 days	31-90 days	91-180 days	181-360 days	>360 days
Trade receivables (net)	159 594	79 658	42 059	12 738	12 786	8 730	3 623
Other receivables (net)	7 996	3 488	-	-	-	-	4 508
TOTAL*	**167 590**	**83 146**	**42 059**	**12 738**	**12 786**	**8 730**	**8 131**

* contains only the financial receivables under IFRS 7

Subject to the above, the Company's Management believes that the credit risk has been accounted for in the financial statements through the creation of appropriate provisions.

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.

The Group undertakes activities aimed at limiting credit risk, consisting of: checking the creditworthiness of its customers, setting credit limits, insuring selected receivables and monitoring the customers' financial position.

5.33.5 Liquidity risks

The Group is exposed to liquidity risk, defined as a risk of losing the ability to pay its obligations as they become due. The risk arises from a potential restriction in access to financial markets, which may result in an inability to obtain new financing or refinancing of debts. In order to reduce this risk and in order to diversity the financing sources, the Issued in December 2011 carried out a bond issue that raised the amount of 31 890 thousand PLN.

The Group monitors the risk of insufficient funds using a periodic liquidity management system. It takes into account the maturity dates of investments and financial assets and the forecasted cash flows from operating activity.

It is the Group's objective to maintain a balance between financing continuity and flexibility, by using various financing sources, such as credits,bonds, loans and finance lease agreements. The Group tries to control 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. The Group's Management believes that the value of cash and cash equivalents as the balance sheet date, the available credit lines and the Group's financial position are such that the risk of losing liquidity may be assessed as moderate.

Presented below is the ageing of financial liabilities. The amounts presented are non-discounted cash flows, which constitute the Group's maximum exposure to liquidity risk.

Ageing of financial liabilities:

31.12.2011		Liabilities due in the period			
Aged structure of liabilities	**Total liabilities**	**up to 30 days**	**from 31 to 90 days**	**from 91 to 360 days**	**above 360 (see note below)**
Trade liabilities*	236 803	79 655	118 861	38 246	41
Bank credits and loans	308 778	17 630	73 116	133 640	84 392
Bonds issued	31 890	-	-	82	31 808
Financial lease liablities	30 747	1 272	2 503	11 244	15 728
Other liabilities	20 281	-	0	-	20 281
Total	**628 499**	**98 557**	**194 480**	**183 212**	**152 250**

Liabilites due more than 360 days	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Trade liabilities*	41	-	-	-	-	41
Bank credits and loans	31 404	23 458	14 039	10 183	5 308	84 392
Bonds issued	3 042	28 766	-	-	-	31 808
Financial lease liablities	9 776	3 705	1 631	616	-	15 728
Other liabilities	11 630	1 964	1 240	-	5 447	20 281
Total	**55 893**	**57 893**	**16 910**	**10 799**	**10 755**	**152 250**

* contains only the financial liabilities under IFRS 7

31.12.2010		Liabilities due in the period			
Aged structure of liabilities	**Total liabilities**	**up to 30 days**	**from 31 to 90 days**	**from 91 to 360 days**	**above 360 (see note below)**
Trade liabilities*	185 030	45 765	70 787	68 478	-
Bank credits and loans	311 280	11 131	15 694	135 172	149 283
Financial lease liablities	42 986	1 271	2 499	9 938	29 278
Other liabilities	17 408	-	-	-	17 408
Total	**556 704**	**58 167**	**88 980**	**213 588**	**195 969**

Liabilites due more than 360 days	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Trade liabilities*	-	-	-	-	-	-
Bank credits and loans	90 367	17 007	12 576	12 352	16 981	149 283
Financial lease liablities	17 895	10 734	497	152	-	29 278
Other liabilities	6 188	3 876	1 271	1 043	5 030	17 408
Total	**114 450**	**31 617**	**14 344**	**13 547**	**22 011**	**195 969**

* contains only the financial liabilities under IFRS 7

5.34 Equity management

The Group manages equity by having a balanced financial policy with the objective to supply the necessary funds to growth the business and at the same time secure an appropriate financing structure and financial liquidity.

In accordance with market practice, the Group monitors its equity based on, among others, the equity ratio and the net debt/adjusted EBITDA ratio.

