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CONSOLIDATED ANNUAL REPORT

KOFOLA S.A. GROUP

2010

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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,

2010 was a special year for us. We celebrated the 50th anniversary of the Kofola brand, which involved a number of marketing and PR campaigns, and our premium drink, Kofola, was given the sixties look. Our expectations as to the effects of this anniversary were optimistic and we had hoped that the campaign increase the sale of Kofola and our other brands.

However, in the passing year we had to operate on a very difficult market. The main factors affecting our environment was a drop in consumption of non-alcoholic beverages and a very quick rise in the prices of raw materials in the second half of the year. At the same time, high unemployment lowered the buying power of consumers, which meant that they looked to buy products on sale. To make things worse, the price of energy, including oil, went up, translating into high transport costs.

High unemployment was the main reason for the drop in consumption in the restaurant sector in favor of consumption at home. In this respect, our companies in the Czech Republic and Slovakia did well, recording results in pubs and restaurants that were much above the market average.

In the modern channel, stiff price competition was seen in colas and mineral waters, strengthened by promotions offered by Coca-Cola during the football World Championship in South Africa, and by Pepsi further to the rebranding of this brand.

A move was being felt from the traditional sales channel to grocery discounts, which only increased the pressure on prices and margins.

In Russia higher excise tax rates became effective, beginning with January 2010 on low alcohol beverages, and from the middle of the year – a ban on the sale of alcohol after 10 pm.

Beverage producers could also feel the difficult weather conditions – an exceptionally difficult and snowy winter in January and February, flood in May and June and early snowfall in October.

In these difficult conditions we were able to achieve consolidated revenues of 1 239,2 million PLN, which constitutes a drop of 19,1% from the year 2009, and generated a net profit attributable to majority shareholders (adjusted by the one-off events described below) in the amount of 12 639 thousand PLN, i.e. by 79,7% lower than in 2009.

The main causes of the drop in net profit were a decrease in sales revenue and the investments made in increasing our selling power on all of the markets in which we operate, as well as increased spending for logistics associated with the direct distribution platform started up at the end of 2009 in Slovakia. Time has shown that our investments in selling power and logistics did not, unfortunately, bring about the planned quick rise in revenues, which is why we are working on optimizing these costs. Comparing the years 2009 and 2010, the total costs of sales, logistics and marketing remained practically unchanged (a year to year drop by only 1,2%).

Having focused on more profitable products and sales channels, and because of gradually increasing production efficiency we were able to improve sales profitability from 36,7% in 2009 to 37,5% in 2010, despite a rise in the price of raw materials. We worked consistently on decreasing general administrative costs, which we lowered by more than 3,9 million PLN. We also managed to, among other things, limit management staff at both of the Megapack group companies.

The reported EBITDA (operating profit plus depreciation) amounted to 71,2 million PLN, whilst EBITDA adjusted by the effect of one-off events (described below) to 114,3 million PLN.

Although, our economic results are weaker than last year, our financial position is stable. In the previous year the Kofola Group generated 132,7 million PLN in operating cash flows and freed 27,9 million PLN in working capital. This permitted us to further lower the Group's net debt by 46,2 million PLN to 299,0 million PLN.

As in the year 2009, we paid out a dividend to our shareholders, this time in the amount of 25,1 million PLN.

As every year, also at the end of 2010 we verified our portfolio of brands and performed their valuation. As a result, the Group's Management decided to adjust the book value of some of the brands (R20, Mr Max and Arctic), which resulted in the need to adjust the operating result for the year 2010 by a total of 33,9 million PLN. In addition, we lowered the book value of the production plant in Tychy, closed down in 2009, by 4,8 million PLN and of production line components by 1,6 million PLN. Further to the restructuring of Hoop we created a provision for its costs (including severance pay for the employees) in the amount of 2,9 million PLN. The total of all of these one-off events reached 43,2 million PLN, reducing the Group's operating result.

Innovation has always been our strength. In the past year we introduced a number of new prodocts, many of which were very successful (such as: Rajec flavored waters, oxygenated Rajec waters, Orangina produced on a license from Orangina Schweppes International – all in the Czech and Slovak Republics). The introduction of the Jumper children's drinks to the Russian market was a moderate success. The product requires further work by our commercial team. Unfortunately, not all of the new products were accepted. Our attempt at creating a new beverage category – homemade fruit compotes in PET bottles – was not successful.

We continued our policy of consistently focusing on core operations, while getting rid of operations and assets that have no strategic significance for the Group. And so in 2010 we were able to sell the subsidiary Bobmark International Sp. z o.o. that distributed beverages, the shares of Bomi S.A., a warehouse in Iwiny and several other small production line components.

We have made a series of investments to increase our production capacity and make it more flexible. Among others, we moved the production line from the closed down plant in Tychy to the plant in Kutno, and started a new investment into a new bottling line at the plant in Mnichov-Hradište, with a value of 20 million PLN, which is to allow us to introduce innovative products in 2011. In addition to the production lines, we continued to invest in equipment used to acquire restaurant clients (i.e. mainly beverage coolers and fillers for Kofola in KEGs).

At the end of the year 2010 we made a decision to restructure Hoop. The Management of this company was joined by management staff from the Kofola Group, who have many years of experience in managing beverage businesses. To quickly improve results drastic decisions were made relating to, among others, changing the management of the sales department, changing the structure and reducing the number of sales employees, slimming down administration and moving the company's offices to Kutno, where it has free office space next to the production plant. These actions should bring a few million PLN in savings per year in 2011 and the subsequent years.

As part of our strategy we focused on other growing areas – such as private brands. We created a separate department that handles the development of such products at the Kofola Group. This will allow us to more effectively realize our production capacity outside of the summer season. We have also intensified our export. Both of the above decisions should result in a rise in revenues from private brands and from export as soon as in 2011.

Before us is the year 2011, which will for sure not be easy. We will have to continue to struggle with high prices of production materials (sugar, packaging, fruit concentrates) and fuel, which will translate into higher product prices in stores. We will continue to consistently work on increasing our presence in the restaurant channel, raising our production efficiency, lowering sales and logistics costs, reducing general administrative costs, as well as improving the working capital management.

As in the previous years, we are betting on innovation. In 2011 we will introduce several new beverages in the successful product groups.

Due to unfavorable market conditions, 2010 was a difficult year that required much commitment from our Employees and Business Partners, for which I want to sincerely thank them.

I would also like to thank Members of the Supervisory Board for their contribution to the building and realization of the Kofola Group's strategy. I am convinced that we will continue to work together well throughout the year 2011.

Janis Samaras

Chairman of the Management Board

KOFOLA S.A.

1.2 Description of the KOFOLA S.A. Group

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



WE ARE PROUD OF OUR ACHIEVEMENTS

Awards received in 2010:

- Marketer of the year 2009 – Martin Mateáš, Kofola Holding Sales & Marketing Director
- Czech TOP 100 – Kofola a.s. third most admired company in the Czech Republic
- Best TV ad – the 50 years of Kofola campaign (CR)
- Zlatý klinec 2010 – silver for the Kofola and Vinea campaigns (SR)
- FMCG hit of the year – the OOkulary OOtwartości campaign (PL)
- MAGELLAN AWARD - „Hug Day” (PL)
- PROTON awards – best PR people – Edyta Bach, PR Manager (PL)
- Water Innovation Award – water from the limited edition *Rajec Bylinka Letni Bourka* was awarded the highest prize in two categories: „Best new flavored water‟ and ‟Best consumer TV marketing campaign‟.
- Hoop Cola for the second time awarded the Golden Clip – for the Hoop Caroling project.

HISTORY

1993 The family of the Greek emigrant Kostas Samaras acquires a carbonated water plant from the state-owned company **Nealko Ołomuniec** in Krnov and starts production of carbonated beverages under the name of **SP Vrachos s. r. o.**

The company **HOOP** is formed in Poland.

1996 – 1999 In 1996 The operations of **SP Vrachos** are moved to the newly formed subsidiary **SANTA – NÁPOJE KRNOV**. This year is considered to be the official formation of the company **Kofola** that we know today. The year 1998 is characterized by technological development and entry on the Slovak market through the formation of the subsidiary **SANTA NÁPOJE SLOVENSKO** spol. s r. o. In July the transport subsidiary **Santa Trans s.r.o.** is formed in the Czech Republic. The Jupi brand is introduced in 1999. **HOOP S.A.** in Poland started cooperation with the largest producer of non-alcoholic beverages in England – Britvic International Ltd. (1997).

2000 The Company concluded a license agreement with an Opava pharmaceutical company, IVAX, the then owner of the Kofola brand, for the bottling of this beverage, and started its production.

2001 Acquisition of the registered trade mark of the traditional grape juice containing beverage **Top Topic,** and its reintroduction to the Czech and Slovak markets. Introduction of a new children's fruit drink under the name of **Jupík**. Construction of a production plant in Rajecka Lesna starts in Slovakia.

2002 A year of expansion and strategic investments – formation in Slovakia of **Santa Trans**, a subsidiary that provides transport, acquisition of the registered trademark and original recipe for the traditional drink **Kofola** from the company Ivax for 215 million crones. In November the company's trade name in the Czech Republic and its subsidiaries in Slovakia is changed to **Kofola a.s.**

HOOP in Poland acquires a majority stake in the mineral water and beverages producer Przedsiębiorswo Produkcji Wód Mineralnych Woda Grodziska.

2003 A new subsidiary is formed in Poland under the name of **Kofola Sp. z o.o.** In the Czech Republic **Kofola a.s.** obtains a system quality certificate in accordance with ČSN EN ISO 9001:2000. Polish **HOOP** debuts on the Warsaw Stock Exchange and with the acquired funds purchases 50% of shares of **OOO Megapack** in Russia.

2004 First innovations to the **Kofola** drink after 40 years of its existence – introduction of the **Kofola Citrus** brand.
Expansion to the Hungarian market and formation of the subsidiary **Kofola Rt.**
The Czech and Slovak markets are joined by the Polish market following the construction of a new production plant in Kutno.
Entry into the packaged waters segment with the **Rajec** mineral water.

2005 Formal opening of a new production plant in Poland – the largest Czech investment in Poland. The portfolio of products on the Czech and Slovak markets is enlarged through the reintroduction **Chito Tonic.** Kofola becomes the exclusive producer and distributor of the **Capri-Sonne** drink.

2006 In November the holding is separated out as a separate legal entity called **Kofola Holding, a.s.** Acquisition of **Klimo, s.r.o.,** a Czech beverage company. A series of natural, 100% fruit juices and fruit drinks **Jupí** is introduced to the market.

HOOP takes over PAOLA S.A.

2007 Introduction of a new product - **Rajec Bylinka** – natural spring water enriched with herbal extracts.
Kofola is ranked 8th among the 100 most prestigious Czech companies.
The shareholders of **Kofola Holding, a.s.** and the Polish beverage company **Hoop S.A.** conclude a preliminary agreement on the merger of the two companies.

2008 The newly created **Kofola – Hoop S.A.** acquires a financial investor – a fund from the Enterprise Investors family, which takes up 42,45 % of shares. After this transaction the majority stake of Kofola remains in the hands of the existing Czech owners and operates in 5 countries. Acquisition of the traditional **Vinea** brand by **Kofola a.s.** in Slovakia. Introduction of a sugarless version of the **Kofola** drink.

2009 The mother **KOFOLA – HOOP S.A.** changes its name to **Kofola S.A.** The production plant of Kofola a.s. in Slovakia's Rajecka Lesna is expanded at a cost of 10 million euro.

2010 The Vinea brand is refreshed (launched) in the Czech Republic and new items are introduced to the portfolio of products designated for restaurants – **Orangina** and Citronela carbonated drinks, Picwick Just Tea iced tea, as well as the Snipp fruit juices and nectars. The Rajec product line is enriched by **Rajec** Tajemstvi stromu ("tree secrets") and Rajec Kyslik (with oxygen). The Kofola brand celebrates its 50th anniversary.

COMPANIES OF THE KOFOLA GROUP

Holding companies:

- **Kofola S.A.** – Warszaw (PL)
- **Kofola Holding a.s.** – Ostrava (CZ)

Production and trading companies:

- **Kofola a.s.** – Krnov, Mnichovo Hradiště, Praha (CZ)
- **Kofola a.s.** – Rajecká Lesná, Senec, Malý Šariš, Zvolen (SK)
- **Hoop Polska Sp. z o.o.** – Warszaw, Kutno, Bielsk Podlaski, Grodzisk Wielkopolski (PL)
- **OOO Megapack** – Moscow, Widnoje, Moscow Region (RU)
- **Kofola Sp. z o.o.** – Kutno (PL)

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 2010

OUR PEOPLE ARE OUR STRENGHT

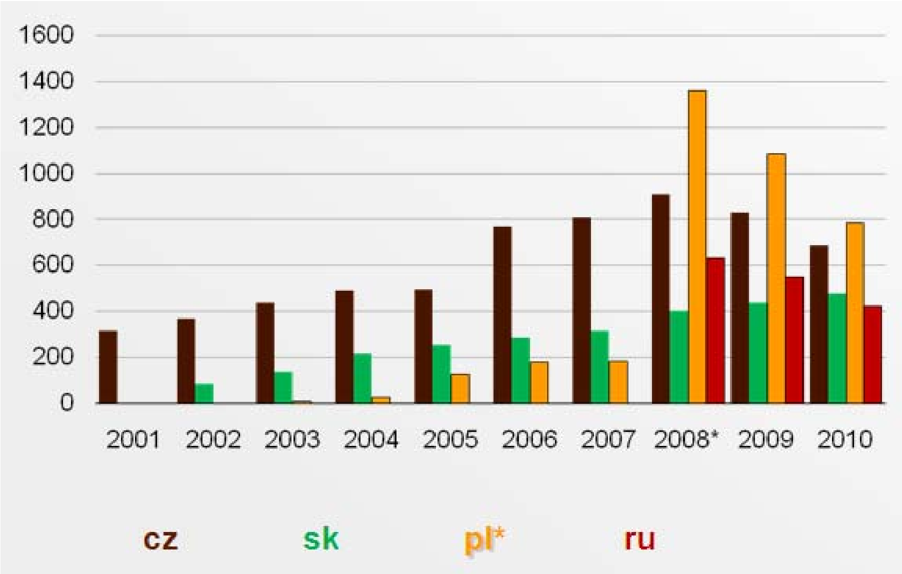
We understand that in today's knowledge-based economy to maintain a competitive edge it is necessary to continually invest in our people, to allow them to raise their qualifications. We believe that by skillfully managing the potential of our employees we can directly impact our financial results.

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.

The management staff of the Kofola Group companies was strengthened in 2010.

Since June 2010 the subsidiary OOO MEGAPACK has a new Finance Director – Mr. Alexander Komolov. In August 2010 Mr. Daniel Buryš became the new Finance Director at the subsidiary Kofola a.s., (CZ). Due to the ongoing restructuring of Hoop Polska Sp. z o.o. Mr. Martin Mateáš, previously the Group's marketing and sales director, became Chairman of the Company's Management Board. The team has been strengthened with a new Sales Director in the person of Mr. Paweł Wolnicki, and a new Finance Director – Ms. Simona Novákova – both of whom joined Hoop Polska Sp. z o.o. in December 2010.



***2008** Merger of the Kofola Group with the Hoop Group.

In 2010, after raising the effectiveness of our operations we were able to lower the Group's average employment from 2 903 people in 2009 to 2 629 in 2010.

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

As at 31 December 2010 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, Warszaw	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, Warszaw	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	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.	Klimo s.r.o.	Czech Republic, Krnov	in liquidation	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, 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 23 December to KOFOLA S.A. At this time the Company's functions consist primarily of management and control of all of the entities belonging to the KOFOLA S.A. Group.

The subsidiary **Hoop Polska Sp. z o.o**. with its registered office in Warsaw, 01-102, ul. Jana Olbrachta 94, 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),
- KLIMO s.r.o. – a company registered in the Czech Republic. In 2007 it distributed beverages on the Czech market. No operating activities since the beginning of 2008. The company's liquidation process was completed in January 2011.
- Kofola Zrt. (HU) – a company registered in Hungary, currently is 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, production of own beverages, including under the HOOP, Arctic, Hooper's, Hooch, Tiamo Tanto and Deviatka trademark, 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 statements 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 (Note 1.3). The activities of PCD HOOP Sp. z o.o. consist of the wholesale of beverages. The terms of the agreement are currently being realized (Note 5.30).

The co-subsidiary **Transport – 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.

On 8 December 2009 KOFOLA S.A disposed of its shares of the subsidiary **Maxpol Sp. z o.o.** The activities of Maxpol Sp. z o.o., of which KOFOLA S.A. held 100 %, consisted of the wholesale of beverages. Due to the above the data of Maxpol Sp. z o.o. have been included only in the comparatives for the year 2009.

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, whereas control over the company was lost already at the signing of the conditional agreement and appointment of a new management, as a result of which the data for the reporting period include the company's data for the period until 30 June 2010.

1.3 Most significant events in the KOFOLA S.A. Group in the period from 1 January 2010 to the preparation of the present financial statements

Credit agreements

On 22 March 2010 the company HOOP Polska Sp. z o.o. concluded two credit agreements with a consortium formed by: Bank Zachodni WBK S.A., Kredyt Bank S.A. and Bank Polska Kasa Opieki S.A. A *term credit agreement* in the amount of 57 000 thousand PLN designated to refinance current debt and to finance the Company's current operations – variable interest of 3M WIBOR and bank margin, repayment date set for 22 March 2014. An *agreement for an overdraft account* in the amount of 57 000 thousand PLN designated to refinance current debt and to finance the Company's current operations – variable interest of 1M WIBOR and bank margin, repayment date set for 22 March 2012. The above credit agreements are secured with: a registered pledge on a group of items and rights constituting an economic whole (up to 171 000 thousand PLN), mortgages on real properties of Hoop Polska Sp. z o.o. (totaling 171 000 thousand PLN) and a guarantee by KOFOLA S.A. for the benefit of the banks comprising the Consortium, for the amount of 171 000 thousand PLN (with an expiration date of 31 December 2015). The conclusion of the above credit agreements by Hoop Polska Sp. z o.o. replaced all of the existing credit agreements, thereby improving the organization and servicing of Hoop Polska Sp. z o.o. external debt. The credit agreements will cover the external financing needs of HOOP Polska Sp. z o.o. for the next few years, whereas any other credit needs will be the subject of separate negotiations with the Consortium. KOFOLA S.A informed of the conclusion of the above credit agreements in its Current Report No. 5/2010.

Bankruptcy proceeding at Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.

On 28 May 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases, issued a decision on the liquidation bankruptcy of the subsidiary Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. ("PCD") at the petition of PCD's then Management. On 17 June 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases issued a decision changing the proceeding from a liquidation bankruptcy to a bankruptcy open to arrangements. At the same time, by virtue of this decision the Regional Court in Koszalin returned to PCD the management over its assets. The 17 June 2010 decision of the Regional Court in Koszalin was issued at the petition of PCD's new management. It was the intention of KOFOLA S.A. to conclude an arrangement and then sell PCD as part of organizing the Group and focusing on core operations.

The arrangement was approved on 22 November 2010, and the decision became legally binding on 6 December 2010, of which KOFOLA S.A. informed in its Current Reports No. 19/2010 and 20/2010.

Changes in the Management Board of the holding company KOFOLA S.A.

