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# QUARTERLY REPORT

KOFOLA S.A. GROUP

## I. quarter 2010



WARSAW 12 MAY 2010

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# 1 Condensed consolidated financial statements KOFOLA S.A. Group

## 1.1 Consolidated income statement

for the period ended 31st of March 2010 and for the period ended 31st of March 2009.

| | Note | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from the sale of finished products and services | 4.1,4.2 | 222 021 | 283 177 |
| Revenue from the sale of goods and materials | 4.1,4.2 | 10 674 | 22 452 |
| Revenue | | 232 695 | 305 629 |
| Cost of products and services sold | 4.3 | (126 682) | (186 013) |
| Cost of goods and materials sold | 4.3 | (9 646) | (18 354) |
| Total cost of sales | | (136 328) | (204 367) |
| **Gross profit** | | **96 367** | **101 262** |
| Selling, marketing and distribution costs | 4.3 | (74 381) | (74 339) |
| Administrative costs | 4.3 | (16 600) | (21 465) |
| Other operating income | | 2 519 | 2 522 |
| Other operating expenses | | (2 843) | (2 719) |
| **Operating result** | | **5 062** | **5 261** |
| Financial income | 4.4 | 2 619 | 97 |
| Financial expense | 4.5 | (5 583) | (20 683) |
| **Profit/ (loss) before tax** | | **2 098** | **(15 325)** |
| Income tax | 4.8 | (661) | 370 |
| **Net profit/ (loss) on continued activity** | | **1 437** | **(14 955)** |
| **Discontinued activity** | | | |
| Net profit on discontinued activity | | - | - |
| **Net profit/ (loss) for the financial year** | | **1 437** | **(14 955)** |
| Assigned to: | | | |
| Shareholders of the parent company | | 2 261 | (15 077) |
| Non-controlling interests shareholders | | (824) | 122 |
| **Earnings per share (in PLN)** | | | |
| - basic earnings per share | 4.10 | 0,0864 | (0,5761) |
| - basic earnings per share from continuing operations | 4.10 | 0,0864 | (0,5761) |
| - diluted earnings per share | 4.10 | 0,0859 | (0,5761) |
| - diluted earnings per share from continuing operations | 4.10 | 0,0859 | (0,5761) |

## 1.2 Consolidated statement of comprehensive income

for the period ended 31st of March 2010 and for the period ended 31st of March 2009.

| | Note | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|---|
| **Net profit/ (loss) for the financial year** | | **1 437** | **(14 955)** |
| **Other comprehensive income (gross)** | | | |
| Currency differences from translation of foreign subsidiaries | 1.5 | (5 577) | 20 300 |
| Fair value gains on available-for-sale financial assets | 4.15 | 1 640 | (1 836) |
| Cash flow hedges | | (10) | - |
| Other | | - | (165) |
| Income tax relating to components of other comprehensive income | 4.8 | (310) | 349 |
| **Other comprehensive income for the period (net)** | | **(4 257)** | **18 648** |
| **Total comprehensive income for the period** | | **(2 820)** | **3 693** |
| Assigned to: | | | |
| Shareholders of the parent company | | (2 876) | 2 109 |
| Non-controlling interests shareholders | | 56 | 1 584 |

### 1.3 Consolidated balance sheet

as at 31st of March 2010, 31st of December 2009 and 31st of March 2009.

| ASSETS | Note | 31.3.2010 | 31.12.2009 | 31.3.2009 |
|---|---|---|---|---|
| **Fixed assets** | | **916 215** | **946 812** | **1 038 712** |
| Tangible fixed assets | 4.11 | 550 782 | 574 576 | 659 192 |
| Goodwill | | 111 487 | 111 693 | 112 549 |
| Intangible fixed assets | 4.12 | 220 805 | 223 536 | 232 875 |
| Investment in subsidiaries and associates | | - | - | - |
| Financial assets available for sale | 4.14 | 9 455 | 11 522 | 7 828 |
| Other financial assets | | 522 | 2 085 | 2 355 |
| Deferred tax assets | | 23 164 | 23 400 | 23 913 |
| **Current assets** | | **385 814** | **444 997** | **494 583** |
| Inventories | | 115 948 | 107 840 | 151 123 |
| Trade receivables and other receivables | | 232 654 | 266 408 | 297 939 |
| Income tax receivables | | 5 553 | 2 339 | 8 239 |
| Cash and cash equivalents | | 14 385 | 50 503 | 36 913 |
| Other financial assets | | 1 500 | 1 500 | 369 |
| Assets (group of assets) held for sale | 4.15 | 15 774 | 16 407 | - |
| **TOTAL ASSETS** | | **1 302 029** | **1 391 809** | **1 533 295** |
| | | | | |
| **LIABILITIES AND EQUITY** | | | | |
| **Equity assigned to the shareholders of the parent company** | | **523 996** | **526 210** | **479 712** |
| Share capital | 1.5 | 26 173 | 26 173 | 26 173 |
| Other capital | 1.5 | 498 476 | 502 951 | 508 235 |
| Retained earnings | 1.5 | (653) | (2 914) | (54 696) |
| **Equity assigned to the non-controlling interests shareholders** | 1.5 | **42 938** | **42 882** | **46 795** |
| **Total equity** | | **566 934** | **569 092** | **526 507** |
| **Long-term liabilities** | | **297 283** | **200 179** | **274 788** |
| Bank credits and loans | | 179 066 | 76 152 | 130 391 |
| Financial leasing liabilities | | 33 635 | 37 601 | 51 811 |
| Provisions | | 157 | 165 | 390 |
| Other liabilities | | 20 571 | 21 956 | 28 415 |
| Deferred tax reserve | | 63 854 | 64 305 | 63 781 |
| **Short-term liabilities** | | **437 812** | **622 538** | **732 000** |
| Bank credits and loans | | 144 714 | 261 486 | 303 669 |
| Financial leasing liabilities | | 16 871 | 20 466 | 30 309 |
| Trade liabilities and other liabilities | | 247 217 | 306 237 | 353 835 |
| Income tax liabilities | | 144 | 2 707 | 443 |
| Provisions | | 28 866 | 31 642 | 43 744 |
| Liabilities (group of liabilities) related to assets held for sale | | - | - | - |
| **Total liabilities** | | **735 095** | **822 717** | **1 006 788** |
| **TOTAL LIABILITIES AND EQUITY** | | **1 302 029** | **1 391 809** | **1 533 295** |

## 1.4 Consolidated cash flow statement

for the period ended 31st of March 2010 and for the period ended 31st of March 2009.