The equity ratio is calculated as the ratio of net assets to the total assets and liabilities. The net debt/adjusted EBITDA ratio is calculated as the ratio of credits, loans and other sources of financing to adjusted EBITDA. Credits, loans, bonds and other sources of financing constitute the total value of liabilities arising out of credits, loans, bonds and leases, less cash and cash equivalents, whilst adjusted EBITDA is operating profit plus depreciation adjusted by all one-off events (all nonrecurring or exceptional costs not arising out of ordinary operations, such as impairment write downs, costs of relocation and group layoffs).

	31.12.2011	31.12.2010
Sales	1 336 273	1 239 164
Capital employed	765 867	770 976
Net debt	320 580	299 003
Operating profit/(loss)	54 041	(9 509)
Plus: depreciation	78 361	80 661
EBITDA	**132 402**	**71 152**
Adjusted EBITDA	**135 745**	**114 323**
Margin of adjusted EBITDA (%)	**10,2%**	**9,2%**
Adjusted EBITDA/ Capital employed (%)	**0,4**	**0,4**
Net debt / Adjusted EBITDA	**2,4**	**2,6**

To better understand the Kofola Group's business results without the burden of one-off events, one should also become familiar with the description of operating results and financial position presented in Note 1.5 Directors' Report on the Activities of the Kofola Group for the 12 month period ended 31 December 2011.

5.35 Financial instruments by category

The below table shows a comparison of the balance sheet values and fair values of all of the Group's financial instruments that have been listed in the financial statements at values other than fair value, by category of assets and liabilities.

Assets as per balance sheet					
As at 31.12.2011	**Loans and receivables valued at amortised costs**	**Financial Assets valued at fair value through the profit and loss**	**Derivatives used for hedging**	**Available for sale valued at fair value**	**Total**
Other financial assets	73	-	-	-	73
Trade receivables and other receivables*	201 929	-	-	-	201 929
Cash and cash equivalents	50 836	-	-	-	50 836
Total	**252 838**	**-**	**-**	**-**	**252 838**

* Includes only financial receivables under IFRS 7

Liabilities as per balance sheet				
As at 31.12.2011	**Liabilities at fair value through the profit and loss**	**Derivatives used for hedging**	**Other financial liabilities at amortised cost**	**Total**
Bank credits and loans	-	-	308 778	308 778
Bonds issued	-	-	31 890	31 890
Financial leasing liabilities	-	-	30 747	30 747
Trade liabilities and other liabilities**	-	-	236 803	236 803
Other financial liabilities	-	-	20 281	20 281
Total	**-**	**-**	**628 499**	**628 499**

** Includes only financial liabilities under IFRS 7

5.36 The reasons for the differences between the changes of certain balance sheet items and changes presented in cash flow

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Change in trade receivables and other receivables	(43 542)	50 121
Change in receivables from other financial assets	1 201	1 500
Change in receivables from the change in the composition of the Group	5 444	(3 292)
Change in advances for fixed assets and intangible assets	(653)	-
Change in the balance of receivables	**(37 550)**	**48 329**

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Change in trade liabilities and other liabilities	22 918	(2 992)
Change in other long-term liabilities	2 857	(4 515)
Change in liabilities from the change in the composition of the Group	(2 102)	7 372
Change in investment liabilities	5 270	13 870
Change in the balance of liabilities	**28 943**	**13 735**

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Net book value of disposed tangible assets, intangible assets	3 598	3 218
Sale of intangible assets and fixed assets	**3 598**	**3 218**

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Increase the book value of tangible assets, intangible assets	(50 371)	(42 579)
Change in advances for fixed assets and intangible assets	653	-
Change in investment liabilities	(5 270)	(13 870)
FX differences	1 649	3 578
Purchase of intangible assets and fixed assets	**(53 339)**	**(52 664)**

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Change in inventories	(3 417)	(19 266)
Change in inventories from the change in the composition of the Group	2 070	(866)
Change in the balance of inventories	**(1 347)**	**(20 132)**

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Change in provisions	(8 094)	(1 153)
Change in iprovisions from the change in the composition of the Group	-	79
Change in the balance of provisions	**(8 094)**	**(1 074)**

5.37 Headcount

The average headcount in the company was as follows:

	1.1.2011 - 31.12.2011	1.1.2010 - 31.12.2010
Management Board of the parent company	5	5
Management Boards of the Group entities	20	20
Administration	1 077	1 145
Sales department	825	925
Production division	266	283
Other	183	251
Total	**2 376**	**2 629**

5.38 Subsequent events

Change in registered office of subsidiary

As at 31 January 2012 registered office of subsidiary HOOP Polska Sp. z o.o. was changed from Warsaw to Kutno.