On 7 April 2010 Ms. Simona Nováková, Member of the Management Board of KOFOLA S.A. submitted her resignation from the position of Member of the Management Board of KOFOLA S.A. effective 30 April

2010. The Company's Supervisory Board appointed Mr. Bartosz Marczuk to the position of Member of the Management Board effective 1 May 2010. The Company informed about these changes in its Management Board in its Current Report No. 6/2010.

Sale of the shares of BOMI S.A.

In the reporting period KOFOLA S.A sold all of its shares of BOMI S.A. After commission, the income from this transaction amounted to 13 849 thousand PLN, and the profit on the transaction amounted to 2 327 thousand PLN.

Sale of the subsidiary Bobmark International Sp. z o.o.

On 8 July 2010 a contingent agreement was signed (annexed on 13 August) for the sale of the shares of Bobmark Sp. z o.o. by KOFOLA S.A. to PPHU Specjał Sp. z o.o. At the same time, based on a debt assignment agreement dated 12 August 2010, KOFOLA S.A. acquired from Hoop Polska Sp. z o.o. its undisputed debts from Bobmark Sp. z o.o. totaling 8 030 thousand PLN. The price for the acquisition of the debts will be paid by KOFOLA S.A. in installments. KOFOLA S.A. as the sole shareholder of Bobmark, on 12 August 2010 passed a resolution to raise the share capital of Bobmark by 8 030 thousand PLN. In the Management's opinion, control over Bobmark was lost at the moment when the conditional agreement was signed and a new Management appointed by the new owner appointed. The sale of shares of Bobmark International Sp. z o.o. was realized once on 18 October 2010 the Court issued a decision to enter the raised share capital in the National Court Register.

Issue of subscription warrants

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.

Purchase of shares of Pomorskie Centrum Dystrybucji Hoop Sp. z o.o.

On 7 October 2010 KOFOLA S.A repurchased 25 % of the shares of the subsidiary Pomorskie Centrum Dystrybucji Hoop Sp. z o.o., thereby becoming its sole shareholder. It was the intention of KOFOLA S.A. to conclude an arrangement and then sell PCD as part of organizing the Group and focusing on core operations.

Orangina

The subsidiaries of the KOFOLA S.A. Group – Kofola Holding a.s., Kofola a.s. from Slovakia and Kofola a.s. from the Czech Republic – signed on 25 October 2010 license agreements with the company Schweppes International Limited, based on which they received an exclusive license to use the trademarks and designs of the Orangina brand on the territory of the Czech and Slovak Republics with regard to the production and sale of Orangina fruit drinks.

Change in the position of Chairman of the Management Board of HOOP Polska Sp. z o.o.

On 2 November 2010 Mr. Krzysztof Grudziński was dismissed from the position of Member and Chairman of the Management Board of HOOP Polska Sp. z o.o. His responsibilities were taken over by Martin Mateáš, until then in charge of sales and marketing at the Kofola S.A. Group.

Start up of SAP at HOOP Polska Sp. z o.o.

With the start of the year 2010, the integrated ERP SAP R/3 system was started up at HOOP Polska Sp. z o.o. The implementation constituted a roll-out of the earlier implementations in the Czech and Slovak Republics.

The office of Kofola a.s. (Czech Republic) moved from the distribution center in Prague to the plant in Mnichovo Hradiště

Effective 1 October 2010 the office was moved from the rented distribution center in Prague to the company's own office in Mnichově Hradišti. The move is to result in a savings on the costs of renting the distribution center and lower the costs of transport from the production plant to the distribution center.

Sale of assets (as an element of organizing the Group)

In the reporting period Kofola Sp. z o.o. sold to HOOP Polska Sp. z o.o. production properties located in Kutno. The revenue from the above transaction amounted to 28 000 thousand PLN, and the profit realized by Kofola Sp. z o.o. on the transaction, amounting to 2 041 thousand PLN, was excluded in the consolidated financial statements as part of consolidation adjustments.

Payment of a dividend

On 2 November 2010, in accordance with a resolution of its Ordinary General Meeting, KOFOLA S.A. paid out a dividend in the amount of 25 126 thousand PLN (Note 5.10).

Restructuring of Hoop Polska Sp. z o.o.

Due to failure to realize sales plans for the year 2010 and poor financial results, the Management Board of Kofola S.A. made a decision to make personnel changes in the Management of Hoop Polska Sp. z o.o. as well as to start a recovery program, consisting of adapting the business model to the company's brand portfolio and the revenues that may be generated based on this portfolio. The plan calls for increasing the efficiency of a smaller and more manageable sales team, limiting administrative costs (thanks to, among others, moving the company's offices to Kutno, where it has an office building next to the production plant).

The reduction in operating costs is to raise the company's profitability and increase its ability to invest in the development of brands and production plants.

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

From the start of its operations Kofola has strived 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 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 addition, in the Czech Republic we started an internet course of healthy living under the "Live healthy and have fun" (Hravě žij zdravě – http://www.hravezijzdrave.cz/) slogan. To ensure that our products are as healthy as possible, we develop them in cooperation with leading nutrition specialists. Work is under way to start the program in Slovakia.

In Poland we are taking part in the Keep Fit program.

Healthy products

In 2010 we strongly focused on improving the healthy properties of our products. Firstly, we have replaced synthetic coloring with their natural equivalents. Secondly, we have invested in a new PET line in the Czech Republic, which will allow us to produce beverages in plastic bottles without the use of preservatives. Production is to start in the second half of 2011.

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 2010 we increased the use of pre-forms manufactured using recycled materials.

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.
As part of a campaign to help sick children in 2010 we started the Kofola Maňušk, 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.

1.5 Description of operating results and financial position

Presented below is a description of the financial position and results of the Kofola Group for the 12 month period ended 31 December 2010. It should be reviewed along with the consolidated financial statements and with other financial information presented in other sections of the present report.

To better present the Group's financial position, in addition to the audited 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.

In the Management's opinion the consolidated financial statements adjusted by one-off events provide for a greater comparability of the Kofola Group's results achieved in 2010 and 2009, but from a formal standpoint reported are the consolidated financial statements that have been audited by a certified auditor, which are presented in section 2 of the present report. 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.

Summary of operating results in the period ended 31 December 2010

When assessing the financial results of the Kofola Group for the 12 month period ended 31 December 2010 it is important to consider market conditions, which had an effect on the Group's results. Firstly, the consumers continued to have a high level of uncertainty and thus looked for savings in their shopping cart. A trend was visible whereby consumption at restaurants was being replaced with consumption at home. Unemployment was high and affecting shopping habits in all the countries in which we operate. On the Russian market, the government continued activities to limit alcohol consumption by introducing limitations on advertising of alcoholic beverages and raising excise tax on alcohol effective January 2010, and from the middle of the year introducing a ban on alcohol sales after 10 pm. Another factor affecting the willingness of consumers to make purchases (not only of beverages) was weather conditions, which were worse than the year before (large amounts of snow fall and freezing temperatures in January and February, exceptionally rainy May and June and lower average temperatures). The heat of July and August was a favorable factor. The drop in demand led to increased competition between producers and the lowering of prices in their battle for sales and market shares. During the crisis on the consumer market we saw moving over to discount stores.

The environment of the Kofola Group companies was greatly affected by the actions undertaken by the competitors. The first quarter saw an increased advertising activity from Pepsi Cola, arising out of the rebranding of the brand. In the second quarter active advertising campaigns were conducted by Coca Cola, who was the main sponsor of the Football World Cup in South Africa.

At the end of the second quarter a rise could be felt in the prices of raw materials (oil, paper and sugar), which translated into a rise in prices of PET bottle moulds, caps, foils and packaging, and in consequence the cost of producing beverages. The third quarter was a continuation of this growing trend. The expiration of sugar contracts led to the need to buy this material in spot transactions at higher prices. Fruit and vegetable production turned out lower in 2009, resulting in a sudden and considerably rise in the price of fruit concentrates (mainly orange and apple), which are a component of many fruit drinks and juices.

EBIT was affected by one-off costs, mainly non-monetary in nature. After being adjusted by the effect of these items, EBIT amounted to 33 662 thousand PLN. Details in the below table:

Selected financial highlights	**1.1.2010 - 31.12.2010**	**1.1.2009 – 31.12.2009**
Revenue	1 239 164	1 531 985
Cost of sales	(775 072)	(970 281)
Gross profit	**464 092**	**561 704**
Selling, marketing and distribution costs	(353 701)	(356 960)
Administrative costs	(76 655)	(80 587)
Other operating income / expenses net	(43 245)	(5 272)
Operating result - audited	**(9 509)**	**118 885**
Elimination of one-off costs	***43 171***	***6 400***
Selling, marketing and distribution costs	*945*	*-*
restructuring the sales department	*945*	*-*
Other operating income / expenses	*42 226*	*6 400*
impairment of brands	*33 924*	*-*
impairment of fixed assets	*6 388*	*6 400*
costs associated with office relocation	*1 914*	*-*
Adjusted operating result	**33 662**	**125 285**
As % of revenues	2,7%	8,2%

The need to exclude from the result the one-off cost items arises out of the following premises:

Compared to tangible fixed assets, trademarks are not depreciated, but subjected to annual impairment tests, which are based on the forecast income assigned to the various trademarks. In 2010 the Kofola Group made a decision to revise its product portfolio and gradually withdraw or reposition some of its brands in Poland in the years 2011-2013, which will result in a drop in the revenues earned on these brands. For this reason, the tests conducted for these brands showed an impairment of their value, which is recognized in the present financial statements at the amount of 33 924 thousand PLN. The impairment of the value of the brands is one-off in nature, is not associated with cash flows and as such for further analyses should be excluded from the adjusted operating profit.

In 2009 the Kofola Group ended its operating activities at the plant in Tychy belonging to is subsidiary Hoop Polska Sp. z o.o., and from that moment the assets comprising this plant are being presented as held for sale. As the liquidity of the local industrial real estate market is low, the Group's Management, based on the prudence principle, recognized in 2010 an impairment in the value of these assets in the amount of 4 795 thousand PLN. In addition, the Group performed a revaluation write down of other fixed assets in the amount of 1 593 thousand PLN.

In 2010 the Kofola Group made a decision to start the restructuring of Hoop Polska Sp. z o.o. In connection with the above, it estimated the costs of reducing employment and relocating the company's offices to Kutno, for which a provision was created in the amount of 2 859 thousand PLN, of which 945 thousand PLN pertains to the restructuring of the sales department, and 1 914 thousand PLN to the costs of relocating the management office, the finance, marketing and HR departments. In our opinion these are also one-off items and for the purposes of further analyses should be excluding from operating profit.

Further in the chapter we will discuss the results after excluding the effects of the above described one-off items.

Described below are the changes that occurred in the main consolidated financial statements items.
Consolidated sales revenue fell by 292 821 thousand PLN, or 19,1 % compared to the 12 months ended 31 December 2009, mainly due to the 128 422 thousand PLN decrease in the revenue of the Megapack Group (customers buying low-alcohol beverages stocked up on them in the fourth quarter of 2009 to protect themselves against the 2010 increase in excise tax on alcohol; demand for low-alcohol beverages was rebuilt only in the second half of the third quarter, when their reserves ended), the discontinuation of the consolidation of Maxpol following its sale in December 2009 (in the 12 months ended 31 December 2009 Maxpol's revenues amounted to 51 907 thousand PLN excluding intra-group transactions), an effective drop of revenues at all of the Group's key companies, and 33 036 thousand PLN in differences on the exchange rates of the Polish zloty to the Euro and the Czech crown (in the first period of 12 months ended 31 December 2009 and 2010, respectively) applied to translate the income statements of Czech and Slovak entities. After deducting the effect of discontinuing the consolidation of Maxpol and the change in foreign exchange rates, the effective drop in revenues amounted to 207 878 thousand PLN, of which 128 422 thousand PLN constitutes a drop in revenues at the Megapack Group.

- Despite a drop in consolidated sales of the entire Group in the 12 month period ended 31 December 2010 compared to same period of 2009, we were able to improve **gross sales profitability** from 36,7% to 37,5%, mainly due to favorable purchase prices on main production materials in the first half of the year, focusing sales efforts on the most profitable brands, a rise in sales in the restaurant sector in the Czech Republic, the start of direct distribution to small clients in Slovakia (which made it possible to take over some of the wholesalers' margins), lowering production costs by closing Hoop Polska Sp. z o.o.'s production plant in Tychy in the third quarter of 2009, and reducing employment at plants in the year 2010.
- As a result of a drop in sales revenue by 19,1%, despite a rise in sales profitability, the **gross sales margin** went down by 97 613 thousand PLN from 561 704 thousand PLN in the 12 month period ended 31 December 2009 to 464 092 thousand PLN in the same period of 2010, i.e. by 17,4%. The effect on the gross sales margin of a change in the exchange rates used to translate the results of subsidiaries amounted to minus 19 592 thousand PLN.
- In 2010 we invested in expanding sales departments and distribution, which in a difficult market have not translated unfortunately into an increase in revenues, which considerably increased the share of **selling costs** in sales from 23,3% to 28,5%. Total adjusted selling costs went down slightly from 356 960 thousand PLN to 352 756 thousand PLN, i.e. by 4 204 thousand PLN, or 1,2%.
- By optimizing support functions the Group was able to reduce its **administrative costs** from 80 587 thousand PLN to 76 655 thousand PLN, i.e. by 3 932 thousand PLN, or 4,9%. The drop in administrative costs was, however, lower than the drop in sales revenues.
- **Other net operating revenue/(operating costs)** include the above described one-off items. If we exclude the effect of the one-off items (the amount of 42 226 thousand PLN in 2010 and 6 400 thousand PLN in 2009), the adjusted other operating revenue/(costs) will increase by 2 147 thousand PLN from 1 128 thousand PLN in 2009 to (1 019) thousand PLN in the reporting period.
- Due to a drop in sales revenue with investments in sales, distribution and marketing, the adjusted **operating profit (EBIT)** fell from 125 285 thousand PLN in the 12 month period ended 31 December 2009 to 33 662 thousand PLN in the 12 month period ended 31 December 2010, i.e. by 91 623 thousand PLN. In the compared periods the EBIT margin decreased from 8,2 % to 2,7%.
- In the analyzed period adjusted **EBITDA** (operating profit plus depreciation) fell from 214 104 thousand PLN to 114 323 thousand PLN, and the EBITDA margin from 14,0% to 9,2%.
- The drop in **consolidated net profit** adjusted by one-off items, assigned to the shareholders of the parent company in the period of 12 months ended 31 December 2010 amounted to 56 033 thousand PLN compared to the period of 12 months ended 31 December 2009. The drop in net profit was lower than the drop in operating profit as a result of a rise in financial revenue (by 2 274 thousand PLN) and a drop in financial costs (by 16 646

thousand PLN), as well as lower income tax by 8 261 thousand PLN.

- As a result of the drop in the net profit assigned to the shareholders of the parent company a drop occurred in the adjusted net profit per share from 2,6238 grosz to 0,4829 grosz in the analyzed period. The diluted net profit per share has also decreased (diluted due to the issue of subscription warrants) from 2,6214 grosz per share to 0,4828 grosz per share.
- The Group was effective in reducing the value of **working capital** from 68 011 thousand PLN as at 31 December 2009 to 40 148 thousand PLN as at 31 December 2010. The ratio of working capital to sales revenue has improved from 4,4% as at 31 December 2009 to 3,2% as at 31 December 2010 due to a drop in the value of receivables and longer payment terms negotiated with the suppliers.
- **Financial debt** reduction. In the analyzed period, following the repayment of a portion of credits and leases, as well as decreased use of credit lines due to a lesser need to finance working capital, the Group was able to reduce its net debt from 345 202 thousand PLN at the end of December 2009 to 299 003 thousand PLN as at 31 December 2010, i.e. by 46 199 thousand PLN, or 13,3%. As at 31 December 2010 the debt rate amounted to 60,0% (at the end of December 2009 to 59,0%). Due to the drop in operating profit plus depreciation (EBITDA) the ratio of net debt to adjusted EBITDA increased from 1,6 times at the end of December 2009 to 2,6 times at the end of December 2010.

Poland

- In the year 2010 sales revenue in Poland fell by 100 360 thousand PLN (by 17,5%) due primarily to the discontinuation of consolidation of the company Maxpol Sp. z o.o. (whose revenue in the 12 month period ended 31 December 2009 after excluding intra-group transactions amounted to 51 907 thousand PLN), the concentration of sales and marketing support on the most perspective brands as other, unsupported brands suffered. The drop was visible especially in the water and non-carbonated beverages segment in the traditional channel.
- In 2010 a decision was made to change the product portfolio of Hoop and either limit the sale of or reposition the R20, Mr. Max and Arctic brands in the years 2011-2013. As a result of these changes, the tests conducted for these brands showed a reduction in their book value by 33 924 thousand PLN
- Bad weather conditions had a significant effect on sales, as demand for beverages was down. The sales team that was being formed throughout the entire first quarter at Hoop Polska had not reached their target sales. The closing of the plant in Tychy in the second half of 2009 made it possible to reduce operating costs.

Czech Republic

- In 2010 the Czech non-alcoholic beverages market experienced a downturn. On the falling Czech market we recorded a 7,4% drop in sales in the local currency (which translates into a drop of 10,5% in Polish zloty). We were unable to make up for the drop in traditional and modern channels with a rise in sales from the restaurant sector. Noteworthy is the fact that the 5,0% increase in sales in the restaurant segment was reached in despite a drop in consumption in this channel, which confirms that the company's strategy to increase its share in the restaurant business is good. The decrease in sales in traditional channels was to a great extent the effect of very aggressive price promotions offered by our main competitors in the cola and water segment. The drop in sales revenue on the Czech market is also caused by lower sales of transport services to entities from outside the Group by Santa-Trans s.r.o. (CZ).
- The Jupi syrups continue to be the market leader in the Czech Republic with a nearly 40,0% share due high quality and innovative products.
- In 2010 we introduced a series of new products to the Czech market: the Pickwick Just Tea ice tea, Snipp juices and fruit drinks, new Rajec flavored waters and oxygenated Rajec water, the well-known Orangina carbonated drink, as well as continued the introduction of the Jupik Shake children's drink.
- In 2010 the Jupik brand products were the best selling product in the children's drink subcategory.
- In March 2010 the Kofola Group began its celebration of the 50th anniversary of the Kofola brand on the Czech and Slovak market. This translated into increased visibility of the Kofola brand in the media and increased exposure at stores with a new graphic design in the 1960's style.

Slovakia

- On the Slovak market we recorded a slight drop in sales from year to year by 1% in the local currency (or 8,7% after translation into Polish zloty). Despite this, we were able to increase our market share by 4,2%. This was possible due to consistent work on the position of our products in the waters, colas and carbonated beverages segments, and a decrease in the restaurants segment that was half as slow as the entire market
- The Group's Rajec brand products have reached the position of market leader in the bottled water category, mainly due to the success of the flavored waters subcategory. Also the grape flavored Vinea drink can boast a strong position on the local

carbonated beverages market; it had been purchased by Kofola in 2008.

- As in the Czech Republic, in 2010 we introduced a series of new products to the Slovak market: the Pickwick Just Tea ice tea, Snipp juices and fruit drinks, new Rajec flavored waters and oxygenated Rajec water, the well-known Orangina carbonated drink, as well as continued the introduction of the Jupik Shake children's drink.