| | Note | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|---|
| **Cash flow on operating activity** | | | |
| Gross profit /(loss) | | 2 098 | (15 325) |
| Adjustments for the following items: | | | |
| Depreciation | 4.3 | 19 640 | 27 285 |
| Net interest and dividends | 4.4,4.5 | 3 928 | 8 195 |
| Net foreign exchange differences | | 7 537 | (24 938) |
| (Profit)/loss on investment activity | | (710) | (290) |
| Change in the balance of receivables | | 34 954 | (2 458) |
| Change in the balance of inventories | | (8 108) | (33 246) |
| Change in the balance of liabilities | | (58 910) | 46 193 |
| Change in the balance of provisions | | (2 784) | 2 450 |
| Paid income tax | | (10 437) | (4 839) |
| Other | | - | (764) |
| Currency differences from translation of foreign subsidiaries | 1.2 | (5 577) | 20 300 |
| **Net cash flow on operating activity** | | **(18 369)** | **22 563** |
| **Cash flow on investing activity** | | | |
| Sale of intangible assets and fixed assets | | 1 192 | 2 203 |
| Purchase of intangible assets and fixed assets | | (6 709) | (30 890) |
| Sale of financial assets (BOMI) | | 4 447 | - |
| Dividends and interest received | | 16 | - |
| Other | | - | - |
| **Net cash flow on investing activity** | | **(1 054)** | **(28 687)** |
| **Cash flow on financial activity** | | | |
| Repayment of financial leasing liabilities | | (8 060) | (4 333) |
| Proceeds from loans and bank credits received | | 113 826 | 28 881 |
| Repayment of loans and bank credits | | (118 436) | (14 892) |
| Dividends paid to the shareholders of the parent company | 4.7 | - | - |
| Dividends paid to the minority shareholders | 4.7 | - | - |
| Interest paid | 4.5 | (4 025) | (8 232) |
| Other | | - | - |
| **Net cash flow on financing activity** | | **(16 695)** | **1 424** |
| Total net cash flow | | (36 118) | (4 700) |
| **Cash at the beginning of the period** | | **50 503** | **41 613** |
| **Cash at the end of the period** | | **14 385** | **36 913** |
| Cash with limited ability to use | | - | - |

## 1.5 Consolidated statement of changes in equity

for the period ended 31st of March 2010, for the period ended 31st of December 2009 and for the period ended 31st of March 2009.

| | Note | Assigned to the shareholders of the parent company | | | | | Assigned to the non-controlling interests shareholders | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | Share capital | Other capital | | Retained earnings | Total | | |
| | | | Total other capital | including: Currency differences from translation of foreign subsidiaries | | | | |
| **As at 1.1.2009** | | **26 172** | **491 049** | **29 606** | **(39 619)** | **477 602** | **45 211** | **522 813** |
| Increase of share capital | | 1 | - | - | - | 1 | - | 1 |
| **Total comprehensive income for the period** | 1.2 | **-** | **17 186** | **18 838** | **(15 077)** | **2 109** | **1 584** | 3 693 |
| **As at 31.3.2009** | | **26 173** | **508 235** | **48 444** | **(54 696)** | **479 712** | **46 795** | **526 507** |
| | | | | | | | | |
| **As at 1.1.2009** | | **26 172** | **491 049** | **29 606** | **(39 619)** | **477 602** | **45 211** | **522 813** |
| Increase of share capital | | 1 | - | - | - | 1 | - | 1 |
| Capital relating to subscription warrant allocation program | | - | 424 | - | - | 424 | - | 424 |
| **Total comprehensive income for the period** | 1.2 | **-** | **2 661** | **(6 198)** | **62 272** | **64 933** | **8 423** | 73 356 |
| Dividends payment | | - | - | - | (16 750) | (16 750) | (10 752) | (27 502) |
| Profit distribution | | - | 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 | | - | 662 | - | - | 662 | - | 662 |
| **Total comprehensive income for the period** | | **-** | **(5 137)** | **(6 457)** | **2 261** | **(2 876)** | **56** | (2 820) |
| **As at 31.3.2010** | | **26 173** | **498 476** | **16 951** | **(653)** | **523 996** | **42 938** | **566 934** |

## 2 General information

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

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

Until 30 May 2008 KOFOLA SPV Sp. z o.o., from 31 May 2008 to 23 December 2008 KOFOLA-HOOP S.A

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

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 presented period the Group's composition did not change compared to 31 December 2009.

The Group's consolidated financial statements cover the period ended 31 March 2010 and includes comparatives for the period ended 31 March 2009.

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

As at 31st of March 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, Warszawa | holding | acquisition accounting | | |
| 2. | Hoop Polska Sp. z o.o. | Poland, Warszawa | production of mineral water and non-alcoholic beverages | acquisition accounting | 100,00% | 100,00% |
| 3. | Kofola Holding a.s. | Czech Republic, Ostrava | holding | acquisition accounting | 100,00% | 100,00% |
| 4. | Klimo s.r.o. | Czech Republic, Krnov | in liquidation | acquisition accounting | 100,00% | 100,00% |
| 5. | Kofola Zrt. | Hungary, Budapest | in liquidation | acquisition accounting | 100,00% | 100,00% |
| 6. | Kofola a.s. | Slovakia, Rajecká Lesná | production and distribution of non-alcoholic beverages | acquisition accounting | 100,00% | 100,00% |
| 7. | Kofola Sp.z o.o. | Poland, Kutno | rent of production plant | acquisition accounting | 100,00% | 100,00% |
| 8. | Santa-Trans s.r.o. | Czech Republic, Krnov | road cargo transport | acquisition accounting | 100,00% | 100,00% |
| 9. | Santa-Trans.SK s.r.o. | Slovakia, Rajec | road cargo transport | acquisition accounting | 100,00% | 100,00% |
| 10. | Kofola a.s. | Czech Republic, Krnov | production and distribution of non-alcoholic beverages | acquisition accounting | 100,00% | 100,00% |
| 11. | OOO Megapack | Russia, Widnoje | production of mineral water, non-alcoholic and low-alcoholic beverages | acquisition accounting | 50,00% | 50,00% |
| 12. | OOO Trading House Megapack | Russia, Widnoje | distribution of non-alcoholic and low-alcoholic beverages | acquisition accounting | 50,00% | 50,00% |
| 13. | Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. | Poland, Koszalin | wholesale of alcoholic and non-alcoholic beverages | acquisition accounting | 75,00% | 75,00% |
| 14. | Bobmark international Sp. z o.o. | Poland Warszawa | wholesale of alcoholic and non-alcoholic beverages | acquisition accounting | 100,00% | 100,00% |
| 15. | Transport Spedycja Handel Sulich Sp. z o.o. | Poland, Bielsk Podlaski | road cargo transport | equity accounting | 50,00% | 50,00% |

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

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 Zrt. (HU) – a company registered in Hungary, which is in liquidation.
- 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 plant 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.
- Santa-Trans.SK s.r.o. (SK) – a company registered in Slovakia, with main activities consisting of road cargo transport.
- 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 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 is the provision of services consisting of bottling beverages, production of own beverages, including under the HOOP and Arctic trademarks, 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 Managing Director of Megapack is selected by the Shareholders Meeting, with KOFOLA S.A. having the deciding vote in this matter. The Managing Director 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 75% and has 75% of votes at Shareholders Meeting. The activities of PCD HOOP Sp. z o.o. consist of the wholesale of beverages.