Issue of bonds from series A³ by KOFOLA S.A.

According to Resolution number 13/XI/2011 of KOFOLA S.A. Supervisory Board from 10 November 2011 regarding approval of Bond Issuance Program realization changed by resolution of Supervisory Board number 1/2012 from 20 February 2012 and resolution of KOFOLA S.A. Management number 1/II/2012 from 1 February 2012 regarding issuance of bonds from series A³ , KOFOLA S.A. as at 20 February 2012 issued 16 850 bonds from series A³.

In accordance with the Terms of Bonds Issuance:

- onds are bearer bonds,
- bonds are not secured,
- the nominal value of bonds is 1 000 PLN each,

- the issue price of bonds is equal to their nominal value,
- maturity of bonds from series A3 falls for 34 months from the date of the resolution of the allocation and settlement,
- interest on the bonds shall be determined by the sum of the index and margin WIBOR 6M separately for each series,
- interest will be paid every six months where the first interest period begins on the date of issue,
- bond purchase proposal was addressed to no more than 99 recipients in the manner specified in Article 9, item 3 of the Act on Bonds,
- bonds do not have the form of a document,
- bonds give rights only to cash benefits,
- bonds will be subject for appliance by the Issuer for their admission to trading in alternative trading system on the Catalyst marget, that is orgnized by the Stock Exchange in Warsaw or BondSpot S.A.,
- after two interest periods Issuer has granted option call bonds with the assumption that one-time buy-back will be at least 15% of the issued series under the Bond Issuance Program.

Loan provided by KOFOLA S.A. to the subsidiary

On 22 February 2012 KOFOLA S.A. provided subordinated loan to the subsidiary Hoop Polska Sp. z o.o. in the amount of 11 000 thousand PLN with maturity on 31 December 2014. The purpose of the loan was to improve the financial ratios required for the Hoop Polska Sp. z o.o. in the credit agreement with Bank Consortium.

Capital increase in subsidiary - an agreement on the transfer and an agreement on the obligation repayment

According to Resolution number 1 from 28 February 2012 Extraordinary Shareholders Meeting of the Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. increased the company‘s share capital by 1 000 thousand PLN by the creation of 2 000 new shares with a nominal value of 500 PLN each, which were acquired by KOFOLA S.A. by the issue value of 5 500 PLN for each share, thus the total issuance amount of 11 000 thousand PLN.

On 5 March 2012 a tripartite agreement on the transfer was concluded, under which the obligations of PCD Hoop Sp. z o.o. to the Hoop Polska Sp. z o.o have been repaid to the amount of 11 000 thousand PLN and under which KOFOLA S.A. performed an obligation to cash contribution to cover the newly created shares in increased capital of PCD Hoop Sp. z o.o. in the amount of 11 000 thousand PLN and undertook to pay the amount of transfer to the Hoop Polska Sp. z o.o. no later than 28 February 2017, in accordance with the timetable included in the agreement from 7 March 2012 regarding the obligation repayment.

The above-described steps leading to the restructuring of the PCD Hoop Sp. z o.o. constitute execution of commitments adopted by KOFOLA S.A. in the course of the arrangement of the company PCD Hoop Sp. z o.o. arising from the decision of 22 November 2010 by the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases , ref. Act VII GUp 13/10 for approval of the arrangements of the PCD Hoop Sp. z o.o.

Document signed on the Polish original.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

15.3.2012	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	name and surname	position	signature
15.3.2012	**Bartosz Marczuk**	**Member of the Board of Directors**	....
date	name and surname	position	signature
15.3.2012	**Martin Mateáš**	**Member of the Board of Directors**	....
date	name and surname	position	signature
15.3.2012	**René Musila**	**Member of the Board of Directors**	....
date	name and surname	position	signature
15.3.2012	**Tomáš Jendřejek**	**Member of the Board of Directors**	....
date	name and surname	position	signature

SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

15.3.2012	**Katarzyna Balcerowicz**	**Chief Accountant**	....
date	name and surname	position	signature


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Photos: Wojciech Rytel (p. 6), Jiří Turek (p. 7), Jaroslav Barták (p. 13, 1 photo),
Lukáš Pelech (p. 43, 80, 87, 92, 108, 139, 173), Kasia Kifert Studio Makata (p. 117),
other photos source Kofola