Russia

- The drop in sales revenue in Russia by 35%, or 128 422 thousand PLN, was the result of several factors: the introduction of limitations on advertising of alcoholic beverages, the raising of excise tax on alcoholic beverages effective 1 January 2010 (as a result of which the customers' purchases were partially moved from the first quarter of 2010 to the fourth quarter of 2009), the introduction of a ban on alcohol sales after 10 pm from the second half of 2010, as well as lower revenues from co-packing services (production commissioned by third parties – of to a large extent low-alcohol drinks). As the margins earned on co-packing services are low, the drop in the sale of these services had little effect on the operating profit (5 736 thousand PLN and 26 451 thousand PLN in 2010 and 2009, respectively). Only in the third quarter of 2010 the volume of sales of low alcohol beverages was partially rebuilt after the distributors sold out their inventory of low-alcohol drink reserves from 2009.

CONSOLIDATED INCOME STATEMENT

The twelve month period ended 31 December 2010 compared to the twelve month period ended 31 December 2009

Selected financial highlights	**1.1.2010 - 31.12.2010**	**1.1.2009 - 31.12.2009**	**Change 2010/2009**	**Change 2010/2009 (%)**
Revenue	1 239 164	1 531 985	(292 821)	(19,1%)
Cost of sales	(775 072)	(970 281)	(195 209)	(20,1%)
Gross profit	**464 092**	**561 704**	**(97 612)**	**(17,4%)**
Adjusted selling, marketing and distribution costs	(352 756)	(356 960)	(4 204)	(1,2%)
Administrative costs	(76 655)	(80 587)	(3 932)	(4,9%)
Adjusted other operating income/(expense)	(1 019)	1 128	(2 147)	(190,3%)
Adjusted operating result	**33 662**	**125 285**	**(91 623)**	**(73,1%)**
Adjusted EBITDA	**114 323**	**214 104**	**(99 781)**	**(46,6%)**
Financial expense, net	(10 387)	(29 307)	(18 920)	(64,6%)
Income tax	(8 696)	(16 957)	(8 261)	(48,7%)
Adjusted net profit for the period	**14 579**	**79 021**	**(64 442)**	**(81,6%)**
- assigned to the shareholders of the parent compa	12 639	68 672	(56 033)	(81,6%)

	1.1.2010 - 31.12.2010	**1.1.2009 - 31.12.2009**
Adjusted earnings per share	0,48	2,62
Adjusted net profitability	1,0%	4,5%
Adjusted profitability EBIT %	2,7%	8,2%
Adjusted profitability EBITDA %	9,2%	14,0%

Calculation principles:

***Earnings per share** – net earnings 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*
***Profitability EBIT%** – operating profit for a given period / net revenues from sales of products, services, goods and materials in a given period*
***Profitability EBITDA%** – (operating profit + depreciation for a given period) / net revenues from sales of products, services, goods and materials in a given period*

Net sales revenue

The consolidated net sales revenues of the KOFOLA Group for the 12 month period ended 31 December 2010 amounted to 1 239 164 thousand PLN, which constitutes a drop by 292 821 thousand PLN (or 19,1%) compared to the same period of the previous year. Revenue from the sale of finished products amounted to 1 213 764 thousand PLN, which constitutes 98,0% of total revenues. The drop in the Group's revenues in the 12 month period ended 31 December 2010 compared to the 12 month period ended 31 December 2009 was caused primarily by: lower (by 128 422 thousand PLN) revenue of the Megapack Group, the sale of the company Maxpol Sp. z o.o. in December 2009 (the company's revenue for the 12 month period ended 31 December 2009 was consolidated and amounted to 51 907 thousand PLN after excluding intra-group transactions), lower revenues of the company Hoop Polska Sp. z o.o. (by 49 112 thousand PLN), and a change in the exchange rates used to translate the financial statements of foreign entities (effect of 33 036 thousand PLN).

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 97,0% of the Group's sales revenues. The revenue structure has not changed considerably compared to the same period of last year, except for a drop in revenue in the low-alcohol segment in Russia (19,8% of revenue in the 12 months ended 31 December 2009 compared to 14,3% of revenue in the same period of 2010). The largest among the revenues of the 12 month period ended 31 December 2010 was the sale of carbonated beverages, as was the case in the comparative period (43,7% and 38,5% of revenues in the 12month periods ended 31 December 2010 and 31 December 2009).

Net revenues of the Group's most significant entities

Net revenues from the sales of products, services, goods and materials *	**1.1.2010 - 31.12.2010**	**1.1.2009 - 31.12.2009**	**Change**	**% Change**
Hoop Polska Sp. z o.o.	435 825	484 937	(49 112)	(10,1%)
Kofola a.s. (CZ)	372 924	411 522	(38 598)	(9,4%)
Kofola a.s. (SK)	236 310	263 277	(26 967)	(10,2%)
Megapack Group**	239 045	367 467	(128 422)	(34,9%)

** Standalone data without consolidation adjustments*
*** 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*

The revenues realized in the 12 month period ended 31 December 2010 by the HOOP Polska Sp. z o.o. were by 10,1% lower than in the comparative period. This decrease was especially clear in the waters and non-carbonated segment in the traditional channel, and was caused by a change in the business model, the company's gradual withdrawal from the sale of less perspective brands, low effectiveness of a newly formed sales department, temporary problems with access to trucks in the summer season and changes at the turn of 2009 and 2010 in the company's management staff. To increase its revenue the company offered incentives in the form of additional retroactive bonuses for sales chains and distributors, but they did not lead to the generation of the planned sales.

The revenues of Kofola a.s. (CZ) realized for the 12 month period ended 31 December 2010 were by 6,3% lower than in the comparative period in local currency (a drop of 9,4% in Polish zloty). This drop, slightly lower than the drop on the market, was caused by decreased demand, especially in the waters and non-carbonated beverages segment, as well as strong price competition in the cola segment, which resulted in a sales price that was lower than the year before.

Although the revenues of Kofola a.s. (SK) realized for the 12 month period ended 31 December 2010 were lower than in the comparative period by 2,7% in the local currency (a drop of 10,2% after translation into Polish zloty), the company was able to increase its market share 4,2%. The drop in review was caused by a dynamic drop of the Slovak restaurant market, the discontinuation of cooperation with one of the sales chains, as well as pricing pressure of the main competitors in the cola segment.

In the 12 month period ended 31 December 2010 the Megapack Group decreased the value of its sales revenue by 36,0% in the local currency compared to the same period of the year 2009 (a drop by 34,9% after translation into Polish zloty). The main reason for the drop in revenue was a decreased volume of sales of alcoholic beverages (since 1 January 2010 subject to higher excise tax), and lower revenues from co-packing.

Costs of sales

In the 12 month period ended 31 December 2010 the Kofola Group's consolidated costs of sales decreased by 195 209 thousand PLN, or 20,1%, to 775 072 thousand PLN from 970 281 thousand PLN in the same period of 2009. The decrease in the Group's costs of sales was caused primarily by lower consumption of production products caused by a drop in revenues, as well as the Group's ability to get better prices on main production materials due to centralizing purchasing at the Group, lower commodities prices continuing in the first half of 2010, as well as the strengthening of the Polish zloty and the Czech crown with respect to the Euro (as a result of which imported raw materials became cheaper). Another factor lowering the costs of sales was the closing of the production plant in Tychy in the third quarter of 2009.

In the 12 month period ended 31 December 2010 the consolidated costs of sales sold went down to 62,5% of net sales revenues, compared to 63,3% in the same period of the year 2009.

Had the exchange rates from the same period of 2009 been used, the costs of sales in the period 12 month period ended 31 December 2010 would have been by 13 445 thousand PLN higher.

Adjusted selling, marketing and distribution costs

In the 12 month period ended 31 December 2010 the Group's adjusted consolidated selling, marketing and distribution costs fell by 4 204 thousand PLN, i.e. by 1,2% to 352 756 thousand PLN from 356 960 thousand PLN in the same period of 2009.

In percentages, in the 12 month period ended 31 December 2010 our sales costs increased to 28,5% of net sales revenues, compared to 23,3% in the same period of 2009. This means a rise in the share of sales costs by nearly 5 percentage points. This rise consisted primarily of investments in sales and distribution. We increased the number of sales representatives in all countries, which made it possible to reach more stores and restaurants, but due to a drop in demand we were unable to translated increased distribution into a rise in sales revenue. A significant rise was recorded in sales costs in Slovakia due to the start up in October 2009 of direct distribution to the end users (which meant the formation of four new distribution centers and increased logistics costs). As part of direct distribution we started to deliver our products directly to smaller stores, pubs and restaurants.

In Russia we started to build distribution outside of the Moscow region. At the end of March 2010 we were able to begin sales in the area of Omsk, and in June 2010 in Rostow on the river Don.

Had the foreign exchange rates from the same period of 2009 been used, the Group's sales costs in the first 12 month period ended 31 December 2010 would have been higher by 14 369 thousand PLN, which corresponds to the additional sales force and logistics costs.

Administrative costs

In the 12 month period ended 31 December 2010 the consolidated administrative costs went down by 3 932 thousand PLN, i.e. by 4,9% to 76 655 thousand PLN from 80 587 thousand PLN in the same period of 2009. The decline in the general administrative costs of the KOFOLA Group for this period was caused primarily by a reduction in administrative employees at the Group's companies.

In percentages, in the 12 month period ended 31 December 2010 the consolidated administrative costs reached nearly 6,2% of net sales revenues, compared to slightly above 5,3% in the same period of 2009.

Had the foreign exchange rates from the 12 month period ended 31 December 2009 been used, the Group's general administrative costs in the same period of 2010 would have been higher by 2 783 thousand PLN, but still lower than in the 12 month period ended 31 December 2009.

Adjusted operating profit

Adjusted operating profit went down by 91 623 thousand PLN to 33 662 thousand PLN in the 12 month period ended 31 December 2010 from 125 285 thousand PLN in the same period of 2009, which after taking into account the change in the exchange rates used to translate foreign entities gives a drop of 89 128 thousand PLN. In the 12 month period ended 31 December 2010 the adjusted profit margin on operating activities decreased to 2,7% from 8,2% in the same period of 2009.

This drop was mainly the result of a decrease in gross sales profit, caused by a decrease in sales that was greater than the reductions in selling and general administrative costs (which, to a great extent, constitute fixed costs).

Adjusted EBITDA

The adjusted EBITDA, calculated as the operating profit plus depreciation for a given period, fell from 214 104 thousand PLN in the 12 month period ended 31 December 2009 to 114 323 thousand PLN, i.e. by 99 781 thousand PLN (by 46,6%) in the 12 month period ended 31 December 2010. The decrease in the adjusted EBITDA of the KOFOLA Group in this period was caused primarily by a lower EBITDA at the company Kofola a.s. (SK) (drop in EBITDA by 28 244 thousand PLN due to higher sales and logistics costs), at the company Hoop Polska Sp. z o.o. (drop in EBITDA by 18 392 thousand PLN due to a significant decrease in sales revenue and increase in general administrative costs, at Kofola a.s. (CZ) (drop in EBITDA by 27 777 thousand PLN due to higher sales costs and lower sales revenue), and at the Megapack Group (decline in EBITDA by 20 732 thousand PLN caused by a significant drop in sales revenue), and a lower EBITDA due to a change in the exchange rates used to translate the financial statements of foreign entities (effect of approximately 4 733 thousand PLN).

As a result of the above changes, the EBITDA margin went down to 9,2% from 14,0% in the same period of 2009.

Net financial expenses

In the 12 month period ended 31 December 2010 the Group recorded net financial expenses of 10 387 thousand PLN compared to 29 307 thousand PLN in the same period of 2009. The financial expenses of the KOFOLA S.A. Group decreased in this period due primarily to: 1 642 thousand PLN in foreign exchange gains compared to 3 327 thousand PLN in foreign exchange losses incurred in 2009, a drop in interest on credits and leases by 3 128 thousand PLN from 21 109 thousand PLN in 2009 to 17 981 thousand PLN in the 12 months ended 31 December 2010, 2 328 thousand PLN in profit earned on the sale of the shares of BOMI S.A. in 2010, and 3 369 thousand PLN in profit earned on the sale of the shares of Bobmark International Sp. z o.o.

A significant drop in financial expenses occurred at Kofola a.s. (CZ) – by 5 144 thousand PLN, and at Kofola Sp. z o.o. – by 1 325 thousand PLN (following the repayment of a credit in December 2009).

The Group's financial expenses are down mainly due to repayment of a portion of the credits denominated in EUR, and better management of currency risk. A large portion of foreign exchange losses in the 12 months ended 31 December 2009 consisted of unrealized foreign exchange differences arising out of loans, credits and leases denominated in EUR. Also of significance was the drop in interest costs by 3 128 thousand PLN, arising out of a decrease in the Group's net debt by 46 199 thousand PLN compared to 31 December 2010.

Income tax

In the 12 month period ended 31 December 2010 we recorded income tax in the amount of 8 696 thousand PLN compared to 16 957 thousand PLN in the same period of the year 2009 (drop by 48,7%).

The recording of income tax in the amount of 8 696 thousand PLN despite the recording of a before tax loss (19 896 thousand PLN) is the result of the fact that in 2010 all of the geographical segments except for Poland recorded gross profits and thus recorded the appropriate income tax. Current income tax burden amounted to 6 901 thousand PLN and pertained primarily to the companies KOFOLA S.A., the Megapack Group, Kofola a.s. (CZ) and Kofola a.s. (SK). Deferred income tax amounted to 1 795 thousand PLN and was the result of the formation and reversal of temporary differences reduced by tax losses that cannot be settled, with the biggest effect of the non-deductible tax losses at Hoop Polska Sp. o.o.

In the compared periods the effective tax rate amounted to 18,9% in 2009 and – 43,7% in 2010.

The effective tax rate for 2009 was higher than nominal due mainly to the recognition of a deferred income tax asset from an investment credit obtained by Kofola a.s. (CZ) in the amount of 7 328 thousand PLN.

Adjusted net profit for the period

The adjusted consolidated net profit for the 12 month period ended 31 December 2010 amounted to 14 579 thousand PLN, of which 12 639 thousand PLN corresponds to the holding company's shareholders, compared to the adjusted consolidated net profit of 79 021 thousand PLN in the same period of 2009, of which 68 672 thousand PLN corresponded to the shareholders of the holding company.

CONSOLIDATED BALANCE SHEET

Selected financial highlights	31.12.2010	31.12.2009	Change from 12.2009 (%)
Total assets	**1 281 101**	**1 391 809**	**(8,0%)**
Fixed assets, out of which:	863 203	946 812	(8,8%)
Tangible fixed assets	*540 072*	*574 576*	*(6,0%)*
Intangible fixed assets	*186 869*	*223 536*	*(16,4%)*
Goodwill	*111 836*	*111 693*	*0,1%*
Financial assets available for sale	-	*11 522*	*(100,0%)*
Current assets, out of which:	417 898	444 997	(6,1%)
Inventories	*127 106*	*107 840*	*17,9%*
Trade receivables and other receivables	*216 287*	*266 408*	*(18,8%)*
Cash and cash equivalents	*55 263*	*50 503*	*9,4%*
Equity assigned to the shareholders of the parent company	471 597	526 210	(10,4%)
Non-controlling capital	41 188	42 882	(4,0%)
Total equity and liabilities	**1 281 101**	**1 391 809**	**(8,0%)**
Total equity	512 785	569 092	(9,9%)
Long-term liabilities	258 192	200 179	29,0%
Short-term liabilities	510 124	622 538	(18,1%)

	31.12.2010	31.12.2009
Current ratio	0,82	0,71
Quick ratio	0,57	0,54
Total debt ratio	60,0%	59,0%
Net debt	299 003	345 202
Net debt /EBITDA	2,6	1,6

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.*

Assets

At the end of December 2010 the Group's fixed assets totalled 863 203 thousand PLN. Compared to 31 December 2009 the value of fixed assets decreased by 83 609 thousand PLN (8,8%). The greatest decrease was recorded in intangible fixed assets, whose value went down by 36 667 thousand PLN, or 16,4 % (where the largest item was impairment of trademarks in the amount of 33 934 thousand PLN), tangible fixed assets, which went down by 34 504 thousand PLN (6,0%) compared to December 2009, and in financial assets available for resale, the value of which went down by 11 522 thousand PLN following the sale of the shares of BOMI S.A. 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 67,4% of total assets (at the end of 2009: 68,0%).

Goodwill was created as a result of the merger of the HOOP S.A. Group with the Kofola SPV Sp. z o.o. Group and includes the goodwill of the Megapack Group and Klimo. Intangible assets consist primarily of trademarks.

As at 31 December 2010 the Group's current assets amounted to 417 898 thousand PLN. They consisted primarily of: trade and other receivables – 51,8% of current assets, and inventory – 30,4%. Compared to the end of December 2009, the value of current assets decreased by 27 099 thousand PLN (where the greatest drop was recorded in trade receivables – by 50 121 thousand PLN). Inventory has gone up by 19 266 thousand PLN from the end of 2009 due mainly to the planning of sales in the fourth quarter and the purchase of less expensive sugar at the end of the year.

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 2010 was 40 148 thousand PLN compared to 68 011 thousand PLN as at 31 December 2009 and 116 145 thousand PLN as at 30 June 2009. This improvement is primarily the result of a drop in receivables and longer payment terms with suppliers.

The ratio of working capital to sales revenue amounts to 3,2% as at 31 December 2010, compared to 4,4% at the end of December 2009.

Liabilities

As at 31 December 2010 the Group's liabilities (long- and short-term together) amounted to 768 315 thousand PLN, which constitutes a decrease by 54 402 thousand PLN compared to the end of December 2009. The decrease in liabilities was caused primarily by the repayment of 41 440 thousand PLN in financial liabilities, including 26 358 thousand PLN in credits and loans, and 15 082 thousand PLN in finance lease payables compared to 31 December 2009.

The ratio of net debt to adjusted EBITDA is up from 1,6 times at the end of December 2009 to 2,6 times at the end of December 2010. Compared to the end of 2009 the ratio of net debt to adjusted EBITDA went up by 1 (the effect of a quicker decrease in the value of EBITDA compared to the decrease in financial liabilities).

The debt ratio (short- and long-term liabilities to total assets) amounted to 60% as at 31 December 2010 (59% at the end of December 2009). 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 299 003 thousand PLN as at 31 December 2010 after decreasing by 46 199 thousand PLN compared to the end of December 2009 (or 13,4%). The decrease was caused by the repayment schedules of the term credits and lease installments, as well as better use of credit lines due to an improvement in the management of working capital.

The current ratio, calculated as the ratio of total current assets to total short-term liabilities amounted to 0,82 as 31 December 2010 (0,71 at the end of 2009), whilst the quick ratio equaled to 0,57 (0,54 at the end of 2009).

CONSOLIDATED CASH FLOW

In the 12 month period ended 31 December 2010 the value of net cash flows was 4 760 thousand PLN. Compared to the same period of the previous year the Group generated cash flows that were by 4 130 thousand PLN lower. Operating cash flows amounted to 132 692 thousand PLN and were by 108 935 thousand PLN lower than those generated in the comparative period due to a drop in profit before tax and higher levels of inventory. When comparing these two years it is important to remember that in 2009 the Group conducted a working capital optimization project, which lowered its working capital by more than 60 million PLN, which naturally improved operating cash flows in 2009. The decrease in the value of liabilities and other changes in working capital are described above.