The subsidiary **Bobmark International Sp. z o.o.** with its registered office in Warsaw, of which KOFOLA S.A. holds 100%. The activities of Bobmark International Sp. z o.o. consist of the wholesale of beverages.

The co-subsidiary **Transport – Spedycja – Handel - Sulich Sp. z o. o.** with its registered office in Bielsk Podlaski. The company's activities consist of road transport of cargo.

**THE COMPANY'S BOARD OF DIRECTORS**

As at 31st of March 2010 the Company's Board of Directors of the holding company KOFOLA S.A. comprised:

- Mr. Jannis Samaras – Chairman of the Board of Directors,
- Ms. Simona Nováková – Member of the Board of Directors,
- Mr. Martin Mateáš – Member of the Board of Directors,
- Mr. Tomáš Jendřejek – Member of the Board of Directors,
- Mr. René Musila – Member of the Board of Directors.

As at 12th of May 2010 the Company's Board of Directors of the holding company KOFOLA S.A. comprised:

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

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

**THE COMPANY'S SUPERVISORY BOARD**

As at 31st of March 2010 the Company's Supervisory Board comprised:

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

No changes were made in the composition of the Supervisory Board before the publication of the present report.

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

## 3.1 Basis for the preparation of the consolidated financial statements

The present condensed quarterly consolidated financial statements ("the consolidated financial statements") have been prepared in accordance with the requirements of IAS 34 "Interim Reporting", as well as the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (Journal of Laws No. 33, item 259) ("the Decree"), and present the Group's financial position as at 31 March 2010 and 31 December 2009, the results of its operations for the period of 3 months ended 31 March 2010 and 31 March 2009, as well as cash flows for the period of 3 months ended 31 March 2010 and 31 March 2009.

The financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements we were aware of no circumstances indicating a threat to the Group's going concern.

In accordance with § 83 par. 1 of the Decree, the present financial statements include quarterly financial information of the Holding Company, containing: the separate statement of financial position, the separate statement of comprehensive income, the separate cash flow statement and the separate statement of changes in shareholders' equity.

The present financial statements are to be read along with the audited annual consolidated financial statements of the Kofola S.A. Group prepared in accordance with International Financial Reporting Standards (IFRS), containing notes ("the consolidated financial statements prepared in accordance with IFRS") for the year ended 31 December 2009.

The consolidated financial statements consist of the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement, and selected notes.

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

<u>New standards, changes in accounting standards and interpretations binding as at 1 January 2010</u>

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 profit and loss account 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 profit and loss account.

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 profit and loss account.

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 period of 3 months ended 31 March 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.

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

### 3.2 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.

### 3.3 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 profit and loss account under:

- other operating revenue and costs – for trading operations,
- financial revenue or costs – 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.

The following rates were used in the balance sheet valuation:

| Currency rates at the end of period | **31.3.2010** | **31.12.2009** | **31.3.2009** |
|---|---|---|---|
| PLN/USD | 2,8720 | 2,8503 | 3,5416 |
| PLN/EUR | 3,8622 | 4,1082 | 4,7013 |
| PLN/RUB | 0,0973 | 0,0950 | 0,1046 |
| PLN/CZK | 0,1517 | 0,1554 | 0,1708 |

| Average currency rates, calculated as arithmetical mean of currencies on last day of each month in period | **31.3.2010** | **31.12.2009** | **31.3.2009** |
|---|---|---|---|
| PLN/USD | 2,9018 | 3,1236 | 3,5578 |
| PLN/EUR | 3,9669 | 4,3406 | 4,5994 |
| PLN/RUB | 0,0968 | 0,0982 | 0,1017 |
| PLN/CZK | 0,1532 | 0,1639 | 0,1654 |

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 "Currency differences from translation of foreign subsidiaries" item of the cash flow statement.

### 3.4 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.

### 3.5 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 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 3 months ended 31 March 2009, with the exception of the following presentation changes and the effect of the final settlement of the merger of the KOFOLA and HOOP Groups, whose effect on the gross result amounted to -544 thousand PLN:

*Consolidated profit and loss account*

| | 31.3.2009 | | |
|---|---|---|---|
| | published financial statements | comparatives | change |
| Revenue | 314 477 | 305 629 | (8 848) |
| Cost of products and services sold | (203 139) | (204 367) | (1 228) |
| Selling, marketing and distribution costs | (81 856) | (74 339) | 7 517 |
| Administrative costs | (23 193) | (21 465) | 1 728 |
| Other operating expenses | (3 677) | (3 108) | 569 |
| Financial income | 326 | 44 | (282) |

The sales revenue reducing adjustment relates primarily to bonuses and rebates granted to customers in the amount of -9 028 thousand PLN. The bonuses and rebates granted to customers in the form of cost invoices for marketing services, irrespective of the transaction's legal content, are currently listed in accordance with the economic substance of the transaction as a reduction in sales revenue, whilst in previous years they had been charged to sales costs. In the comparative period an adjustment of 4 349 thousand PLN was made to sales revenue, resulting in a correct presentation of sales revenue and revenue from the sale of goods for resale and raw materials.

Foreign exchange differences relating to transactions associated with operating activities (282 thousand PLN) have been transferred from financial revenue to sales revenue (increase by 180 thousand PLN) and costs of goods sold (decrease by 102 thousand PLN), and the value of provisions for doubtful debts has been listed under sales costs (increase by 521 thousand PLN), rather than as before under other operating costs. A portion of the costs of wages of employees involved in products and sales, listed in previous years under general administrative costs, is currently presented in the costs of goods sold (744 thousand PLN) and sales costs (984 thousand PLN). A revaluation write on goods for resale, amounting to 48 thousand PLN, was transferred from other operating costs to the costs of goods sold.