The excess of investment expenses over income from the sale of fixed assets and financial assets amounted to 34 083 thousand PLN and was by 41 236 thousand PLN lower than in the same period of 2009. In 2010 the value of investment cash flows was affected primarily by the acquisition of tangible and intangible fixed assets in the amount of 52 664 thousand PLN, and the sale of the shares of BOMI S.A., resulting in an income of 13 844 thousand PLN. Lower investment expenses incurred by the Group's companies compared to the previous year are caused by the completion of the expansion of the plant in Rajecka Lesna in 2009 and a lack of a significant need to invest in production assets in the reporting period.

In both of the analyzed periods the Group showed negative financing cash flows of 157 418 thousand PLN and 93 849 thousand PLN in the 12 month period of 2009 and 2010, respectively. The reason for this drop was primarily a rise in income from credits and a drop in interest charges as the Group's debt goes down. In the year 2010 the highest income and repayment of credits and loans was recorded by Hoop Polska Sp. z o.o. further to its conclusion with a bank consortium formed by Bank Zachodni WBK S.A., Kredyt Bank S.A., Bank Polska Kasa Opieki S.A. of two credit agreements, which replaced all of the company's existing credit agreements (repaid in the first half of 2010).

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) prior to the publication no 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, which is why in accordance with IAS 1 the Management reclassified a long-term liability in the amount 5 619 thousand PLN as a short-term liability (which in the Management's opinion does not mean that the credit liability will have to be repaid early).

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

The Issuer's activities are exposed to several risks and threats, as described below:

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.

Risk associated with legal regulations

Changing legal regulations, in particular tax, labor 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).

Changes in regulations relating to the rate of excise tax on the sale of alcoholic beverages, if it rises, may lower the sale of low alcohol beverages offered by the Russian companies of the Kofola Group.

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

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

Risk of seasonality arising out of weather conditions

The sale of non-alcoholic beverages is greatly conditioned on the weather, in particular the temperature. Nearly 60% of our sales are realized in the second and third quarter, reaching its peak in the hottest months of the summer. A rainy and cool summer may result in lower sales revenues, especially in the water segment. On the other hand, an unusually hot summer leads to the risk of being unable to deliver sufficient product quantities to stores and potential penalties for low order realization.

The Issuer tries to minimize the risk arising out of seasonality of sales by introducing products for the winter season and convincing its clients through promotions to consume the given product outside of the customary season. To protect against no deliveries in the summer high season, the Issuer's companies try to stock their clients up before the season and rent additional storage space to stockpile their products in case of a heat wave.

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).

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.

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 that are in such consumer demand that it would be difficult for the large clients to decide to not offer them in their stores.

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 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 laboratories.
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 Hoop Polska Sp. z o.o. (PL), Kofola a.s. (CZ), kofola a.s. (SK) have failed 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 guaranties.

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.

n 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) prior to the publication no 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, which is why in accordance with IAS 1 the Management reclassified a long-term liability in the amount 5 619 thousand PLN as a short-term liability (which in the Management's opinion does not mean that the credit liability will have to be repaid early).

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.

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.

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 2010.

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 2010 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 30 of June 2010, 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. 16 dated 30 June 2010 adopted by the Ordinary General Meeting of Shareholders, of which the Company informed in the current report No. 14/2010 dated 30 June 2010, the day of the dividend was set for 30 September 2010, while the dividend payment date was established on 2 November 2010.

At the same time the Company still does 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 Numerica. 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 and Supervisory Board approve 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 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 2010:

KSM Investment S.A.

- 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 2010 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,

   h) Managing Director - Member of the Management Board.

2. Subject to the provisions of Par. 18.8. r)–v) of the Company's Statute, the resolution of the Supervisory Board on appointment or removal from office of all or any particular members of the Management Board, including the Chairman of the Management Board, shall be adopted by a simple majority of the votes.

3. If the Supervisory Board removes from office any member or members of the Management Board, as a result of which the number of the Management Board members falls below five, the Supervisory Board shall be obliged to appoint on the same meeting a new 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.

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, 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. The description of the Management Board's operation was in point H of this statement.

CHANGES IN THE COMPOSITION OF THE COMPANY'S MANAGEMENT BOARD

THE COMPOSITION OF THE MANAGEMENT BOARD OF KOFOLA S.A. on 31 DECEMBER 2010:

- 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 7 April 2010, a member of the Management Board Mrs. Simona Nováková resigned from the office of the member of the Management Board with effect from 30 April 2010. On 7 April 2010 the Supervisory Board of the Company, acting on the basis of § 18. 8 point. s) of the Company' s Statute, appointed Mr. Bartosz Marczuk as a member of the Management Board of the Company with effect from 1 May 2010.

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 2010:

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

In 2010, there have not been any changes in the composition of the Supervisory Board, however, on the date of preparing this report the aforementioned composition was changed, due to the fact that on 26 January 2011, a member of the Supervisory Board Mr. Ireneusz Stolarski, who was also the Chairman of the Supervisory Board, resigned from a function of member of the Supervisory Board with effect from 26 January 2011.

On 4 March 2011, Mr. René Sommer was appointed, as a member of the Supervisory Board of KOFOLA S.A., who shall be perform a function of a Vice-Chairman of the Supervisory Board.

Accordingly, on the date of this statement, the composition of Supervisory Board of the Company is as follows:

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

On the date of this statement the Supervisory Board has an Audit Committee and Remuneration Committee, which operate under the provisions of Good Practices of Companies Listed on WSE and the provisions of the Rules of Procedure of the Supervisory Board.

THE AUDIT COMMITTEE COMPRISES:

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

THE REMUNERATION COMMITTEE COMPRISES:

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

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. The description of the Supervisory Board's operation was in point H of this statement.

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. is a party in the bankruptcy proceeding of the entity Fructo-Maj Sp. z o.o. On 6 August 2007, HOOP S.A (currently doing business as KOFOLA S.A.) concluded an engagement letter with Fructo-Maj Sp. z o.o., in which it expressed its interest in investing in Fructo-Maj for the purposes of its financial restructuring and enabling the payment of debts. As part of realizing this agreement HOOP S.A. acquired Fructo-Maj's debts, among others concluded a debt assignment agreement with Kredyt Bank S.A., based on which Kredyt Bank S.A transferred onto HOOP S.A. all the debt from a credit agreement, which as at 31 December 2010 had been fully repaid and were presented in the financial statements of KOFOLA S.A. for the comparative period as short-term credit payables and as receivables from the company Fructo-Maj. As at 31 December 2010 the total value of the receivables from Fructo-Maj relating to the acquired debt is 11 586 thousand PLN, the balance sheet value of this item, after revaluation, is 4 360 thousand PLN. The receivables are secured with mortgages on all of the significant real properties of Fructo-Maj, and with a registered pledge on the entity's movables.

Fructo-Maj was declared bankrupt in a decision issued on 27 September 2007, and then based on a decision issued on 24 June 2008 the type of proceedings was changed from an arrangement to a liquidation proceeding relating to the assts of Fructo-Maj Sp. z o.o. KOFOLA S.A has its representative in the Committee of Creditors of Fructo-Maj Sp. z o.o. The assets of Fructo-May are currently being sold. The Board 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.

On 28 May 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases, issued a decision on the liquidation bankruptcy of the subsidiary Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. ("PCD") at the petition of PCD's then Management. On 17 June 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases issued a decision changing the proceeding from a liquidation bankruptcy to a bankruptcy open to arrangements. At the same time, by virtue of this decision the Regional Court in Koszalin returned to PCD the management over its assets.

The 17 June 2010 decision of the Regional Court in Koszalin was issued at the petition of PCD's new management. It was the intention of KOFOLA S.A. to conclude an arrangement and then sell PCD as part of organizing the Group and focusing on core operations.

On 7 October 2010 KOFOLA S.A. bought back 25% of the shares of the subsidiary PCD Hoop Sp. z o.o. becoming its sole shareholder. was the intention of KOFOLA S.A. to conclude an arrangement and then sell PCD as part of organizing the Group and focusing on core operations. The arrangement was approved on 22 November 2010, and the decision became legally binding on 6 December 2010, of which KOFOLA S.A. informed in its Current Reports No. 19/2010 and 20/2010. The Company is currently fulfilling the provisions of the arrangement.

Except for the matters described above, KOFOLA S.A. is not involved in any other cases (disputes), which could have a material effect on the Company's financial position.

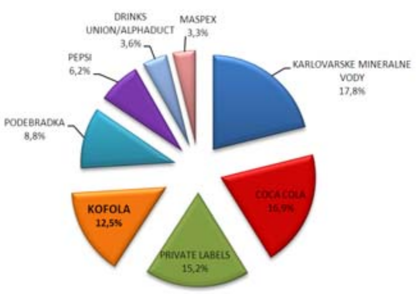
1.9 Operating segments

Market position of the KOFOLA S.A. Group

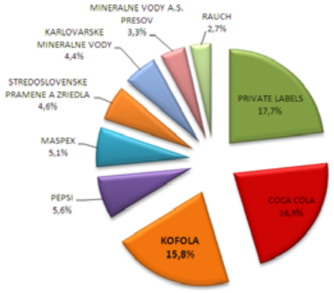
According to AC Nielsen, as at 31 December 2010 the companies of the KOFOLA S.A. Group rank third on the non-alcoholic beverages market in the *Czech Republic* (of which first when it comes to syrups, first on the market of children's drinks, second in colas and second for non-carbonated beverages in PET packaging), 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 second in non-carbonated beverages in PET packaging), and seventh on the *Polish* market (of which: second in syrups, third in colas, sixth in children's beverages, sixth in energy drinks, tenth in mineral water, and fifth on the entire non-carbonated beverages market (all types of packaging) – second in non-carbonated beverages in PET 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.

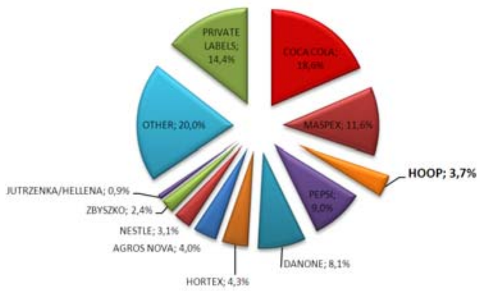
CZECH REPUBLIC



SLOVAKIA



POLAND



Products

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

KOFOLA GROUP BRANDS IN 2010

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
100% FRUIT JUICES AND NECTARS	Snipp
SYRUPS AND CONCENTRATES	Jupí, Paola
CHILDRENS' DRINKS	Jupík, Jupík Aqua, Jupík Shake, Capri-Sonne (untill the end of 2010)
ICE COFFEE	Nescafé Xpress (untill the end of 2010)
ICE TEA	Pickwick Just Tea
ENERGY DRINKS	R20
COMPOTES	Paola
LOW ALCOHOL BEVERAGES (Russia)	Hooper`s Hooch, Dieviatka, Tiamo Tanto (untill the end of 2010)

In 2010 the Group's assortment of beverages was broadened to include the Pickwick Just Tea ice tea, new Rajec flavored waters, new flavors of drinks from the Top Topic family, as well as the citrus beverage Orangina (product of Orangina Schweppes International). In addition, the KOFOLA S.A. Group makes beverages and syrups at the commission of external companies, mainly shopping chains under their own brand.

The company Megapack, which operates on the Russian market, aside from producing and selling beverages under its own brands, sells drink bottling services on commission. This relates to both low alcohol beverages and non-alcoholic beverages. The clients are internationals and the largest Russian beverage firms.

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 drink R20 (product) and ice coffee Nescafe Xpress (good for resale), as well as transport activities performed for entities from outside the Group.

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 2010 the Group's revenues from this client amounted to 222 696 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.

Reporting segment results for the period of 12 months ended 31 December 2010 and the period of 12 months ended 31 December 2009:

Operating segments

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)**

1.1.2009 - 31.12.2009	**Carbonated beverages**	**Non-Carbonated beverages**	**Mineral waters**	**Syrups**	**Low alcohol drinks**	**Other**	**Total**
Revenue	590 397	177 862	211 738	133 964	303 436	114 588	1 531 985
Operating expenses	(505 198)	(179 672)	(201 827)	(119 155)	(289 099)	(118 149)	(1 413 100)
Operating result of the segment	**85 199**	**(1 810)**	**9 911**	**14 809**	**14 337**	**(3 561)**	**118 885**
Result on financial activity							(29 307)
Profit before tax							89 578
Income tax							(16 957)
Net profit							**72 621**

1.10 Geographical segments

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

- Poland
- Czech Republic
- Russia
- Slovakia

Presented below are the data for the above 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

1.1.2009 - 31.12.2009	Poland	Czech Republic	Russia	Slovakia	Other	Eliminations (consolidation adjustments)	Total
Revenue	571 891	425 125	367 468	269 045	8 206	(109 750)	1 531 985
Sales to external customers	557 725	376 852	367 468	221 727	8 213	-	1 531 985
Inter-segment sales	14 166	48 274	-	47 318	(7)	(109 750)	-
Operating expenses	(578 744)	(367 068)	(341 017)	(226 016)	(8 836)	108 581	(1 413 100)
Related to third party sales	(564 579)	(319 726)	(341 017)	(178 942)	(8 836)	-	(1 413 100)
Related to inter-segment sales	(14 164)	(47 342)	-	(47 075)	-	108 581	-
Operating result of the segment	**(6 852)**	**58 058**	**26 451**	**43 029**	**(630)**	**(1 170)**	**118 885**
Result on financial activity	8 558	6 394	121	(4 089)	(109)	(40 182)	(29 307)
within segment	(13 701)	(11 529)	121	(4 089)	(109)	-	(29 307)
between segments	22 259	17 923	-	-	-	(40 182)	-
Profit /(loss) before tax	1 706	64 452	26 572	38 940	(740)	(41 352)	89 578
Income tax	(2 630)	(1 368)	(5 695)	(7 444)	0	180	(16 957)
Net profit /(loss)	**(924)**	**63 084**	**20 877**	**31 496**	**(740)**	**(41 172)**	**72 621**
Assets and liabilities							
Segment assets	781 477	450 437	171 885	216 901	801	(229 692)	1 391 809
Total assets	**781 477**	**450 437**	**171 885**	**216 901**	**801**	**(229 692)**	**1 391 809**
Segment liabilities	387 817	438 346	98 617	162 581	78	(264 722)	822 717
Equity							569 092
Total liabilities and equity							**1 391 809**
Other information concerning segment							
Investment expenditure :							
tangibles and intangibles	5 673	29 910	1 223	45 998	-	-	82 804
Depreciation and amortization	32 975	33 268	7 205	15 366	5	-	88 819

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 2011), 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.

- 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 2010 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%
Pozostali	1 494 076	5,71%	5,71%
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 2010 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 2010.

Shareholder	Share capital (value)		% in share capital		% in voting power	
	15.3.2011	8.11.2010	15.3.2011	8.11.2010	15.3.2011	8.11.2010
René Musila	687 709	687 709	2,63%	2,63%	2,63%	2,63%
Tomáš Jendřejek	687 660	687 660	2,63%	2,63%	2,63%	2,63%

As part of the incentive program established by Kofola S.A., Members of the Company's Management Board have taken up A series inscribed subscription warrants issued by the Company, making them eligible to take up ordinary H series bearer's shares at the issue price of 43,20 PLN per share.

The number of subscription warrants held by Members of the Company's Management Board as at 31 December 2010:

Janis Samaras	818
Tomáš Jendřejek	818
René Musila	818
Martin Mateáš	7 361

Members of the Supervisory Board of Kofola S.A. do not participate in the Company's incentive program and as at 31 December 2010 held no A series subscription warrants that give eligibility to take up ordinary shares. 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. As at 31 December 2010 Mr. René Sommer held 818 subscription warrants.

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

Fructo-Maj Sp. z o.o.

KOFOLA S.A. is a party in the bankruptcy proceeding of the entity Fructo-Maj Sp. z o.o. On 6 August 2007, HOOP S.A (currently doing business as KOFOLA S.A.) concluded an engagement letter with Fructo-Maj Sp. z o.o., in which it expressed its interest in investing in Fructo-Maj for the purposes of its financial restructuring and enabling the payment of debts. As part of realizing this agreement HOOP S.A. acquired Fructo-Maj's debts, among others concluded a debt assignment agreement with Kredyt Bank S.A., based on which Kredyt Bank S.A transferred onto HOOP S.A. all the debt from a credit agreement, which as at 31 December 2010 had been fully repaid and were presented in the financial statements of KOFOLA S.A. for the comparative period as short-term credit payables and as receivables from the company Fructo-Maj. As at 31 December 2010 the total value of the receivables from Fructo-Maj relating to the acquired debt is 11 586 thousand PLN, the balance sheet value of this item, after revaluation, is 4 360 thousand PLN. The receivables are secured with mortgages on all of the significant real properties of Fructo-Maj, and with a registered pledge on the entity's movables.

Fructo-Maj was declared bankrupt in a decision issued on 27 September 2007, and then based on a decision issued on 24 June 2008 the type of proceedings was changed from an arrangement to a liquidation proceeding relating to the assts of Fructo-Maj Sp. z o.o. KOFOLA S.A has its representative in the Committee of Creditors of Fructo-Maj Sp. z o.o. The assets of Fructo-May are currently being sold. The Board 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.

On 28 May 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases, issued a decision on the liquidation bankruptcy of the subsidiary Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. ("PCD") at the petition of PCD's then Management. On 17 June 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases issued a decision changing the proceeding from a liquidation bankruptcy to a bankruptcy open to arrangements. At the same time, by virtue of this decision the Regional Court in Koszalin returned to PCD the management over its assets.

The 17 June 2010 decision of the Regional Court in Koszalin was issued at the petition of PCD's new management. It was the intention of KOFOLA S.A. to conclude an arrangement and then sell PCD as part of organizing the Group and focusing on core operations.

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Except for the matters described above, KOFOLA S.A. is not involved in any other cases (disputes), which could have a material effect on the Company's financial position.

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

- In the reporting period a condition agreement was concluded for the sale of shares of Bobmark International Sp. z o.o. (Note 5.6).
- The subsidiaries of the KOFOLA S.A. Group – Kofola Holding a.s., Kofola a.s. from Slovakia and Kofola a.s. from the Czech Republic – signed on 25 October 2010 license agreements with Schweppes International Limited, based on which they received an exclusive license to use the trademarks and designs of the Orangina brand on the territory of the Czech and Slovak Republics with regard to the production and sale of Orangina fruit drinks. .

1.16 Information about significant contracts

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

1.17 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.

1.18 Information about credits and loans

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

1.19 Information on loans granted

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

1.20 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 a.s., ČR / Kofola Holding	UNICREDIT BANK	6 416 T EUR	25 409	6/2012	Kofola a.s., SR	subsidiary
Kofola Holding	UNICREDIT BANK	1 161 T EUR	4 598	2/2012	Kofola a.s., SR	subsidiary
Kofola Holding	ČSOB a.s.	408 T EUR	1 616	3/2014	Kofola a.s., SR	subsidiary
Kofola Holding	VÚB BANKA	13 663 T EUR	54 110	2/2015	Kofola a.s., SR	subsidiary
Kofola Holding	Raiffeisen-Leasing	52 491 T CZK	8 294	till termination of the contract	Kofola a.s., ČR	subsidiary
Kofola S.A.	Bank Zachodni WBK S.A.	73 507 T PLN	73 507	12/2015	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Kredyt Bank S.A.	12 442 T PLN	12 442	12/2015	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Bank Pekao S.A.	8 683 T PLN	8 683	12/2015	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Deutsche Leasing	13 114 T PLN	13 114	2/1014	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	ING Commercial Finance	3 051 T PLN	3 051	till termination of the contract	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Komerční banka a.s., Praha	155 885 T CZK	24 630	12/2016	Kofola a.s., ČR	subsidiary
Kofola S.A.	Komerční banka a.s., Praha	200 000 T CZK	31 600	15.11.2011	Kofola a.s., ČR	subsidiary
Kofola S.A.	Komerční banka a.s., Praha	27 513 T CZK	4 347	10/2010	Kofola Holding a.s.	subsidiary
Hoop Polska Sp. z o.o.	Cargill	250 T PLN	250	till termination of the contract		
Total sureties for loans or guarantees issued			**265 651**	**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.

1.21 Information on issuing securities

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.

1.22 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 2010.

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

The Group's financial position is stable. In 2010 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 299 003 thousand PLN as at 31 December 2010 after decreasing by 46 199 thousand PLN from the end of December 2009. This decrease was caused by lower use of credit lines due to a decrease in the need to finance working capital and the repayment of some credits.

In the period covered by the financial statements the Group financed its operations primarily with funds generated from its operating activities. In 2010 the Group also repaid 163 284 thousand PLN in credit payables. Debt were repaid when due.

On 22 March 2010 the company HOOP Polska Sp. z o.o. concluded with a consortium formed by Bank Zachodni WBK S.A., Kredyt Bank S.A. and Bank Polska Kasa Opieki S.A. the following two credit agreements:

1. an agreement for a term credit in the amount of 57 000 thousand PLN designated to refinance current debt and to finance the Company's current operations – variable interest of 3M WIBOR and bank margin, repayment date set for 22 March 2014,
2. an agreement for an overdraft account in the amount of 57 000 thousand PLN designated to refinance current debt and to finance the Company's current operations – variable interest of 1M WIBOR and bank margin, repayment date set for 22 March 2012.

The conclusion of the above credit agreements by Hoop Polska Sp. z o.o. replaced all of the existing credit agreements, thereby improving the organization and servicing of Hoop Polska Sp. z o.o. external debt. The credit agreements will cover the external financing needs of HOOP Polska Sp. z o.o. for the next few years, whereas any other credit needs will be the subject of separate negotiations with the Consortium.

The Group's liquidity remained at a safe level, assured by the cash funds held, which as at 31 December 2010 amounted to 55 263 thousand PLN, and thanks to the available credit lines, the Polish zloty equivalent of which totals 484 148 thousand PLN (detailed information in point 5.25).

At the end of the year the Group's ratio of net debt to EBITDA amounted to 2,6 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. Hoop Polska at this time has secured its credit needs, and due to its failure to meet covenants as at 31 December 2010, its ability to take out additional credits is significantly limited.

1.24 The Group's investment plans and their feasibility

The investment tasks that were realized in 2010 pertained primarily to the companies belonging to the Kofola Holding a.s. group. The most important was the final settlement of the construction of a warehouse and production hall at Kofola a.s. (Slovakia) by paying the final installment of 11 232 thousand PLN, modernization of a PET production line with a value of around 7 300 thousand PLN, as well as the construction of administrative office space at the plant in Mnichovo-Hradište (Czech Republic) with a value of approx. 6 000 thousand PLN further to the relocation from the rented distribution center in Prague. For 2011 the Group has planned investment spending with a value that is close to that realized in 2010. The main task will be to finish the installation of a modern PET line at the Mnichovo-Hradište plant, which will enable the Group to introduce innovative beverages without preservatives.

As at the date of this report the Group's Management finds that the realization of the full investment plan for the year 2011 will depend on the financial results achieved in the course of the year.

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

In the reporting period the Group's net result was significantly affected by the recognized impairment of some of its trademarks and fixed assets. During impairment tests the Group identified trademarks and certain fixed assets with indications of impairment. As at 31 December 2010 the Group recognized an impairment of 33 924 thousand PLN for the trademarks and 5 950 thousand PLN for tangible fixed assets.

In addition, in connection with the restructuring of Hoop Polska Sp. z o.o., as a result of which its registered office was moved from Warsaw to Kutno and employment reduced, the Group disclosed 2 859 thousand PLN in one-off costs associated with relocating the office to Kutno and severance pay for laid off employees.

In the reporting period the Group's result was also negatively affected by the strengthening of the exchange rate of PLN to CZK and EUR adopted by the foreign companies for accounting purposes (3% strengthening of the average rate of PLN to CZK and 8% strengthening of the average rate of PLN to EUR in the period of 12 months ended 31 December 2010 compared to the same period of the previous year)..

In the reporting period KOFOLA S.A sold all of its shares of BOMI S.A. After commission, the income from this transaction amounted to 13 844 thousand PLN, and the profit on the transaction amounted to 2 327 thousand PLN. In addition to selling its shares of Bomi S.A., the Issuer also sold 100% of its shares of Bobmark International Sp. z o.o., generating a profit of 3 369 thousand PLN.

In the reporting period the Group also sold the assets and liabilities of its subsidiary Bobmark International Sp. z o.o. and recognized the profit from this transaction, amounting to 3 369 thousand PLN, under *"Financial revenue"*.

1.26 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. 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),
- the ability to transfer increasing prices of raw materials onto the end client,
- 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 like the ones in Poland and Slovak Republic effective 1 January 2011 (and the planned increase in VAT in the Czech Republic in the fourth quarter of 2011),
- increase in excise tax on low alcohol beverages in Russia,
- risk of not getting an extension from the second half of the year on the license to produce and sell alcohol by the Megapack Group,
- interest rates,
- impairment of goodwill or brand value.

1.27 Subsequent events

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.

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.

1.28 Changes in the Group's basic management methods

In 2009 emphasis was placed on the introduction of Corporate Governance, which specifies the responsibilities between the holding company and the subsidiary companies. No significant changes were made in the Group's management methods in 2010.

1.29 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.

1.30 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	2010
Janis Samaras	775
Simona Nováková (untill 4/2010)	136
Bartosz Marczuk (from 5/210)	336
Martin Mateáš	534
Tomáš Jendřejek	605
René Musila	618
Total	**3 004**

Supervisory Board	2010
Jacek Woźniak	-
Dariusz Prończuk	-
Martin Dokoupil	72
Raimondo Eggink	72
Anthony Brown	-
Ireneusz Stolarski	72
Total	**216**

1.31 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.

1.32 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.

1.33 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 2010, due for the audit of the separate financial statements of KOFOLA S.A. for the year 2010 is 21 thousand PLN.

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 2010 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 2010, is 63 thousand PLN and relates to the review of the separate and consolidated financial statements as at 30 June 2010. Additional work also included translation of the financial statements.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

15.3.2011	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
15.3.2011	**Bartosz Marczuk**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
15.3.2011	**Martin Mateáš**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
15.3.2011	**René Musila**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
15.3.2011	**Tomáš Jendřejek**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*

SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

15.3.2011	**Katarzyna Balcerowicz**	**Chief Accountant**	....
date	*name and surname*	*position*	*signature*

Document signed on the Polish original.

2 Consolidated financial statements KOFOLA S.A. Group

2.1 Consolidated income statement

for the 12 month period ended 31 December 2010 and the 12 month period ended 31 December 2009.

	Note	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Continuing operations			
Revenue from the sale of finished products and services	5.1,5.2	1 213 764	1 431 691
Revenue from the sale of goods and materials	5.1,5.2	25 400	100 294
Revenue		1 239 164	1 531 985
Cost of products and services sold	5.3	(753 897)	(881 161)
Cost of goods and materials sold	5.3	(21 175)	(89 120)
Total cost of sales		(775 072)	(970 281)
Gross profit		**464 092**	**561 704**
Selling, marketing and distribution costs	5.3	(353 701)	(356 960)
Administrative costs	5.3	(76 655)	(80 587)
Other operating income	5.4	3 346	12 929
Other operating expenses	5.5	(46 591)	(18 201)
Operating result		**(9 509)**	**118 885**
Financial income	5.6	9 945	7 671
Financial expense	5.7	(20 250)	(36 978)
Share in profit received from subsidiaries and associates	5.8	(82)	-
Profit before tax		**(19 896)**	**89 578**
Income tax	5.11	(8 696)	(16 957)
Net profit on continued activity		**(28 592)**	**72 621**
Discontinued activity			
Net profit on discontinued activity		-	-
Net profit for the financial year		**(28 592)**	**72 621**
Assigned to:			
Shareholders of the parent company		(30 532)	62 272
Non-controlling interests shareholders		1 940	10 349
Earnings per share (in PLN)			
- basic earnings per share	5.13	-1,1666	2,3793
- basic earnings per share from continuing operations	5.13	-1,1666	2,3793
- diluted earnings per share	5.13	-1,1663	2,3771
- diluted earnings per share from continuing operations	5.13	-1,1663	2,3771

2.2 Consolidated Statement of comprehensive income

for the 12 month period ended 31 December 2010 and the 12 month period ended 31 December 2009.

	Note	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Net profit for the financial year		**(28 592)**	**72 621**
Other comprehensive income (gross):			
Currency differences from translation of foreign subsidiaries	2.5	2 507	(8 124)
Financial assets available for sale – transfer of valuation to income statement due to recognition of permanent impairment		-	11 141
Other		-	(165)
Income tax relating to components of other comprehensive income	5.11	-	(2 117)
Other comprehensive income for the period (net)		**2 507**	**735**
Total comprehensive income for the period	2.5	**(26 085)**	**73 356**
Assigned to:			
Shareholders of the parent company	2.5	(29 171)	64 932
Non-controlling interests shareholders	2.5	3 086	8 424

2.3 Consolidated balance sheet

as at 31 December 2010 and as at 31 December 2009.

ASSETS	Note	31.12.2010	31.12.2009
Fixed assets		**863 203**	**946 812**
Tangible fixed assets	5.14	540 072	574 576
Goodwill	5.15	111 836	111 693
Intangible fixed assets	5.15	186 869	223 536
Financial assets available for sale	5.16	-	11 522
Other financial assets		4 756	2 085
Deferred tax assets	5.11	19 670	23 400
Current assets		**417 898**	**444 997**
Inventories	5.19	127 106	107 840
Trade receivables and other receivables	5.20	216 287	266 408
Income tax receivables		9 242	2 339
Cash and cash equivalents	5.21	55 263	50 503
Other financial assets		-	1 500
Assets (group of assets) held for sale	5.17	10 000	16 407
TOTAL ASSETS		**1 281 101**	**1 391 809**
LIABILITIES AND EQUITY			
Equity assigned to the shareholders of the parent company		**471 597**	**526 210**
Share capital	5.22.1	26 173	26 173
Other capital	5.22.2	482 870	502 951
Retained earnings	5.22.3	(37 446)	(2 914)
Equity assigned to the non-controlling interests shareholders	5.22.4	**41 188**	**42 882**
Total equity		**512 785**	**569 092**
Long-term liabilities		**258 192**	**200 179**
Bank credits and loans	5.25	149 283	76 152
Financial leasing liabilities	5.29	29 279	37 601
Provisions	5.23	215	165
Other liabilities	5.26	17 408	21 956
Deferred tax reserve	5.11	62 007	64 305
Short-term liabilities		**510 124**	**622 538**
Bank credits and loans	5.25	161 997	261 486
Financial leasing liabilities	5.29	13 707	20 466
Trade liabilities and other liabilities	5.26	303 245	306 237
Income tax liabilities		703	2 707
Other financial liabilities		33	-
Provisions	5.23	30 439	31 642
Liabilities (group of liabilities) related to assets held for sale	5.17	-	-
Total liabilities		**768 316**	**822 717**
TOTAL LIABILITIES AND EQUITY		**1 281 101**	**1 391 809**

2.4 Consolidated cash flow statement

for the 12 month period ended 31 December 2010 and the 12 month period ended 31 December 2009.

	Note	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Cash flow on operating activity			
Gross profit		(19 896)	89 578
Adjustments for the following items:			
Depreciation	5.3	80 661	88 819
Net interest and dividends	5.6,5.7	16 035	20 529
Net foreign exchange differences	5.6,5.7	(1 641)	3 322
(Profit)/loss on investment activity		(7 019)	10 783
Change in the balance of receivables	5.35	48 329	35 482
Change in the balance of inventories	5.35	(20 132)	10 037
Change in the balance of liabilities	5.35	13 735	8 149
Change in the balance of provisions	5.35	(1 074)	(9 877)
Paid income tax		(15 846)	(12 739)
Impairment of fixed assets		40 311	6 426
Other		-	1 261
Other currency differences from translation		(771)	(10 143)
Net cash flow on operating activity		**132 692**	**241 627**
Cash flow on investing activity			
Sale of intangible assets and fixed assets		3 218	5 037
Purchase of intangible assets and fixed assets	5.35	(52 664)	(82 804)
Sale of financial assets	5.16	13 849	1 713
Interest received		1 516	-
Other		(2)	735
Net cash flow on investing activity		**(34 083)**	**(75 319)**
Cash flow on financial activity			
Repayment of financial leasing liabilities		(22 226)	(29 742)
Proceeds from loans and bank credits received		140 010	98 302
Repayment of loans and bank credits		(163 284)	(177 828)
Dividends paid to the shareholders of the parent company	5.10	(25 126)	(16 750)
Dividends paid to the non-controlling interests shareholders	5.22.4	(4 780)	(10 752)
Interest paid		(18 380)	(20 648)
Other		(63)	-
Net cash flow on financing activity		**(93 849)**	**(157 418)**
Total net cash flow		4 760	8 890
Cash at the beginning of the period		**50 503**	**41 613**
Cash at the end of the period		**55 263**	**50 503**
Cash with limited ability to use		-	-

2.5 Consolidated statement of changes in equity

for the 12 month period ended 31 December 2010 and the 12 month period ended 31 December 2009.

	Note	Assigned to the shareholders of the parent company					Assigned to the non-controlling interests shareholders	Total equity
			Other capital					
		Share capital	Total other capital	including: Currency differences from translation of foreign subsidiaries	Retained earnings	Total		
As at 1.1.2009		**26 172**	**491 049**	**29 606**	**(39 619)**	**477 602**	**45 211**	**522 813**
Increase of share capital	5.22.1	1	-	-	-	1	-	1
Capital relating to subscription warrant allocation program	5.22.2	-	424	-	-	424	-	424
Total comprehensive income for the period	2.2	**-**	**2 661**	**(6 198)**	**62 272**	**64 933**	**8 423**	**73 356**
Dividends payment	5.10	-	-	-	(16 750)	(16 750)	(10 752)	(27 502)
Profit distribution	5.22.2	-	8 817	-	(8 817)	-	-	-
As at 31.12.2009		**26 173**	**502 951**	**23 408**	**(2 914)**	**526 210**	**42 882**	**569 092**
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**

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")

Registered office: ul. Jana Olbrachta 94, 01-102 Warszaw

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.

In the audited period the Company lost control over its subsidiary Bobmark International Sp. z o.o. (Note 5.16).

The Group's consolidated financial statements cover the year ended 31 December 2010 and include comparatives for the year ended 31 December 2009.

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

As at 31 December 2010 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, Warszaw	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, Warszaw	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	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.	Klimo s.r.o.	Czech Republic, Krnov	in liquidation	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, 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 23 December to KOFOLA S.A.At this time the Company's functions consist primarily of management and control of all of the entities belonging to the KOFOLA S.A. Group.

The subsidiary **Hoop Polska Sp. z o.o**. with its registered office in Warsaw, 01-102, ul. Jana Olbrachta 94, 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. (SK) – a company registered in Slovakia, with main activities consisting of road cargo transport provided mainly Kofola a.s. (Slovakia),
- KLIMO s.r.o. – a company registered in the Czech Republic. In 2007 it distributed beverages on the Czech market. No operating activities since the beginning of 2008. The company’s liquidation process was completed in January 2011.
- Kofola Zrt. (HU) – a company registered in Hungary, currently is 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, production of own beverages, including under the HOOP, Arctic, Hooper’s, Hooch, Tiamo Tanto and Deviatka trademark, 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 statements 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 (Note 1.3). The activities of PCD HOOP Sp. z o.o. consist of the wholesale of beverages. The terms of the agreement are currently being realized (Note 5.30).

The co-subsidiary **Transport – 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.

On 8 December 2009 KOFOLA S.A disposed of its shares of the subsidiary **Maxpol Sp. z o.o.** The activities of Maxpol Sp. z o.o., of which KOFOLA S.A. held 100 %, consisted of the wholesale of beverages. Due to the above the data of Maxpol Sp. z o.o. have been included only in the comparatives for the year 2009.

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, whereas control over the company was lost already at the signing of the conditional agreement and appointment of new management, as a result of which the data for the reporting period include the company’s data for the period until 30 June 2010.

MANAGEMENT BOARD

As at 31 December 2010 the Management Board of the holding company KOFOLA S.A. comprised:

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

On 7 April 2010 Ms. Simona Nováková, Member of the Management Board, resigned from the position of Member of the Management Board effective 30 April 2010. The Supervisory Board appointed Mr. Bartosz Marczuk to the position of Member of the Management Board effective 1 May 2010.

No changes were made in the composition of the Management Board of the holding company KOFOLA S.A. before the publication of the present report.

SUPERVISORY BOARD

As at 31 December 2010 the Supervisory Board comprised:

- Mr. Ireneusz Stolarski – 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.

AUDIT COMMITTEE

As at 31 December 2010 the Audit Committee comprised:

- Mr. Raimondo Eggink – Chairman,
- Mr. Jacek Woźniak,
- Mr. Dariusz Prończuk,
- Mr. Ireneusz Stolarski,
- Mr. Martin Dokoupil,
- Mr. Anthony Brown.

On 26 January 2011 Mr. Ireneusz Stolarski, member of the Audit Committee who was also the Chairman of the Supervisory Board, resigned from the position of member of the Supervisory Board effective 26 January 2011, which also meant resignation from the position of member of the Audit Committee.

A decision on changes in the composition of the Audit Committee will be made at the next Supervisory Board meeting.

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. As at the date of approval of these financial statements we were aware of no circumstances indicating a threat to the going concern of the Group or a significant entity comprising the Group.

The main accounting methods are presented in point 4.5. They have been applied continuously in all of the years covered by the consolidated financial statements (unless stated otherwise).

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 2010

The following standards, changes in binding standards and interpretations (adopted or in the process of being adopted by the European Union) are binding as at 1 January 2010:

- Updated IFRS 3 "Business Combinations",
- Updated IAS 27 "Consolidated and Separate Financial Statements",
- Changes to IAS 39 "Financial Instruments: Items eligible for hedge accounting",
- IFRIC 17 "Distribution of Non-Cash Assets to Owners",
- 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 2010,
- Changes to IFRS 2 "Share-based Payment"– intra-group payment transactions in the form of shares settled in cash.

With the exception of the updated IFRS 3 and the updated IAS 27, 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.

Primary changes arising out of the application of the updated IFRS 3 "Business Combinations":

- the addition of an option that allows the recognition of 100% of the goodwill arising from the business combination, rather than only a portion of the goodwill attributable to the acquirer; this option is available for each business combination transaction separately;
- change in the recognition of contingent payment and subsequent changes thereto;
- the costs associated with acquisition will be recognized separately from the acquisition price, generally they will be recognized in the income statement at the moment they are incurred;
- in the case of multi-stage acquisitions, previously held shares of the acquiree will be subject to restatement to fair value. Any gains and losses arising out of the restatement will be recognized in the income statement.