*Consolidated balance sheet*

To standardize the presentation of equity items, at the start of the reporting period the Group reclassified as reserve capital a portion of the result designated for the coverage of losses in the amount of 8 117 thousand PLN, previously presented (in accordance with local regulations applicable to some of the Group companies) under retained earnings.

In the financial statements for the comparative period, the value of provisions for unused annual leave, amounting to 3 034 thousand PLN, is presented under Cost provisions, whilst in previous years they had been recognized partly under Trade payables and partly under Other liabilities. Adjustments to receivables and inventory associated with correcting invoices issued in previous periods and listed as additions to inventory (522 thousand PLN) and decreases in the value of receivables (4 322 thousand PLN) were presented in the financial statements for the comparative period under trade payables and other payables.

*Consolidated cash flow statement*

In its consolidated financial statements for the current and comparative period the Group listed separately under operating activities its foreign exchange gains/losses, as well as the foreign exchange differences on the valuation of foreign entities.

In addition to the changes in the presentation of comparatives for the period of three months ended 31 March 2009 an adjustment has been recognized arising out of the final settlement of the merger of the KOFOLA Group and HOOP Group, presented in note 4.15, whose total effect on the gross result for the three months ended 31 March 2009 compared to published data amounted to -544 thousand PLN.

### 3.6 Correction of error

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

### 3.7 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 March 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.

### 3.8 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 March 2010 may be changed in the future. The main estimates pertain to the following matters:

- revaluation write downs on trade receivables and inventory,
- income tax,
- employee benefits and share-based payments,
- provisions,
- the economic useful lives of tangible and intangible fixed assets.

### 3.9 Approval of financial statements

The Board of Directors approved the present consolidated financial statements for publication on 12th of May 2010.

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

## 4.1 Information about 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 sales made by distribution companies, sales of the R20 and Nescafe Xpress energy drinks, 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.

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 this data in the financial statements.

Reporting segment results for the period of three months ended 31 March 2010 and 31 March 2009:

**Operating segments**

| 1.1.2010 - 31.3.2010 | Carbonated beverages | Non-Carbonated beverages | Mineral waters | Syrups | Low alcohol drinks | Other | Total |
|---|---|---|---|---|---|---|---|
| **Revenue** | 109 567 | 28 436 | 38 492 | 31 356 | 14 851 | 9 993 | 232 695 |
| Sales to external customers | 109 567 | 28 436 | 38 492 | 31 356 | 14 851 | 9 993 | 232 695 |
| **Operating expenses** | (101 608) | (33 032) | (38 726) | (27 431) | (16 037) | (10 798) | (227 633) |
| **Operating result** | **7 959** | **(4 595)** | **(234)** | **3 925** | **(1 186)** | **(806)** | **5 062** |
| Financial income | | | | | | | 2 619 |
| Financial expense | | | | | | | (5 583) |
| Profit before tax | | | | | | | 2 098 |
| Income tax | | | | | | | (661) |
| **Net profit** | | | | | | | **1 437** |

| 1.1.2009 - 31.3.2009 | Carbonated beverages | Non-Carbonated beverages | Mineral waters | Syrups | Low alcohol drinks | Other | Total |
|---|---|---|---|---|---|---|---|
| **Revenue** | 117 873 | 38 749 | 38 392 | 30 990 | 49 981 | 29 644 | 305 629 |
| Sales to external customers | 117 873 | 38 749 | 38 392 | 30 990 | 49 981 | 29 644 | 305 629 |
| **Operating expenses** | (110 216) | (40 922) | (36 404) | (30 272) | (51 069) | (31 485) | (300 368) |
| **Operating result** | **7 657** | **(2 173)** | **1 988** | **718** | **(1 088)** | **(1 841)** | **5 261** |
| Financial income | | | | | | | 97 |
| Financial expense | | | | | | | (20 683) |
| Profit before tax | | | | | | | (15 325) |
| Income tax | | | | | | | 370 |
| **Net loss** | | | | | | | **(14 955)** |

### 4.2 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 - 31.3.2010 | Poland | Czech Republic | Russia | Slovakia | Other | Total |
|---|---|---|---|---|---|---|
| **Revenue** | 95 509 | 74 175 | 22 840 | 40 170 | - | 232 695 |
| Sales to external customers | 95 509 | 74 175 | 22 840 | 40 170 | - | 232 695 |
| **Operating expenses** | (94 108) | (69 935) | (24 664) | (38 919) | (7) | (227 633) |
| **Operating result** | **1 401** | **4 240** | **(1 824)** | **1 252** | **(7)** | **5 062** |
| Financial income | 2 461 | 142 | 16 | 0 | - | 2 619 |
| Financial expense | (3 511) | (1 426) | (48) | (598) | - | (5 583) |
| Profit before tax | 351 | 2 955 | (1 856) | 654 | (7) | 2 098 |
| Income tax | 503 | (627) | (295) | (241) | - | (661) |
| **Net profit** | **854** | **2 328** | **(2 151)** | **413** | **(7)** | **1 437** |
| **Assets and liabilities** | | | | | | |
| Segment assets | 629 635 | 375 038 | 89 519 | 207 612 | 224 | 1 302 029 |
| **Total assets** | **629 635** | **375 038** | **89 519** | **207 612** | **224** | **1 302 029** |
| Segment liabilities | 313 012 | 250 311 | 17 304 | 154 095 | 373 | 735 095 |
| Equity | | | | | | 566 934 |
| **Total liabilities and equity** | | | | | | **1 302 029** |
| **Other information concerning segment** | | | | | | |
| Investment expenditure : tangibles and intangibles | 1 321 | 2 960 | 1 635 | 793 | - | 6 709 |
| Depreciation and amortization | 5 650 | 7 648 | 2 565 | 3 776 | - | 19 640 |