As a result of the adoption of the updated IAS 27 the Group changed its accounting policy relating to the recognition of increases or decreases in the Group's ownership interests in related parties. In previous years, in the absence of detailed IFRS guidelines, an increase in the ownership interest in a subsidiary company was recognized in the same manner as an acquisition of a subsidiary – with goodwill being recognized in applicable cases. In previous years no decreases in the ownership interest in a subsidiary that did not result in a loss of control took place at the Kofola S.A. Group. Since 2010 increases or decreases in the ownership interests in existing subsidiaries, which will not result in a loss of control, will be recognized in accordance with the updated IAS 27, as a capital transaction, and will have no effect on goodwill or the income statement.

The updated standards apply prospectively to business combination transactions where the transaction date is 1 January 2010 or later. No business combination transaction occurred in the year 2010.

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

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

- Changes to IAS 32 "Financial Instruments: Presentation", apply to annual periods beginning on or after 1 February 2010,

- Changes to IAS 24 "Related Party Disclosures" apply to annual periods beginning on or after 1 January 2011. The changes have not been approved 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,
- IFRIC 19 "Extinguishing Financial Liabilities with Equity" applies to annual periods begging on or after 1 July 2010. The interpretation has not been approved by the European Union,
- Changes to IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements" apply to annual periods beginning on or after 1 January 2011. The interpretation has not been approved by the European Union.
- 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 changes have not been approved by the European Union,
- Changes to IFRS 7 "Financial Instruments - Disclosures", apply to annual periods beginning on or after 1 July 2010. 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 on the financial statements.

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	**31.12.2010**	**31.12.2009**
PLN/USD	2,9641	2,8503
PLN/EUR	3,9603	4,1082
PLN/RUB	0,0970	0,0950
PLN/CZK	0,1580	0,1554

Average currency rates, calculated as arithmetical mean of currencies on last day of each month in period	**1.1.2010 - 31.12.2010**	**1.1.2009 - 31.12.2009**
PLN/USD	3,0402	3,1236
PLN/EUR	4,0044	4,3406
PLN/RUB	0,0998	0,0982
PLN/CZK	0,1585	0,1639

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 "Foreign exchange differences from translation of foreign entities" 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

No changes have been made in the accounting methods in the presented period compared to the methods used in the Kofola Group's Consolidated Report for the year 2009, published on 19 March 2010. Presented in that Report is detailed information on the methods used to value assets and liabilities, measure the financial result and prepare the financial statements and comparatives.

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 2009, with the exception of the following presentation changes:

Consolidated profit and loss account

	1.1.2009 - 31.12.2009		
	published financial statements	comparatives	change
Cost of products and services sold	876 942	881 161	4 219
Selling, marketing and distribution costs	352 868	356 960	4 092
Administrative costs	88 898	80 587	(8 311)

The adjustment reducing general administrative costs was caused by the fact that a portion of the costs of wages of production and sales employees, which in previous years had been recognized under general administrative costs, is now presented under costs of goods sold (4 219 thousand PLN) and under sales costs (4 092 thousand PLN).

Consolidated cash flow statement

In the consolidated financial statements for the comparative period a presentation adjustment was made in the amount of 2 020 thousand PLN between the "Foreign exchange gains/losses" and "Foreign exchange differences on currency translation of foreign entities" operating cash flow items.

In the financial statements for the comparative period a presentation adjustment was made in the amount of 6 426 thousand PLN in the "Profit/loss on investment activities" item in correspondence with the "Revaluation of fixed assets" item.

Consolidated segments

A change has been made in the comparative data with regard to the presentation of operating segments, consisting of the allocation of the previously separate "non-allocated operating costs item" to the various operating segments. In addition, the sale of mineral water in Russia, with a value of 8 582 thousand PLN (along with 5 464 thousand PLN of corresponding costs), previously disclosed under the "Non-carbonated beverages" segment was moved to the correct segment created for this category. The "eliminations (consolidation adjustments)" item has been added to the presentation of geographical segments, which eliminates transactions between the various geographical segments.

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 short-term deposits listed in the balance sheet include cash at bank and in hand, as well as short-term deposits with initial maturity dates of no more than three months.

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 consists of the reserve capital and the revaluation reserve.

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.

4.5.15 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), on the condition of remaining employed by the current employer, the likelihood that the employee will reach retirement age (the likelihood of becoming eligible for a one-off retirement payment), on the condition of remaining employed by the current employer, 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 labor 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.

If the subsidy relates to an asset component, then its fair value is recognized under deferred income, and then gradually, through equal annual charges, charged to the income statement throughout the estimated period of use of the asset associated with the subsidy.

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 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 2010 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 2010 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, 5.15
Provisions for doubtful debts	Main assumptions used to determine the recoverable amount.	4.5.7, 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

4.9 Approval of financial statements

The Board of Directors approved the present separate financial statements for publication on 15 March 2011.

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 drink R20 (product) and ice coffee Nescafe Xpress (good for resale), as well as transport activities performed for entities from outside the Group.

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 2010 the Group's revenues from this client amounted to 222 696 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.

Reporting segment results for the 12 month period ended 31 December 2010 and for the 12 month period ended 31 December 2009:

Operating segments

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)**

1.1.2009 - 31.12.2009	Carbonated beverages	Non-Carbonated beverages	Mineral waters	Syrups	Low alcohol drinks	Other	Total
Revenue	590 397	177 862	211 738	133 964	303 436	114 588	1 531 985
Operating expenses	(505 198)	(179 672)	(201 827)	(119 155)	(289 099)	(118 149)	(1 413 100)
Operating result of the segment	**85 199**	**(1 810)**	**9 911**	**14 809**	**14 337**	**(3 561)**	**118 885**
Result on financial activity							(29 307)
Profit before tax							89 578
Income tax							(16 957)
Net profit							**72 621**

5.2 Geographical segments

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

- Poland
- Czech Republic
- Russia
- Slovakia

Presented below are the data for the above 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

1.1.2009 - 31.12.2009	Poland	Czech Republic	Russia	Slovakia	Other	Eliminations (consolidation adjustments)	Total
Revenue	571 891	425 125	367 468	269 045	8 206	(109 750)	1 531 985
Sales to external customers	557 725	376 852	367 468	221 727	8 213	-	1 531 985
Inter-segment sales	14 166	48 274	-	47 318	(7)	(109 750)	-
Operating expenses	(578 744)	(367 068)	(341 017)	(226 016)	(8 836)	108 581	(1 413 100)
Related to third party sales	(564 579)	(319 726)	(341 017)	(178 942)	(8 836)	-	(1 413 100)
Related to inter-segment sales	(14 164)	(47 342)	-	(47 075)	-	108 581	-
Operating result of the segment	**(6 852)**	**58 058**	**26 451**	**43 029**	**(630)**	**(1 170)**	**118 885**
Result on financial activity	8 558	6 394	121	(4 089)	(109)	(40 182)	(29 307)
within segment	(13 701)	(11 529)	121	(4 089)	(109)	-	(29 307)
between segments	22 259	17 923	-	-	-	(40 182)	-
Profit /(loss) before tax	1 706	64 452	26 572	38 940	(740)	(41 352)	89 578
Income tax	(2 630)	(1 368)	(5 695)	(7 444)	0	180	(16 957)
Net profit /(loss)	**(924)**	**63 084**	**20 877**	**31 496**	**(740)**	**(41 172)**	**72 621**
Assets and liabilities							
Segment assets	781 477	450 437	171 885	216 901	801	(229 692)	1 391 809
Total assets	**781 477**	**450 437**	**171 885**	**216 901**	**801**	**(229 692)**	**1 391 809**
Segment liabilities	387 817	438 346	98 617	162 581	78	(264 722)	822 717
Equity							569 092
Total liabilities and equity							**1 391 809**
Other information concerning segment							
Investment expenditure :							
tangibles and intangibles	5 673	29 910	1 223	45 998	-	-	82 804
Depreciation and amortization	32 975	33 268	7 205	15 366	5	-	88 819

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.

KOFOLA GROUP BRANDS IN 2010

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
100% FRUIT JUICES AND NECTARS	Snipp
SYRUPS AND CONCENTRATES	Jupí, Paola
CHILDRENS' DRINKS	Jupík, Jupík Aqua, Jupík Shake, Capri-Sonne (until the end of 2010)
ICE COFFEE	Nescafé Xpress (until the end of 2010)
ICE TEA	Pickwick Just Tea
ENERGY DRINKS	R20
COMPOTES	Paola
LOW ALCOHOL BEVERAGES (Russia)	Hooper`s Hooch, Dieviatka, Tiamo Tanto (until the end of 2010)

Since the beginning of 2010 the Group's assortment of beverages was broadened to include the Pickwick Just Tea ice tea, new Rajec flavored waters, new flavors of drinks from the Top Topic family, as well as the citrus beverage Orangina (product of Orangina Schweppes International). In addition, in April 2010 the Group started the introduction of a new product under the Paola brand – Domowe Kompoty [Homemade Compotes]. Thus the Group has created a new market category – Compotes.

In addition, the KOFOLA S.A. Group makes beverages and syrups at the commission of external companies, mainly shopping chains. These companies offer these products to their customers under their own brand, using their own stores to distribute them.

In addition, the company Megapack, which operates on the Russian market, sells drink bottling services, relating to both low alcohol beverages and non-alcoholic beverages.

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

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 2010 and 2009, approximately 19% (21% in 2009) of revenue from the sale of finished products and services was earned in the 1st quarter, with 27% (28% in 2009), 30% (27% in 2009) and 24% (24% in 2009) of total annual consolidated revenues earned in the 2nd, 3rd and 4th quarters. The Management is expecting similar seasonality in the year 2011.

5.3 Expenses by type

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Depreciation of fixed assets and intangible assets	80 661	88 819
Employee benefits costs	176 182	175 674
Consumption of materials and energy	684 655	771 999
Services	220 911	236 764
Taxes and fees	7 839	9 780
Property and life insurence	3 046	2 918
Other costs, including:	26 199	23 787
- change in revaluation write-off of inventory	1 218	(1 898)
- change in revaluation write-off of receivables	(911)	(1 279)
- other operating costs	25 892	26 964
Total expenses by type	**1 199 493**	**1 309 741**
Change in the balance of products, production in progress, prepayments and accruals	(15 240)	8 967
Cost of manufacturing products for the entity's proprietary needs	-	-
Reconciliation of expenses by type to expenses by function	**1 184 253**	**1 318 708**
Costs of sales, marketing and distribution	353 701	356 960
Administrative costs	76 655	80 587
Cost of products sold	753 897	881 161
Total costs of product sold, merchandise and materials, sales costs and overhead costs	**1 184 253**	**1 318 708**

Costs of employee benefits

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Cost of salary	140 108	141 618
Social security and other benefits costs	36 074	33 837
Reserves costs for pension, jubilee award and other employee benefit	-	219
Total costs of employee benefits	**176 182**	**175 674**

5.4 Other operating income

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Revenue from the sale of non-financial assets	2 276	1 341
Dissolved revaluation write-off of tangible fixed assets	-	1 000
Profit from the resale of services, reinvoiced payments	142	637
Received subsidies	-	673
Write-off liabilities	17	388
Received penalties and damages	670	2 118
Expired liabilities	-	341
Tax return	14	271
Released provisions	-	2 335
Dissolved revaluation write-off of other receivables	-	953
Other	227	2 872
Total other operating income	**3 346**	**12 929**

5.5 Other operating expenses

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Net loss from the sale of non-financial assets	2 028	1 890
Revaluation write-off of intangible assets	33 924	-
Revaluation write-off of tangible fixed assets	4 795	6 400
Loss from liquidation of tangible and intangible assets	67	2 652
Provided donations	559	1 454
Paid penalties and damages	3 441	2 124
Other taxes paid	255	-
Created provisions	-	2 335
Other	1 522	1 346
Total other operating expenses	**46 591**	**18 201**

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.

The revaluation write-off of tangible fixed assets made in 2009 had to do with an impairment of the value of a production plant previously owned by the subsidiary Kofola Sp. z o.o., sold in 2010.

5.6 Financial income

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Financial interest income from:		
- bank deposits	1 593	235
- credits and loans granted	346	142
- interest on receivables	7	2 366
Net financial income from realized FX differences	1 924	425
Profit from the sale of shares and other securities	5 696	4 449
Other financial income	379	54
Total financial income	**9 945**	**7 671**

The profit from the sale of shares and other securities includes the profit from the sale of shares of Bobmark International Sp. z o.o. and BOMI S.A.

5.7 Financial expense

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Financial interest expense from:		
- credits and financial leases	17 981	21 109
Net financial losses from realized FX differences	282	3 747
Revaluation of financial assets	71	9 283
Other financial expense	1 915	2 839
Total financial expense	**20 250**	**36 978**

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 1.1.2010	**21 790**	**7 825**	**26 177**	**196**	**10 083**	**31 807**
Currency differences from translation	(910)	(48)	1	-	-	(176)
Increase due to creation	5 642	2 444	6 387	33 924	-	13 474
Decrease due to release and use	(6 958)	(1 226)	(8 051)	-	(9 283)	(14 451)
As at 31.12.2010	**19 564**	**8 995**	**24 514**	**34 120**	**800**	**30 654**

The increase in the revaluation write down of tangible fixed assets pertains primarily to the revaluation performed at Hoop Polska Sp. z o.o. of the assets comprising the Tychy plant. The decrease in the write down has to do with the sale of the assets, which had previously been written down.

The increase in the revaluation write down of intangible fixed assets performed in 2010 in the amount of 33 924 thousand PLN has to do with an impairment of the value of trademarks at the subsidiary Hoop Polska Sp. z o.o.

In the reporting period, further to the sale of the shares of BOMI S.A., a revaluation write down was released that had been created in the comparative period on the value of these shares in the amount of 9 283 thousand PLN.

5.10 Dividends paid and declared

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Dividends declared in the given period	25 126	16 750
Dividends on common shares:		
paid out in the given period	25 126	16 750
Dividends paid and declared	**25 126**	**16 750**

In its Resolution No. 16 the Ordinary General Meeting of KOFOLA S.A. of 30 June 2010 designated the net profit generated by KOFOLA S.A. in the period from 1 January 2009 to 31 December 2009, amounting to 1 616 thousand PLN, as well as a portion of the reserve capital created from the Company's accumulated profits from previous years, amounting to 23 510 thousand PLN, for the payment of a dividend at a total amount of 25 126 thousand PLN, or 0,96 PLN per share.

The shares of all series (A,B,C,D,E,F,G) partook in the dividend. The dividend date was set for 30 September 2010. As per the above resolution, the dividend was paid out on 2 November 2010.

In the reporting period KOFOLA S.A. recorded a dividend received from the subsidiary Kofola Holding a.s. in the amount of 12 680 thousand PLN and from OOO Megapack in the net amount of 4 780 thousand PLN. In the reporting period Kofola Holding a.s. recorded dividends received from the subsidiaries Kofola a.s. (Slovakia) and Kofola a.s (Czech Republic) totaling 17 907 thousand PLN. The above revenues have been eliminated from the Group's financial revenue as part of consolidation adjustments.

5.11 Income tax

Main income tax elements for the period of 12 months ended 31 December 2010 and for the period of 12 months ended 31 December 2009:

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Profit and loss		
Current income tax	**6 901**	**17 171**
Current Income tax charge	6 825	17 168
Adjustments of current income tax from previous years	76	3
Deferred income tax	**1 795**	**(214)**
Related with arising and reversing of temporary differences	5 039	1 228
Related with tax losses	(3 244)	(1 442)
Income tax charge recorded in consolidated profit and loss	**8 696**	**16 957**
Statements of changes in equity		
Current income tax	-	-
Tax effect of changes in share capital	-	-
Deferred income tax	**-**	**2 117**
Tax from Fair value gains on available-for-sale financial assets	-	2 117
Tax from Cash flow hedges	-	-
Tax benefit / tax burdens shown in equity	**-**	**2 117**

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Profit/(loss) before tax from continuing activity	(19 896)	89 578
Profit/(loss) before tax from discontinued activity	-	-
Profit/(loss) before income tax	**(19 896)**	**89 578**
Tax expense at the theoretical domestic tax rates in Poland	3 780	(17 020)
Tax effect of:		
Non-deductible expenses	(4 149)	(5 175)
Non-capitalized tax losses of Group companies	(8 551)	(1 261)
Investment incentives	-	7 326
Non-taxable income	987	2 234
Current tax adjustments relating to prior periods	(219)	(167)
Deferred tax adjustments relating to prior periods	(257)	-
Expired tax losses	-	(1 509)
Tax effect on tax losses	320	139
Effect of different tax rates of subsidiaries operating in other jurisdictions	(62)	(380)
Other	(546)	(1 144)
Income tax presented in profit and loss	**(8 696)**	**(16 957)**
Effective tax rate (%)	**(43,7%)**	**18,9%**

Deferred income tax

Deferred income tax arises out of the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX RESERVES	Deferred income tax assets	Deferred income tax reserves	31.12.2010 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)**

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX RESERVES	Deferred income tax assets	Deferred income tax reserves	31.12.2009 Net amount
Tangible and intangible fixed assets	2 695	16 043	(13 348)
Inventories	1 705	-	1 705
Receivables	1 486	3 841	(2 355)
Contribution in kind	-	60 189	(60 189)
Tax losses	11 927	-	11 927
Liabilities and provisions	6 819	-	6 819
Other (including investment incentives)	14 536	-	14 536
Deferred income tax assets/deferred tax reserves	**39 168**	**80 073**	**(40 905)**
Presentation corrections	(15 768)	(15 768)	-
Deferred income tax assets/deferred tax reserves recorded in balance	**23 400**	**64 305**	**(40 905)**

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:

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Net profit/(loss) assigned to the shareholders of the parent company	(30 532)	62 272

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Weighted average number of issued common shares used to calculate the regular earnings per share ratio	26 172 602	26 172 435
Impact of dilution:		
Subscribtion warrants	6 099	24 462
Adjusted weighted average number of common shares used to calculate diluted earnings per share	**26 178 701**	**26 196 897**

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:

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Net profit/(loss) assigned to the shareholders of the parent company	(30 532)	62 272
Weighted average number of issued common shares	26 172 602	26 172 435
Regular earnings per share (PLN/share)	**(1,1666)**	**2,3793**

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Net profit/(loss) assigned to the shareholders of the parent company, used to calculate diluted earnings per share	(30 532)	62 272
Adjusted weighted average number of common shares used to calculate diluted earnings per share	26 178 701	26 196 897
Diluted earnings per share (PLN/share)	**(1,1663)**	**2,3771**

5.14 Tangible fixed assets

In the reporting period of 12 months ended 31 December 2010 the companies of the KOFOLA S.A. Group incurred 49 136 thousand PLN in expenses to increase the value of tangible fixed assets. The investment projects realized in this period pertain primarily to entities belonging to the Kofola Holding a.s. Group

The greatest cash flows from the acquisition of tangible fixed assets realized in 2010 pertained to the payment of the last installment in the amount of 11 232 thousand PLN for the 2009 construction of the warehouse and production hall at a Kofola a.s. plant (Slovakia), the reconstruction of a PET production line Mnichově Hradišti (Czech Republic) in the amount of approx. 7 300 thousand PLN, and the construction of an office building next to the Mnichově Hradišti plant, with a value of around 6 000 thousand PLN, which made it possible to relocate the office from the rented distribution center in Prague.