| 1.1.2009 - 31.3.2009 | Poland | Czech Republic | Russia | Slovakia | Other | Total |
|---|---|---|---|---|---|---|
| **Revenue** | 111 067 | 87 848 | 60 528 | 46 187 | - | 305 629 |
| Sales to external customers | 111 067 | 87 848 | 60 528 | 46 187 | - | 305 629 |
| **Operating expenses** | (117 298) | (81 912) | (60 330) | (40 775) | (53) | (300 368) |
| **Operating result** | **(6 231)** | **5 936** | **198** | **5 412** | **(53)** | **5 261** |
| Financial income | 80 | 16 | 0 | 0 | 0 | 97 |
| Financial expense | (14 820) | (3 622) | - | (2 240) | (2) | (20 683) |
| Profit before tax | (20 970) | 2 330 | 198 | 3 172 | (54) | (15 325) |
| Income tax | 1 465 | (932) | (49) | (114) | - | 370 |
| **Net profit** | **(19 505)** | **1 398** | **149** | **3 058** | **(54)** | **(14 955)** |
| **Assets and liabilities** | | | | | | |
| Segment assets | 768 781 | 424 837 | 98 172 | 238 611 | 2 894 | 1 533 295 |
| **Total assets** | **768 781** | **424 837** | **98 172** | **238 611** | **2 894** | **1 533 295** |
| Segment liabilities | 449 166 | 334 253 | 34 502 | 188 104 | 764 | 1 006 788 |
| Equity | | | | | | 526 507 |
| **Total liabilities and equity** | | | | | | **1 533 295** |
| **Other information concerning segment** | | | | | | |
| Investment expenditure : tangibles and intangibles | 2 589 | 3 335 | 229 | 24 737 | - | 30 890 |
| Depreciation and amortization | 8 957 | 10 807 | 2 575 | 4 938 | 8 | 27 285 |

**Products**

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

**MARKI GRUPY KOFOLA**

| | |
|---|---|
| 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 |
| ICE COFFEE | Nescafé Xpress |
| ICE TEA | Pickwick Just Tea |
| ENERGY DRINKS | R20 |
| LOW ALCOHOL BEVERAGES (Russia) | Hooch, Dieviatka, Tiamo Tanto |

In 2010 the Group's assortment of beverages was broadened to include the Pickwick Just Tea frozen 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. 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 $2^{nd}$ and $3^{rd}$ quarter of the year. This is caused by increased drink consumption in the spring and summer months. In the years ended 31 December 2009 and 2008, approximately 21% of revenue from the sale of finished products and services was earned in the $1^{st}$ quarter, with 28% (29% in 2008), 27% and 24% (23% in 2008) of total annual revenues earned in the $2^{nd}$, $3^{rd}$ and $4^{th}$ quarters, respectively – including the revenues of the HOOP S.A. Group until the merger in 2008. The Management is expecting similar seasonality in the year 2010.

## 4.3 Expenses by type

| | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Depreciation of fixed assets and intangible assets | 19 640 | 27 285 |
| Employee benefits costs | 42 673 | 45 081 |
| Consumption of materials and energy | 112 559 | 154 303 |
| Services | 38 650 | 55 144 |
| Taxes and fees | 3 321 | 3 067 |
| Property and life insurance | 829 | 760 |
| Costs of development work | - | - |
| Other costs, including: | 6 848 | 4 783 |
| - change in revaluation write-off of inventory | (232) | 65 |
| - change in revaluation write-off of receivables | 746 | (491) |
| - other operating costs | 6 334 | 5 208 |
| **Total expenses by type** | **224 520** | **290 423** |
| Change in the balance of products, production in progress, prepayments and accruals | (6 857) | (7 441) |
| Cost of manufacturing products for the entity's proprietary needs | - | (1 165) |
| **Reconciliation of expenses by type to expenses by function** | **217 663** | **281 817** |
| Costs of sales, marketing and distribution | 74 381 | 74 339 |
| Administrative costs | 16 600 | 21 465 |
| Cost of products sold | 126 682 | 186 013 |
| **Total costs of product sold, merchandise and materials, sales costs and overhead costs** | **217 663** | **281 817** |

**Costs of employee benefits**

| | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Cost of salary | 34 021 | 36 857 |
| Social security and other benefits costs | 8 652 | 8 224 |
| Reserves costs for pension, jubilee award and other employee benefit | - | - |
| **Total costs of employee benefits** | **42 673** | **45 081** |

## 4.4 Financial income

| | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Financial interest income from: | | |
| - bank deposits | 28 | 32 |
| - credits and loans granted | 87 | - |
| - interest on receivables | 13 | 38 |
| Net financial income from realized FX differences | 1 749 | - |
| Other financial income | 742 | 27 |
| **Total financial income** | **2 619** | **97** |

## 4.5 Financial expense

| | 1.1.2010- 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Financial interest expense from: | | |
| - credits and financial leases | 4 137 | 6 325 |
| Net financial losses from realized FX differences | 32 | 14 125 |
| Bank costs and charges | 1 133 | - |
| Other financial expense | 281 | 233 |
| **Total financial expense** | **5 583** | **20 683** |

### 4.6 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 | (256) | (6) | (3) | - | - | (193) |
| Increase due to creation | 2 370 | 22 | - | - | - | 2 913 |
| Decrease due to release and use | (1 624) | (253) | (1 500) | - | - | (5 504) |
| **As at 31.3.2010** | **22 280** | **7 588** | **24 674** | **196** | **10 083** | **29 023** |

### 4.7 Dividends paid and declared

| | **1.1.2010-31.3.2010** | **1.1.2009 - 31.3.2009** |
|---|---|---|
| Dividends declared in the given period | - | - |
| Dividends on common shares: | - | - |
| paid out in the given period | - | - |
| **Dividends paid and declared** | **-** | **-** |

### 4.8 Income tax

Main tax elements for the period of three months ended 31 March 2010 and for the period of three months ended 31 March 2009:

| | **1.1.2010 -31.3.2010** | **1.1.2009 - 31.3.2009** |
|---|---|---|
| **Profit and loss** | | |
| **Current income tax** | **955** | **603** |
| Current Income tax charge | 880 | 603 |
| Adjustments of current income tax from previous years | 75 | - |
| **Deferred income tax** | **(294)** | **(973)** |
| Related with arising and reversing of temporary differences | (95) | (973) |
| Related with tax losses | (199) | - |
| **Income tax charge recorded in consolidated profit and loss** | **661** | **(370)** |
| | | |
| **Statements of changes in equity** | | |
| **Current income tax** | - | - |
| Tax effect of changes in share capital | - | - |
| **Deferred income tax** | **(310)** | **349** |
| Tax from Fair value gains on available-for-sale financial assets | (310) | 349 |
| **Tax benefit / tax burdens shown in equity** | **(310)** | **349** |