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**	**9 582**	**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**	**14 302**	**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)**	**-**	**(20 310)**
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**	**257 277**	**199 815**	**30 841**	**34 563**	**14 302**	**550 072**
including:							
Tangible fixed assets							**540 072**
Assets (group of assets) held for sale							**10 000**

1.1.2009 - 31.12.2009

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	**13 583**	**264 980**	**410 662**	**85 842**	**70 824**	**14 969**	**860 860**
b) increases	**1 418**	**52 590**	**16 887**	**10 700**	**12 886**	**2 251**	**96 731**
- purchase of fixed assets	339	-	923	598	584	81 792	**84 235**
- transfer from investment	707	52 578	13 047	908	12 302	(79 541)	**-**
- modernization	-	12	29	-	-	-	**41**
- tangible fixed assets acquired pursuant to a financial lease agreement	-	-	2 888	9 164	-	-	**12 052**
- other	372	-	-	31	-	-	**403**
c) decreases	**(1 745)**	**(6 465)**	**(20 388)**	**(15 560)**	**(2 989)**	**(228)**	**(47 375)**
- sale	(1 745)	(6 451)	(11 185)	(11 184)	(1 348)	(18)	**(31 932)**
- liquidation	-	(14)	(9 203)	(4 392)	(1 641)	(184)	**(15 434)**
- other	-	-	-	16	-	(26)	**(10)**
FX diff. from translation	**(396)**	**(2 042)**	**11 533**	**102**	**14 746**	**(1 549)**	**22 394**
d) gross book value at the end of the period	**12 860**	**309 062**	**418 694**	**81 085**	**95 467**	**15 443**	**932 611**
e) accumulated depreciation at the beginning of the period	**(299)**	**(7 288)**	**(141 247)**	**(32 092)**	**(44 370)**	**-**	**(225 296)**
f) depreciation charge for the period	**(307)**	**(7 860)**	**(38 103)**	**(4 738)**	**(7 960)**	**-**	**(58 968)**
- annual depreciation charge	(307)	(8 890)	(52 166)	(15 157)	(9 436)	-	**(85 956)**
- sale	-	934	8 151	6 839	525	-	**16 449**
- liquidation	-	2	8 174	3 555	1 080	-	**12 811**
- other (decreases)	-	-	(10)	25	-	-	**15**
- other (increases)	-	94	(2 253)	-	(129)	-	**(2 288)**
FX diff. from translation	**-**	**(7 446)**	**(15 786)**	**(1 808)**	**(6 146)**	**-**	**(31 186)**
g) accumulated depreciation at the end of the period	**(606)**	**(22 594)**	**(195 136)**	**(38 638)**	**(58 476)**	**-**	**(315 450)**
h) impairment charges at the beginning of the period	**-**	**(21 368)**	**(808)**	**-**	**(12)**	**-**	**(22 188)**
increase	**-**	**-**	**(6 204)**	**-**	**(27)**	**-**	**(6 230)**
- establishment of impairment charges	-	-	(6 204)	-	(27)	-	**(6 230)**
decreases	**-**	**2 121**	**81**	**23**	**16**	**-**	**2 241**
- sale	-	1 121	81	23	-	-	**1 225**
- liquidation	-	-	-	-	16	-	**16**
- reversal of impairment - to financial result	-	1 000	-	-	-	-	**1 000**
i) impairment charges at the end of the period	**-**	**(19 247)**	**(6 931)**	**23**	**(23)**	**-**	**(26 177)**
j) net book value at the beginning of the period	**13 284**	**236 324**	**268 607**	**53 750**	**26 442**	**14 969**	**613 376**
k) net book value at the end of the period	**12 254**	**267 221**	**216 627**	**42 470**	**36 968**	**15 443**	**590 983**
including:							
Tangible fixed assets							**574 576**
Assets (group of assets) held for sale							**16 407**

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	-	386	2 707	8	395	3 496
- transfer from development work	-	-	2 014	-	(2 014)	-
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	-	(814)	(3 270)	-	-	(4 084)
- liquidation	-	985	255	720	-	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	**-**	**29**	**-**	**(33 924)**	**(225)**	**(34 120)**
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						**111 836**
Intangible fixed assets						**186 869**

1.1.2009 - 31.12.2009

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	**111 760**	**3 735**	**8 858**	**211 814**	**1 561**	**337 728**
b) increases	**-**	**250**	**4 646**	**12**	**2 043**	**6 950**
- purchase of intangible assets	-	250	427	12	6 262	**6 950**
- transfer from development work	-	-	4 219	-	(4 219)	**-**
c) decrease	**-**	**(154)**	**(165)**	**(470)**	**-**	**(789)**
- sale	-	(113)	(165)	-	-	**(278)**
- liquidation	-	(41)	-	(470)	-	**(511)**
FX diff. from translation	**(67)**	**-**	**(32)**	**(1 181)**	**(862)**	**(2 142)**
d) gross book value at the end of the period	**111 693**	**3 831**	**13 307**	**210 174**	**2 742**	**341 748**
e) accumulated depreciation at the beginning of the period	**-**	**(670)**	**(3 072)**	**-**	**-**	**(3 742)**
f) depreciation charge for the period	**-**	**(1 089)**	**(1 559)**	**-**	**-**	**(2 648)**
- annual depreciation charge	-	(1 214)	(1 648)	-	-	**(2 862)**
- sale	-	113	89	-	-	**202**
- liquidation	-	12	-	-	-	**12**
FX diff. from translation	**-**	**391**	**(324)**	**-**	**-**	**67**
g) accumulated depreciation at the end of the period	**-**	**(1 367)**	**(4 955)**	**-**	**-**	**(6 323)**
h) impairment charges at the beginning of the period	**-**	**-**	**-**	**(470)**	**(30)**	**(500)**
- increase	**-**	**-**	**-**	**-**	**(196)**	**(196)**
- impairment write down	-	-	-	-	(196)	**(196)**
- decrease	**-**	**29**	**-**	**470**	**1**	**500**
- use of impairment	-	29	-	470	1	**500**
i) impairment charges at the end of the period	**-**	**29**	**-**	**-**	**(225)**	**(196)**
j) net book value at the beginning of the period	**111 760**	**3 065**	**5 786**	**211 344**	**1 531**	**333 486**
k) net book value at the end of the period	**111 693**	**2 493**	**8 351**	**210 174**	**2 518**	**335 229**
including:						
Goodwill						**111 693**
Intangible fixed assets						**223 536**

Goodwill consists of the goodwill resulting from the merger of the Kofola Group with the Hoop Group (including the goodwill of Megapack), as well as the goodwill relating to KLIMO s.r.o. The value of the goodwill has changed from the previous year due solely to the inclusion of the foreign exchange differences on the currency translation of the goodwill of KLIMO s.r.o.

The value of trademarks includes, among others, the value of such trademarks as: Kofola, Vinea, Hoop, Paola, Arctic, R20, and Hooper`s Hooch.

In the 12 month period ended 31 December 2010 the companies of the KOFOLA S.A. Group incurred 3 528 thousand PLN in expenses to increase the value of intangible fixed assets, which pertained primarily to the purchase of a license to an ERP system by Kofola Holding a.s.

At the end of 2010 the holding company’s Management performed impairment tests on goodwill and on indefinite-lived trademarks. The tests were based on discounted future cash flows prepared for six-year financial forecasts. As a result of the tests, impairment was recognized in the amount of 33 924 thousand PLN with regard to the following trademarks: Arctic, Mr. Max and R20. The tests indicated no impairment of goodwill.

In the annual impairment test 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 the period until 2016. Cost to sell was set at 2% of the fair value of the cash generating center. The individual trademarks are treated as individual cash generating centers.

Main assumptions used in financial plans and cash flow projections:

Average revenue growth from indefinite-lived trademarks in the years 2011-2015	13,0%
Infinite growth rate	2,5%
Discount rate	7,1-10,0%

The Group’s Management believes that the main assumptions used in impairment tests of cash generating centers as at 31 December 2010 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.

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

Financial assets available for sale

	31.12.2010	31.12.2009
Shares of the company BOMI S.A.	-	11 522

The shares of BOMI are traded on the Warsaw Stock Exchange. In accordance with IFRS 7, the shares are included in Level 1, determined based on the degree of the observerbility of the source data used to determine the fair value. The shares of BOMI were valued based on stock exchange quotes.

In the 12 month period ended 31 December 2010 KOFOLA S.A sold all of its shares of BOMI S.A. After commission, the income from this transaction amounted to 13 849 thousand PLN, and the profit on the transaction amounted to 2 327 thousand PLN.

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).

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.

The decrease in the value of assets held for sale as at the balance sheet date compared to the value listed as at the end of the previous year is caused by the sale of the Tetrapack production line to the subsidiary Kofola Sp. z o.o. (with a balance sheet value of 979 thousand PLN), the sale by Hoop Polska Sp. z o.o. of the warehouse in Iwiny (with a balance sheet value of 633 thousand PLN) and the write down of the assets comprising the plant in Tychy (in the amount of 4 795 thousand PLN).

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 Company’s social activities, loans granted to its employees and other social costs.

The Act of 27 August 1997 on the occupational and social rehabilitation and employment of disabled persons states that company funds for the rehabilitation of the disabled are to be formed by employers who constitute protected labor entities. The purpose of the fund is to assist the disabled in their medical and social rehabilitation.

Until 31 March 2009 the Company held the status of a protected labor entity, granted in decision No. D/01803 issued by the State Representative for Persons with Disabilities on 1 December 1997.

Company Social Benefits Fund (ZFŚS)	**31.12.2010**	**31.12.2009**
Loans granted to employees	99	200
Cash	691	580
Fund's liabilities	(790)	(778)
Other receivables	-	(2)
Balance after compensation	**-**	**-**
Charges to the fund during the reporting period	872	1 059

5.19 Inventories

	31.12.2010	**31.12.2009**
Materials	92 750	80 316
Goods	3 217	7 688
Production in progress (valued at manufactoring cost)	33	73
Finished products	40 101	27 587
Gross inventory	**136 101**	**115 665**
Inventory provision (-)	**(8 995)**	**(7 825)**
Net inventory	**127 106**	**107 840**
Value of restricted inventory (lien)	51 222	55 692

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

	31.12.2010	31.12.2009
Receivables from related parties	**3 498**	**3 510**
Other receivables	3 498	3 510
Receivables from other parties	**232 353**	**284 688**
Trade receivables	188 611	241 297
Loans granted	16	46
Debts of Fructo-Maj	11 586	14 694
Other financial reveivables	2 468	-
Receivables from the state budget other than current income tax	10 816	9 286
Prepayments for inventories	1 154	2 311
Prepayments for tangible assets	2 870	560
Prepayments for intangible assets	5 948	5 850
Other non-financial receivables	2 833	4 115
Other prepayments	6 050	6 068
Gross reveivables	**235 851**	**288 198**
Revaluation charges for receivables	**(19 564)**	**(21 790)**
of which for debts of Fructo-Maj (see note 5.30)	(7 226)	(7 226)
Total net receivables	**216 287**	**266 408**

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.

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 risks associated with trade and other receivables, as well as the Group's policy relating to managing such risks, are described in point 5.32 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 5.32 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:

	31.12.2010	31.12.2009
Cash in bank and in hand	20 073	24 159
Short-term deposits	35 176	26 315
Other cash paid or due within three months from the date received, issued - REPO transation, cheques, bills and other cash assets	14	29
Total cash and cash equivalents	**55 263**	**50 503**

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:

	31.12.2010	31.12.2009
in PLN	14 673	822
in EUR	2 361	3 142
in CZK	3 211	3 761
in USD	1 016	968
in RUB	34 002	41 810
Total cash and cash equivalents	**55 263**	**50 503**

5.22 Share capital and Other capital

5.22.1 Share capital

31.12.2010
SHARE CAPITAL

Series	Type of share	Type of preferred shares	Type of rights restiction to shares	Number of shares	Par value of one share	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%
Other	1 494 076	5,71%	5,71%
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	Fair value gains on available-for-sale financial assets	Capital on allocation of subscription warrants	Other	**Total**
As at 1.1.2009	**470 467**	**29 606**	**(9 024)**	**-**	**-**	**491 049**
Currency differences from translation of foreign subsidiaries	-	(6 198)	-	-	-	**(6 198)**
Financial assets available for sale – transfer of valuation to income statement due to recognition of permanent impairment	-	-	11 141	-	-	**11 141**
Cost of subscription warrant allocation program	-	-	-	424	-	**424**
Profit distribution	8 817	-	-	-	-	**8 817**
Other	-	-	-	-	(165)	**(165)**
Income tax relating to components of Other comprehensive income	-	-	(2 117)	-	-	**(2 117)**
As at 31.12.2009	**479 284**	**23 408**	**-**	**424**	**(165)**	**502 951**
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**

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.

Reserve on the revaluation of financial assets available for sale

This item includes revaluations of financial assets available for sale to fair value. This capital is not distributed.

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	**31.12.2010**	**31.12.2009**
Retained earnings	(6 914)	(65 186)
Net profit for the financial year	(30 532)	62 272
Total retained earnings	**(37 446)**	**(2 914)**

Current profits, up to the amount specified in legal regulations, should be used to increase the reserve capital.

5.22.4 Non-controlling interests

	1.1.2010 - 31.12.2010	**1.1.2009 - 31.12.2009**
At the beginning of the period	**42 882**	**45 211**
Dividends paid by related parties	(4 780)	(10 752)
Non-controlling interest' participation in financial results of related parties	1 940	10 349
Currency differences from translation of foreign subsidiaries	1 146	(1 926)
At the end of the period	**41 188**	**42 882**

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 1.1.2010	**503**	**1 632**	**8 775**	**20 897**	**31 807**
Currency differences from translation	-	(107)	(1 501)	1 432	**(176)**
Creation	82	27	11 003	2 362	**13 474**
Utilization	(163)	(2)	(7 245)	(2 643)	**(10 053)**
Dissolution	(23)	(16)	(82)	(4 277)	**(4 398)**
As at 31.12.2010	**399**	**1 534**	**10 950**	**17 771**	**30 654**

Provisions time framework	**31.12.2010**	**31.12.2009**
Long-term	215	165
Short-term	30 439	31 642
Total provisions	**30 654**	**31 807**

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 11 706 thousand PLN, as well as a provision for any damages associated with holding company's loss of its protected labor entity status.

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 and other benefits after the period of employment

The Group's companies pay retirement compensation benefits to their retiring employees as specified by the local labor 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:

	31.12.2010	**31.12.2009**
At the beginning of the period	**503**	**493**
Creation of provision	82	63
Use and repase of provision	(186)	(53)
At the end of the period	**399**	**503**

Main assumptions made by the actuary as at the balance sheet date and used in the years ended 31 December 2010 and 31 December 2009 to calculate the value of the liabilities:

	31.12.2010	**31.12.2009**
Discount rate (%)	6,00%	6,20%
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 and loans

As at 31 December 2010 the Group's total credit and loan debt amounts to 311 280 thousand PLN after decreasing by 26 358 thousand PLN compared to the end of the year 2009. The changes were caused primarily by the repayment of a credit in the amount of 14 390 thousand PLN at Kofola a.s. (Slovakia) and the repayment of a credit in the amount of 12 414 thousand PLN by Hoop Polska Sp. z o.o.

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 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.

The results achieved by the Kofola S.A. Group and come of its subsidiaries led to a breach of credit covenants containing provisions relating to the required values of financial ratios:

- net debt/EBITDA: a breach occurred at one company - Hoop Polska Sp. z o.o.
- interest coverage ratio: a breach occurred at one company - Hoop Polska Sp. z o.o.
- debt coverage ratio: a breach occurred at one company - Hoop Polska Sp. z o.o.
- equity ratio: a breach occurred at one company - Hoop Polska Sp. z o.o.
- operating profit/sales revenue: a breach occurred at one company - Kofola a.s. (Slovakia).
- short-term assets/short-term liabilities: a breach occurred at one company – Kofola a.s. (Czech Republic).

In the case of the companies Hoop Polska Sp. z o.o. and Kofola a.s. (Slovakia) documents have been obtained confirming that no demand for the repayment of the credits will occur despite the breach of the covenants; for this reason no presentation changes have been made.

In the case of Kofola a.s (Czech Republic) prior to the publication no waiver was obtained from the bank, which is why in accordance with IAS 1 the Management reclassified a long-term liability in the amount 5 619 thousand PLN as a short-term liability.

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 in currency	Credit value on balance sheet day in PLN	Interests terms	Maturity date	Collaterals
ČSOB a.s.	CZK	40 000	4 948	782	1M PRIBOR + margin	10/2011	promissory note
Komerční banka a.s.	CZK	30 000	27 513	4 347	1M PRIBOR + margin	10/2011	promissory note
ČSOB a.s.	CZK	40 000	15 652	2 473	1M PRIBOR + margin	6/2012	receivables, inventory, promissory note
ČSOB a.s.	CZK	29 200	19 909	3 146	1M PRIBOR + margin	6/2013	receivables, inventory, promissory note
Česká spořitelna a.s.	CZK	12 000	4 546	718	3M PRIBOR + margin	6/2014	receivables, promissory note, real estate
Česká spořitelna a.s.	CZK	13 000	4 082	645	3M PRIBOR + margin	12/2013	receivables, promissory note, real estate
Komerční banka a.s.	CZK	160 000	119 999	18 960	3M PRIBOR + margin	12/2016	promissory note, real estate
Komerční banka a.s.	CZK	20 000	4 988	788	1M PRIBOR + margin	12/2011	promissory note, real estate
Komerční banka a.s.	CZK	28 600	25 112	3 967	1M PRIBOR + margin	12/2016	promissory note, real estate
Komerční banka a.s.	CZK	38 000	5 786	914	1M PRIBOR + margin	7/2011	promissory note, real estate
SG Equipment Finance s.r.o.	CZK	5 879	789	125	3M PRIBOR	6/2011	promissory note
RBS a.s.	CZK	120 000	93 860	14 830	3M PRIBOR + margin	12/2015	receivables, promissory note
ČSOB a.s.	CZK	190 000	127 252	20 106	1M PRIBOR + margin	8/2011	receivables, inventory, promissory note
Komerční banka a.s.	CZK	200 000	200 000	31 600	1M PRIBOR + margin	10/2011	promissory note, real estate
Komerční banka a.s.	CZK	40 000	25 732	4 066	1M PRIBOR + margin	10/2011	promissory note, real estate
Česká spořitelna a.s.	CZK	100 000	54 613	8 629	3M PRIBOR + margin	1/2011	receivables, promissory note
Česká spořitelna a.s.	CZK	40 000	39 825	6 292	3M PRIBOR + margin	1/2011	receivables, promissory note
Česká spořitelna a.s.	CZK	140 000	12 183	1 925	1M PRIBOR + margin	6/2016	
Komerční banka a.s.	CZK	20 000	20 000	3 160	1M PRIBOR + margin	10/2011	promissory note "in blanco"
Unicredit Bank a.s.	EUR	4 500	1 161	4 599	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.
VÚB banka a.s.	EUR	3 800	3 196	12 656	1M EURIBOR + margin	2/2012	Promissory note "in blanco" Kofola a.s.nr 301/2007/D , receivables
Unicredit Bank a.s.	EUR	1 470	60	238	1M EURIBOR + margin	3/2011	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	155	614	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	5 704	22 591	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	3 948	496	1 966	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.