### 4.9 Discontinued operations

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

### 4.10 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:

| | **1.1.2010-31.3.2010** | **1.1.2009 - 31.3.2009** |
|---|---|---|
| Net profit/(loss) assigned to the shareholders of the parent company | 2 261 | (15 077) |

| | 1.1.2010-31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Weighted average number of issued common shares used to calculate the regular earnings per share ratio | 26 172 602 | 26 171 918 |
| Impact of dilution: | | |
| Subscription warrants | 150 712 | - |
| Adjusted weighted average number of common shares used to calculate diluted earnings per share | 26 323 314 | 26 171 918 |

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:

| | 1.1.2010-31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Net profit/(loss) assigned to the shareholders of the parent company | 2 261 | (15 077) |
| Weighted average number of issued common shares | 26 172 602 | 26 171 918 |
| **Regular earnings per share** (PLN/share) | 0,0864 | (0,5761) |

| | 1.1.2010-31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Net profit/(loss) assigned to the shareholders of the parent company, used to calculate diluted earnings per share | 2 261 | (15 077) |
| Adjusted weighted average number of common shares used to calculate diluted earnings per share | 26 323 314 | 26 171 918 |
| **Diluted earnings per share** (PLN/share) | 0,0859 | (0,5761) |

### 4.11 Tangible fixed assets

In the reporting period of three months ended 31 March 2010 the companies of the KOFOLA S.A. Group incurred 6 405 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.

### 4.12 Intangible fixed assets

In the reporting period of three months ended 31 March 2010 the companies of the W KOFOLA S.A. Group incurred 304 thousand PLN in expenses to increase the value of intangible fixed assets.

The goodwill item consists of the goodwill created on the merger with the Hoop Group, as well as the goodwill relating to the company KLIMO s.r.o. The change in the value of goodwill compared to the comparative period is solely the result of taking into account the foreign exchange differences on the recalculation of the goodwill of KLIMO s.r.o.

The value of trademarks consists of, among others, the value of the following trademarks: Kofola, Vinea, Arctic, Hoop, R20, Paola and Hoopers Hooch.

### 4.13 Business combination

On 30 May 2008 the Hoop S.A. Group merged with the Kofola SPV Sp. z o.o. Group. The merged entity adopted the name Kofola-Hoop S.A., presently KOFOLA S.A. As a result of the merger, the share capital of KOFOLA S.A. was raised by 13 083 342 PLN to 26 171 918 PLN, through the issue of 13 083 342 ordinary F series shares with a nominal value of 1 PLN per share.

From a legal standpoint the acquirer was the entity that issued equity instruments – HOOP S.A. However, in accordance with International Financial Reporting Standards (IFRS 3) the primary criteria for deciding which of the entities is the acquirer is its ability to direct the other entity’s financial and operating policies. As a result of the above-described business combination, the existing shareholders of Kofola SPV Sp. z o.o. hold the majority of votes in the combined entity’s governing organs and have the actual ability to direct its financial and operating policies. This means that the transaction constituted a reverse acquisition, as in accordance with IFRS 3, the acquirer is the entity that from a legal standpoint was the acquiree, i.e. Kofola SPV Sp. z o.o.

The merger of the HOOP S.A. Group with the Kofola SPV Sp. z o.o. Group was accounted for using acquisition accounting.

On 30 May 2008 the individual assets and liabilities of the Kofola SPV Sp. z o.o. (legal acquiree) were added, at book values, to the corresponding assets, liabilities and contingent liabilities of the HOOP S.A. Group (legal acquirer) at their fair values determined as at the day of the business combination.

The settlement of the transaction presented in previously published financial statements was temporary in nature due to the still ongoing process of the fair value valuation of tangible fixed assets and trademarks belonging to the HOOP S.A. Group.

The financial statements for the 1st half of 2009 contain the final settlement of the merger and calculation of the goodwill, constituting the excess of the cost of the merger over the fair value of the identifiable assets, liabilities and contingent liabilities. For the purposes of the final settlement, the cost of the merger was determined in accordance with IFRS 3 based on the total fair value of all of the issued capital instruments of the pre-merger legal holding company (share listing of HOOP S.A.), whilst the temporary cost of the merger had been determined based on the value of the HOOP S.A. Group adopted in the merger plan.

The final settlement of the merger changed the comparatives in these financial statements compared to those published previously. The below table shows the effect of the final settlement on previously published comparatives:

| | 31.03.2009 | |
|---|---|---|
| | published financial statements | presented as comparatives |
| Net assets allocated to the shareholders of the holding company | 663 602 | 479 712 |
| Net profit/loss allocated to the shareholders of the holding company | (14 854) | (15 077) |

### 4.14 Shares and interests in subsidiaries and financial assets available for sale

**Financial assets available for sale**

| | 31.3.2010 | 31.12.2009 |
|---|---|---|
| Shares of the company BOMI | 9 455 | 11 522 |

Shares of BOMI are traded on the Warsaw Stock Exchange. In accordance to 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 are valued based on stock exchange quotes.

In the reporting quarter KOFOLA S.A sold 298 834 of its 929 200 shares of BOMI. After commission, the income from this transaction amounted to 4 447 thousand PLN.

The remaining shares of BOMI were sold in April 2010 – see subsequent events.

### 4.15 Assets (group of assets) held for sale

Assets (groups of assets) held for sale in the amount of 15 774 thousand PLN include the fixed assets of the subsidiary Hoop Polska Sp. z o.o. with a balance sheet value of 14 795 thousand PLN (fixed assets from a plant in Tychy) as well as the Tetrapack production line belonging to the subsidiary Kofola Sp. z o.o. with a book value of 979 thousand PLN.

In accordance with IFRS 5 the entity classifies a fixed asset (or groups 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 above listed fixed assets with a value of 15 774 thousand PLN as at the balance sheet date were available for immediate sale.

### 4.16 Credits and loans

As at 31 March 2010 the Group's total credit and loan debt amounts to 323 780 thousand PLN after decreasing by 13 858 thousand PLN compared to the end of the year 2009.

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 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), a mortgage 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.