Financing entity	Credit currency	Credit/ limit amount	Credit value on balance sheet day		Interests terms	Maturity date	Collaterals
			in currency	in PLN			
ČSOB a.s.	EUR	535	27	106	1M EURIBOR + margin	3/2011	Receivables, real estate, movables, inventory, guarantee by Kofola Holding, a.s.
ČSOB a.s.	EUR	214	18	71	1M EURIBOR + margin	5/2011	Receivables, real estate, movables, inventory, guarantee by Kofola Holding, a.s.
ČSOB a.s.	EUR	54	3	14	1M EURIBOR + margin	6/2011	Receivables, real estate, movables, inventory, guarantee by Kofola Holding, a.s.
ČSOB a.s.	EUR	174	29	115	1M EURIBOR + margin	9/2011	Receivables, real estate, movables, inventory, guarantee by Kofola Holding, a.s.
ČSOB a.s.	EUR	620	331	1 310	1M EURIBOR + margin	3/2014	Receivables, real estate, movables, inventory, guarantee by Kofola Holding, a.s.
VÚB banka a.s.	EUR	3 600	1 827	7 234	1M EURIBOR + margin	3/2014	Agreement establishing a right to current assets No. 1566/2007/ZZ, promissory note No. 2645/2007/D; promissory note "in blanco" Kofola a.s.
VÚB banka a.s.	EUR	540	132	524	1M EURIBOR + margin	6/2012	Agreement establishing a right to current assets No. 1566/2007/ZZ, promissory note No. 2645/2007/D; promissory note "in blanco" Kofola a.s.
VÚB banka a.s.	EUR	807	332	1 315	1M EURIBOR + margin	4/2013	Agreement establishing a right to current assets No. 1566/2007/ZZ, promissory note No. 2645/2007/D; promissory note "in blanco" Kofola a.s.
VÚB banka a.s.	EUR	996	361	1 431	1M EURIBOR + margin	3/2014	Agreement establishing a right to current assets No. 1566/2007/ZZ, promissory note No. 2645/2007/D; promissory note "in blanco" Kofola a.s.
VÚB banka a.s.	EUR	9 960	7 815	30 950	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	3 002	291	MosPrimeRate + margin	12/2011	Plant and equipment and guarantees for 200 thousand RUB issued by Dom Handlowy Megapack LLC
Bank Zachodni WBK S.A.	PLN	49 400	49 400	49 400	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	24 107	24 107	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.
Kredyt Bank S.A.	PLN	20 000	12 442	12 442	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	8 683	8 683	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	3 051	3 051	margin		factoring
Pożyczka Dohler	EUR	24	24	95	EURIBOR + margin	12/2010	
LUKAS BANK S.A.	PLN	4		4	margin	2/2011	Lien in favor of the bank and assignment of policy.
Total credits and loans				**311 280**	**ths. PLN**		

5.26 Trade liabilities and other liabilities

Other long-term liabilities	31.12.2010	31.12.2009
Other liabilities	17 408	21 956
Total other long-term liabilities	**17 408**	**21 956**

Other long-term liabilities consist primarily of liabilities relating to purchases of fixed assets with deferred payment terms.

	31.12.2010	31.12.2009
Trade liabilities and other liabilities to related parties	**5 203**	**5 905**
Trade liabilities	173	957
Other liabilities	5 030	4 948
Trade liabilities and other liabilities to other parties	**298 042**	**300 332**
Trade liabilities	168 296	171 799
Liabilities towards employees	8 707	9 444
Budget commitments other than the current income tax	23 661	36 886
Advances received	32 897	35 149
Special funds	105	272
Accruals	64 377	46 839
Total trade liabilities and other liabilities (short-term)	**303 245**	**306 237**

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

No government subsidies were received in the reporting period.

5.28 Contingent assets and liabilities

5.28.1 Liabilities concerning operational leasing - Group as a lesee

As at 31 December 2010, the future minimum payments arising out of non-revocable operating lease agreements are as follows:

	31.12.2010	31.12.2009
In one year period	12 908	4 974
In period from one to five years	9 628	10 720
Over five years	-	-
	22 536	**15 694**

5.28.2 Other contingent assets and liabilities

	Contingent assets	Contingent liabilities
As at 1.1.2010	**-**	**628**
Increase (+)	-	-
Decrease (-)	-	(378)
As at 31.12.2010	**-**	**250**

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
		in currency	in ths. PLN.	
Hoop Polska Sp. z o.o.	Cargill	250 T PLN	250	till termination of the contract
Total sureties for loans or guarantees issued			**250**	**tys. PLN.**

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 2010 the balance sheet value of leased tangible assets was 43 925 thousand PLN.

Future minimum lease payments on these agreements and present value of minimum net lease payments:

	31.12.2010	31.12.2009
Nominal value of minimum lease payment		
In one year period	14 971	23 168
From one to five year	31 244	40 455
Over five year	-	-
Total finance lease liabilities - total minimum lease payments	**46 215**	**63 623**
Finance costs of finance lease	3 229	5 555
Present Value of minimum lease payments		
In one year period	13 707	20 466
From one to five year	29 279	37 601
Over five year	-	-
Total present value of minimum lease payments	**42 986**	**58 067**

5.30 Court litigations

Fructo-Maj Sp. z o.o.

KOFOLA S.A. is a party in the bankruptcy proceeding of the entity Fructo-Maj Sp. z o.o. On 6 August 2007, HOOP S.A (currently doing business as KOFOLA S.A.) concluded an engagement letter with Fructo-Maj Sp. z o.o., in which it expressed its interest in investing in Fructo-Maj for the purposes of its financial restructuring and enabling the payment of debts. As part of realizing this agreement HOOP S.A. acquired Fructo-Maj's debts, among others concluded a debt assignment agreement with Kredyt Bank S.A., based on which Kredyt Bank S.A transferred onto HOOP S.A. all the debt from a credit agreement, which as at 31 December 2010 had been fully repaid and were presented in the financial statements of KOFOLA S.A. for the comparative period as short-term credit payables and as receivables from the company Fructo-Maj. As at 31 December 2010 the total value of the receivables from Fructo-Maj relating to the acquired debt is 11 586 thousand PLN, the balance sheet value of this item, after revaluation, is 4 360 thousand PLN. The receivables are secured with mortgages on all of the significant real properties of Fructo-Maj, and with a registered pledge on the entity's movables.

Fructo-Maj was declared bankrupt in a decision issued on 27 September 2007, and then based on a decision issued on 24 June 2008 the type of proceedings was changed from an arrangement to a liquidation proceeding relating to the assts of Fructo-Maj Sp. z o.o. KOFOLA S.A has its representative in the Committee of Creditors of Fructo-Maj Sp. z o.o. The assets of Fructo-May are currently being sold. The Board 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.

On 28 May 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases, issued a decision on the liquidation bankruptcy of the subsidiary Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. ("PCD") at the petition of PCD's then Management. On 17 June 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases issued a decision changing the proceeding from a liquidation bankruptcy to a bankruptcy open to arrangements. At the same time, by virtue of this decision the Regional Court in Koszalin returned to PCD the management over its assets. The 17 June 2010 decision of the Regional Court in Koszalin was issued at the petition of PCD's new management. It was the intention of KOFOLA S.A. to conclude an arrangement and then sell PCD as part of organizing the Group and focusing on core operations.

On 7 October 2010 KOFOLA S.A. bought back 25% of the shares of the subsidiary PCD Hoop Sp. z o.o. becoming its sole shareholder. was the intention of KOFOLA S.A. to conclude an arrangement and then sell PCD as part of organizing the Group and focusing on core operations. The arrangement was approved on 22 November 2010, and the decision became legally binding on 6 December 2010, of which KOFOLA S.A. informed in its Current Reports No. 19/2010 and 20/2010. The Company is currently fulfilling the provisions of the arrangement.

Except for the matters described above, KOFOLA S.A. is not involved in any other cases (disputes), which could have a material effect on the Group's financial position.

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	1.1.2010 - 31.12.2010	
	revenues on the sale of products and services	revenues on the sale of merchandise and materials
- to affiliates (TSH Sulich)	7	-
- to other related companies (KSM Investment)	-	-
Total revenues from the sale to related companies	**7**	**-**

Purchases from related companies	1.1.2010 - 31.12.2010	
	purchase of services	purchase of merchandise and materials
- from affiliates (TSH Sulich)	14 196	-
- from other related companies (KSM Investment)	-	-
Total purchases from related companies	**14 196**	**-**

Receivables from related companies	31.12.2010	31.12.2009
- from affiliates (TSH Sulich)	10	3
- from other related companies (KSM Investment)	3 488	3 507
Total receivables from related companies	**3 498**	**3 510**

Liabilities towards related companies	31.12.2010	31.12.2009
- towards affiliates (TSH Sulich)	173	957
- towards other related companies (KSM Investment)	5 030	4 948
Total liabilities towards related companies	**5 203**	**5 905**

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:

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Short-term employee benefits (salaries, wages and other remuneration components)	10 744	8 184
Employee benefits in the form of own shares	-	-
Total value of benefits for the key staff of the Group	**10 744**	**8 184**

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:

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Management Board	10 744	8 184
Supervisory Board	216	241
Total	**10 960**	**8 425**

Remuneration paid out to members of the Management and Supervisory Board of the holding company for the period from 1 January 2010 to 31 December 2010:

- Total remuneration of Management Board members: 3 004 thousand PLN.
- Total remuneration of Supervisory Board members: 216 thousand PLN.

5.32 Objectives and methods of financial risk management

The Group's primary financial instruments consist of bank credits, 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 2010 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.

5.32.1 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 payables with 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 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**

Year ended 31 December 2009

31.12.2009							
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	8 945	6 070	21	-	-	-	15 036
Total	**8 945**	**6 070**	**21**	**-**	**-**	**-**	**15 036**

Variable interest rate	**<1year**	**1–2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Cash assets (-)	(50 503)	-	-	-	-	-	(50 503)
Current account credits	66 669	-	-	-	-	-	66 669
Bank loans	188 639	16 262	18 546	15 136	11 852	14 356	264 792
Liabilities concerning financial lease and tenancy agreement with possibility of optional purchase	11 521	30 747	694	46	23	-	43 031
Other (factoring)	6 178	-	-	-	-	-	6 178
Total	**222 504**	**47 009**	**19 240**	**15 182**	**11 875**	**14 356**	**330 166**

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.

5.32.2 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 31.12.2010	PLN	CZK	RUB	USD	EUR	Other	Total
Cash and cash equivalents	14 672	3 210	34 002	1 016	2 363	-	**55 263**
Trade receivables and other receivables	55 823	90 464	35 143	16	34 711	130	**216 287**
Other financial assets	4 756	-	-	-	-	-	**4 756**
Total	**75 251**	**93 674**	**69 145**	**1 032**	**37 074**	**130**	**276 306**
Bank credits and loans	97 687	127 473	291	-	85 829	-	**311 280**
Other liabilities	-	17 408	-	-	-	-	**17 408**
Financial leasing liabilities	345	15 088	-	-	27 553	-	**42 986**
Trade liabilities and other liabilities	75 172	117 213	49 300	821	60 372	367	**303 245**
Total	**173 204**	**277 182**	**49 591**	**821**	**173 754**	**367**	**674 919**
Exposure to currency risk	**(97 953)**	**(183 508)**	**19 554**	**211**	**(136 680)**	**(237)**	**(398 613)**

5.32.3 Market risk sensitivity analysis

The Group has estimated the potential changes in market risk as follows:

1% change in PLN interest rate (interest rate increase or decrease),

1% change in EUR interest rate (interest rate increase or decrease),

10% change in the PLN/EUR or PLN/CZK exchange rate (interest rate 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	+ 10%	- 10%	+ 10%	- 10%
Financial assets available for sale	-	-	-	-	-	-	-
Other financial assets	4 756	-	-	-	-	-	-
Trade receivables and other receivables	216 287	-	-	(133)	133	(15 913)	15 913
Cash and cash equivalents	55 263	553	(553)	(356)	356	(3 703)	3 703
Influence on financial assets after tax		**553**	**(553)**	**(489)**	**489**	**(19 617)**	**19 617**
Other liabilities	17 408	-	-	-	-	-	-
Financial liabilities	33	-	-	-	-	-	-
Trade liabilities and other liabilities	303 245	-	-	2 184	(2 184)	20 262	(20 262)
Credits and loans	311 280	(3 113)	3 113	10	(10)	21 350	(21 350)
Financial lease liabilities	42 986	(430)	430	1 986	(1 986)	2 278	(2 278)
Influence on financial liabilities after tax		**(3 543)**	**3 543**	**4 180**	**(4 180)**	**43 889**	**(43 889)**
Increase/(decrease) in total		**(2 990)**	**2 990**	**3 691**	**(3 691)**	**24 272**	**(24 272)**

5.32.4 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 2010 the Group's maximum exposure to credit risk amounts to 216 287 thousand PLN (266 408 thousand PLN as at 31 December 2009), and has been estimated as the balance sheet value of trade and other receivables.

Presented below is the ageing structure of receivables:

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)	193 631	113 146	42 059	13 284	12 786	8 733	3 624
Other receivables (net)	22 656	17 347	717	32	52	-	4 508
TOTAL	**216 287**	**130 492**	**42 776**	**13 316**	**12 838**	**8 733**	**8 131**

31.12.2009			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)	223 017	142 609	33 283	14 483	14 686	10 928	7 028
Other receivables (net)	43 391	21 316	541	39	2 352	11 333	7 810
TOTAL	**266 408**	**163 925**	**33 824**	**14 522**	**17 038**	**22 261**	**14 838**

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.

5.32.5 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.

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, 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 Company's ability to meet its financial obligations. The Company's Management believes that the value of cash and cash equivalents as the balance sheet date, the available credit lines and the Company'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.

In the Management's opinion, improvement is needed to the financing structure of Kofola a.s. (CZ) as the share of short-term credits is too high.

Ageing of financial liabilities:

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	**255 530**	116 157	70 894	68 478	-
Bank credits and loans	**311 280**	11 131	15 694	135 171	149 283
Financial lease liablities	**42 986**	1 271	2 499	9 938	29 279
Other liabilities	**65 123**	41 576	671	5 468	17 408
Total	**674 918**	**170 135**	**89 759**	**219 055**	**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	-	**29 279**
Other liabilities	6 188	3 876	1 271	1 042	5 030	**17 408**
Total	**114 451**	**31 617**	**14 344**	**13 546**	**22 011**	**195 969**

31.12.2009		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	**224 544**	109 292	65 364	49 888	-
Bank credits and loans	**337 638**	15 072	63 660	182 754	76 152
Financial lease liablities	**58 067**	1 935	3 805	14 726	37 601
Other liabilities	**103 649**	41 362	32 157	8 174	21 956
Total	**723 898**	**167 661**	**164 986**	**255 542**	**135 709**

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	16 263	18 546	15 136	11 852	14 355	**76 152**
Financial lease liablities	13 920	16 054	5 203	2 424	-	**37 601**
Other liabilities	9 387	4 988	2 633	-	4 948	**21 956**
Total	**39 570**	**39 588**	**22 972**	**14 276**	**19 303**	**135 709**

Security established by the Group companies– balance sheet values	**31.12.2010**	**31.12.2009**
- Tangible fixed assets	207 899	333 354
- Intangible assets (brands)	127 404	54 342
- Inventory	54 509	55 692
- Receivables	59 627	76 605
Total	**449 439**	**519 993**

5.33 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 and other sources of financing constitute the total value of liabilities arising out of credits, loans 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).

	31.12.2010	**31.12.2009**
Sales	1 239 164	1 531 985
Capital employed	770 976	769 271
Net debt	299 003	345 202
Operating profit	(9 509)	118 885
Plus: depreciation	80 661	88 819
EBITDA	**71 152**	**207 704**
Adjusted EBITDA	**114 323**	**214 104**
Margin of adjusted EBITDA (%)	**9,2%**	**14,0%**
Adjusted EBITDA/ Capital employed (%)	**14,8%**	**27,8%**
Net debt / Adjusted EBITDA	**2,6**	**1,6**

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 2010.

5.34 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 31.12.2010	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	4 756	-	-	-	4 756
Trade receivables and other receivables	216 287	-	-	-	216 287
Cash and cash equivalents	55 263	-	-	-	55 263
Total	**276 306**	**-**	**-**	**-**	**276 306**

Liabilities as per balance sheet

As at 31.12.2010	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Bank credits and loans	-	-	311 280	311 280
Financial leasing liabilities	-	-	42 986	42 986
Trade liabilities and other liabilities	-	-	303 245	303 245
Other financial liabilities	-	-	17 441	17 441
Total	**-**	**-**	**674 952**	**674 952**

5.35 The reasons for the differences between the changes of certain balance sheet items and changes presented in cash flow

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Change in trade receivables and other receivables	50 121	29 072
Change in receivables from other financial assets	1 500	-
Change in receivables from the change in the composition of the Group	(3 292)	-
Change in advances for fixed assets and intangible assets	-	6 410
Change in the balance of receivables	**48 329**	**35 482**

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Change in trade liabilities and other liabilities	(2 992)	21 026
Change in other financial liabilities	33	-
Change in other long-term liabilities	(4 548)	(9 730)
Change in liabilities from the change in the composition of the Group	7 372	-
Change in investment liabilities	13 870	(3 147)
Change in the balance of liabilities	**13 735**	**8 149**

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Net book value of disposed tangible assets, intangible assets	3 218	5 037
Profit / (loss) on disposal of tangible assets, intangible assets	-	-
Sale of intangible assets and fixed assets	**3 218**	**5 037**

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Increase the book value of tangible assets, intangible assets	(38 794)	(68 369)
Change in assets available for sale	-	(16 407)
Change in advances for fixed assets and intangible assets	-	(6 410)
Change in investment liabilities	(13 870)	8 382
Purchase of intangible assets and fixed assets	**(52 664)**	**(82 804)**

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Change in inventories	(19 266)	10 037
Change in inventories from the change in the composition of the Group	(866)	-
Change in the balance of inventories	**(20 132)**	**10 037**

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Change in provisions	(1 153)	(9 877)
Change in iprovisions from the change in the composition of the Group	79	-
Change in the balance of provisions	**(1 074)**	**(9 877)**

The adjustment of the changes in the balance sheet value of receivables, provisions, liabilities and inventory by the items associated with changes in the composition of the Group has to do with the discontinuation in the reporting period of the consolidation of the subsidiary Bobmark International Sp. z o.o. and presentation of the profit from the sale of its shares in the profit from investment activities item.

5.36 Headcount

The average headcount in the company was as follows:

	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Management Board of the parent company	5	5
Management Boards of the Group entities	20	20
Administration	283	288
Sales department	949	809
Production division	925	1 256
Other	447	525
Total	**2 629**	**2 903**

5.37 Subsequent events

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.

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.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

15.3.2011	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
15.3.2011	**Bartosz Marczuk**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
15.3.2011	**Martin Mateáš**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
15.3.2011	**René Musila**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
15.3.2011	**Tomáš Jendřejek**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*

SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

15.3.2011	**Katarzyna Balcerowicz**	**Chief Accountant**	....
date	*name and surname*	*position*	*signature*

Document signed on the Polish original.