### 4.17 Contingent assets and liabilities

| | Aktywa warunkowe | Zobowiązania warunkowe |
|---|---|---|
| **As at 1.1.2010** | **-** | **628** |
| Increase | - | - |
| Decrease | - | (84) |
| **As at 31.3.2010** | **-** | **544** |

| 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 | 544 T PLN | 544 | till termination of the contract |
| **Total Sureties for Loans or Guarantees Issued** | | | **544** | **ths. PLN** |

### 4.18 Information on transactions with related parties

Presented below are the total amounts of transactions concluded in a given financial year with non-consolidated related parties:

| Revenues from the sale to related companies | 1.1.2010 - 31.3.2010 | |
|---|---|---|
| | revenues on the sale of products and services | revenues on the sale of merchandise and materials |
| - to affiliates | - | - |
| - to other related companies (KSM Investment) | - | - |
| **Total revenues from the sale to related companies** | **-** | **-** |

| Purchases from related companies | 1.1.2010 - 31.3.2010 | |
|---|---|---|
| | purchase of services | purchase of merchandise and materials |
| - from affiliates | 2 989 | 2 |
| - from other related companies (KSM Investment) | - | - |
| **Total purchases from related companies** | **2 989** | **2** |

| Receivables from related companies | 31.3.2010 | 31.12.2009 | 31.3.2009 |
|---|---|---|---|
| - from affiliates | 3 | 3 | 20 |
| - from other related companies (KSM Investment) | 3 433 | 3 507 | - |
| **Total receivables from related companies** | **3 436** | **3 510** | **20** |

| Liabilities towards related companies | 31.3.2010 | 31.12.2009 | 31.3.2009 |
|---|---|---|---|
| - towards affiliates | 1 074 | 957 | 1 155 |
| - towards other related companies (KSM Investment) | 4 830 | 4 948 | 5 438 |
| **Total liabilities towards related companies** | **5 904** | **5 905** | **6 593** |

All transactions with related parties have been concluded on market terms.

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

### 4.19 Significant court cases

KOFOLA S.A. is a party in the bankruptcy proceeding of the entity Fructo-Maj. 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 March 2010 amounted to 5 006 thousand PLN and is presented in the financial statements of KOFOLA S.A. as short-term credit payables due by 31 August 2010, and as receivables from the company Fructo-Maj. As at 31 March 2010 the total value of the receivables from Fructo-Maj relating to the acquired debt is 15 155 thousand PLN, the balance sheet value of this item, after revaluation, is 7 468 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 assets 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.

Except for the matter described above, the companies of the KOFOLA S.A. Group are not involved in any other cases (disputes), which could have a material effect on their financial position.

### 4.20 Subsequent events

Before the publication of the present financial statements KOFOLA S.A sold all of its shares of the company BOMI. After commission, the income from this transaction realized after 31 March 2010 amounted to 9 402 thousand PLN.

On 7 April 2010 Ms. Simona Nováková, Member of the Board of Directors, resigned from the position of Member of the Board of Directors effective 30 April 2010. The Supervisory Board appointed Mr. Bartosz Marczuk to the position of Member of the Board of Directors effective 1 May 2010. The Company informed of the changes in its Management Board in its Current Report No. 6/2010.

## SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

| | | | |
|---|---|---|---|
| **12.05.2010** | **Jannis Samaras** | **Chairman of the Board of Directors** | ................................. |
| *Date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **Bartosz Marczuk** | **Member of the Board of Directors** | ................................. |
| *date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **Martin Mateáš** | **Member of the Board of Directors** | ................................. |
| *date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **René Musila** | **Member of the Board of Directors** | ................................. |
| *date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **Tomáš Jendřejek** | **Member of the Board of Directors** | ................................. |
| *date* | *name and surname* | *position* | *signature* |

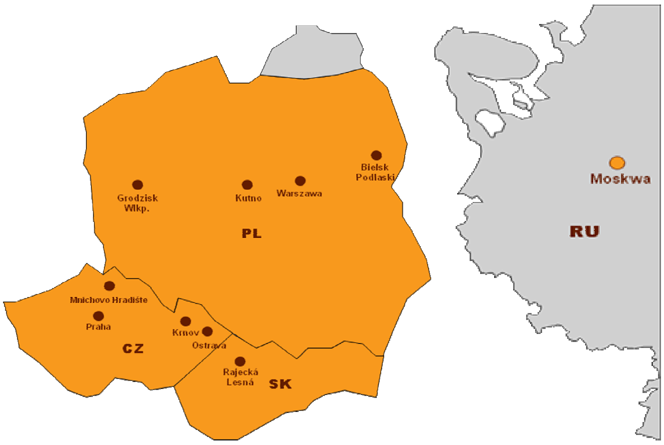
## SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

| | | | |
|---|---|---|---|
| **12.05.2010** | **Katarzyna Balcerowicz** | **Chief Accountant** | ................................. |
| *date* | *name and surname* | *position* | *signature* |

***Document signed on the Polish original.***

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

## 5.1 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 (focusing mostly on the Moscow Region).

**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.



**COMPANIES OF THE KOFOLA GROUP**

**Companies, plants and representative office:**

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

**Distribution companies:**

- **PCD Hoop Sp. z o. o.** – Koszalin (PL)
- **Bobmark Int. Sp. z o. o.** – Warsaw (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 BEST BRANDS**

kofola original

Hoop cola

Vinea

Jupík

Paola

RAJEC Tajemství stromů

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

As at 31st of March 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, Warszawa | holding | acquisition accounting | | |
| 2. | Hoop Polska Sp. z o.o. | Poland, Warszawa | production of mineral water and non-alcoholic beverages | acquisition accounting | 100,00% | 100,00% |
| 3. | Kofola Holding a.s. | Czech Republic, Ostrava | holding | acquisition accounting | 100,00% | 100,00% |
| 4. | Klimo s.r.o. | Czech Republic, Krnov | in liquidation | acquisition accounting | 100,00% | 100,00% |
| 5. | Kofola Zrt. | Hungary, Budapest | in liquidation | acquisition accounting | 100,00% | 100,00% |
| 6. | Kofola a.s. | Slovakia, Rajecká Lesná | production and distribution of non-alcoholic beverages | acquisition accounting | 100,00% | 100,00% |
| 7. | Kofola Sp.z o.o. | Poland, Kutno | rent of production plant | acquisition accounting | 100,00% | 100,00% |
| 8. | Santa-Trans s.r.o. | Czech Republic, Krnov | road cargo transport | acquisition accounting | 100,00% | 100,00% |
| 9. | Santa-Trans.SK s.r.o. | Slovakia, Rajec | road cargo transport | acquisition accounting | 100,00% | 100,00% |
| 10. | Kofola a.s. | Czech Republic, Krnov | production and distribution of non-alcoholic beverages | acquisition accounting | 100,00% | 100,00% |
| 11. | OOO Megapack | Russia, Widnoje | production of mineral water, non-alcoholic and low-alcoholic beverages | acquisition accounting | 50,00% | 50,00% |
| 12. | OOO Trading House Megapack | Russia, Widnoje | distribution of non-alcoholic and low-alcoholic beverages | acquisition accounting | 50,00% | 50,00% |
| 13. | Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. | Poland, Koszalin | wholesale of alcoholic and non-alcoholic beverages | acquisition accounting | 75,00% | 75,00% |
| 14. | Bobmark international Sp. z o.o. | Poland Warszawa | wholesale of alcoholic and non-alcoholic beverages | acquisition accounting | 100,00% | 100,00% |
| 15. | Transport Spedycja Handel Sulich Sp. z o.o. | Poland, Bielsk Podlaski | road cargo transport | equity accounting | 50,00% | 50,00% |

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

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 Zrt. (HU) – a company registered in Hungary, which is in liquidation.
- 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 plant 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.
- Santa-Trans.SK s.r.o. (SK) – a company registered in Slovakia, with main activities consisting of road cargo transport.
- 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 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 is the provision of services consisting of bottling beverages, production of own beverages, including under the HOOP and Arctic trademarks, 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 Managing Director of Megapack is selected by the Shareholders Meeting, with KOFOLA S.A. having the deciding vote in this matter. The Managing Director 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 75% and has 75% of votes at Shareholders Meeting. The activities of PCD HOOP Sp. z o.o. consist of the wholesale of beverages.

The subsidiary **Bobmark International Sp. z o.o.** with its registered office in Warsaw, of which KOFOLA S.A. holds 100%. The activities of Bobmark International Sp. z o.o. consist of the wholesale of beverages.

The co-subsidiary **Transport – Spedycja – Handel - Sulich Sp. z o. o.** with its registered office in Bielsk Podlaski. The company's activities consist of road transport of cargo.

Registered on 31 March 2009 was the merger of the subsidiaries PPWM Woda Grodziska Sp. z o.o. and PAOLA S.A. with the holding company KOFOLA S.A.

On 8 December 2009 KOFOLA S.A disposed of its shares of the subsidiary Maxpol. The activities of Maxpol Sp. z o.o., of which KOFOLA S.A. held 100 %, consisted of the wholesale of beverages. Therefore the data of Maxpol has only been included in the comparatives.

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

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. two credit agreements. 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. 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), a mortgage 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.

In the reporting quarter KOFOLA S.A sold 298 834 of its 929 200 shares of BOMI, traded on the Warsaw Stock Exchange. After commission, the income from this transaction amounted to 4 447 thousand PLN. The remaining shares of BOMI were sold in April 2010 – see subsequent events.

**WE ARE PROUD OF OUR ACHIEVEMENTS**

**2010 awards:**

Kofola's 3rd place in a ranking of 100 most admired Czech companies (second time in a row)

Impactor award for the PR Hoop Cola project (Hoop Cola)

### 5.3 Description of operating results and financial position

Presented below is a description of the financial position and results for the first quarter of 2010 of the Kofola Group. It should be reviewed along with the consolidated financial statements and with other financial information presented in other sections of the present report.

**Summary of operating results in the first quarter of 2010**

When assessing the financial results of the Kofola Group for the first quarter of 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. On the Russian market, the government continued the introduction of activities to limit alcohol consumption by introducing limitations on advertising of alcoholic beverages and raising excise tax on alcohol. Another factor affecting the willingness of consumers to make purchases (not only of beverages) was large amounts of snow fall and freezing temperatures, which discouraged people from leaving their homes, especially in January.

- The drop in **consolidated sales revenues** by 72 934 thousand PLN, or 24 % compared to the first quarter of 2009 was caused primarily by the lower revenues of the Megapack Group (down by 37 687 thousand PLN), lower revenues of Hoop Polska Sp. z o.o. (by 23 029 thousand PLN), the discontinuation of consolidation of the company Maxpol following its sale in the fourth quarter of 2009 (in the first quarter of 2009 the Group recognized 11 434 thousand PLN in Maxpol's revenues), and 9 645 thousand PLN in differences on the exchange rates of the Polish zloty to the Euro and the Czech crown (in the first quarter of 2009 and 2010, respectively) applied to translate the profit and loss accounts of Czech and Slovak entities.
- The 62% drop in **sales revenues in Russia** was the result of several factors: the introduction of limitations on advertising of alcoholic beverages, the increase 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), as well as lower revenues from co-packing services (production commissioned by third parties – to a large extent low-alcohol drinks). As the margins earned on co-packing services are low, the drop in sale of these services had little effect on the operating profit (-1 824 thousand PLN and 198 thousand PLN in the first quarters of 2010 and 2009, respectively). We expect that once the distributors sell out their inventory of low-alcohol drinks (from the fourth quarter of 2009) the volume of sales in this category will be partially rebuilt. For the same reason Megapack should be able to obtain more contracts for commissioned production of low-alcohol beverages.
- The 15 558 thousand PLN drop in **sales in Poland** compared quarter to quarter was caused primarily by a concentration of sales and marketing support on the most perspective brands, as others, unsupported brands suffered. In addition, in the first quarter of 2010 Hoop Polska was finalizing the process of forming a team of sales representatives, who in this period had not yet achieved their target sales effectiveness.
- **On the Czech market** in the current period we recorded a drop in sales by 3,5% in the local currency (by 9% after translating into PLN). We were unable to make up the drop in a traditional channel by raising sales in the modern and restaurant channels. The rise in the restaurant segment was achieved in difficult macro-economic conditions (decreased consumption in this channel). Lower sales were partly the effect of a lack of aggressive pricing promotions, especially in the very competitive cola drink segment, and defending of the margins achieved.
- **On the Slovak market** we were able to increase sales revenues by 4% quarter to quarter in the local currency (which gives a drop by 8% in PLN). In the first quarter of 2010 value of the market went down by 3,9% compared to the first quarter of 2009. The rise in sales is positive in that it was achieved without aggressive pricing promotions, especially on the very competitive cola drink market.
- Despite a drop in consolidated sales of the entire Group from the first quarter of 2009 to the first quarter of 2010, we were able to improve **gross sales profitability** from 33,1% to 41,4%, mainly due to favorable purchase prices on main production materials, focusing sale efforts on the most profitable markets, lower production costs by closing Hoop Polska Sp. z o.o.'s production plant in Tychy in the third quarter of 2009, and reducing employment in production departments in the first quarter of 2010.
- In the current period the percentage of **sales costs** to sales went up by 7,7%. This increase was caused by investments in market development, which should bring results in future periods. In all countries the number of sales representatives increased, which will allow us to reach a greater number of stores and restaurants. The costs of sales grew significantly in Slovakia as a result of starting up in October 2009 the direct distribution to end users (which involved the start up of four local distribution centers and increased logistics costs). In Russia we started the construction of distribution outside of the Moscow region. At the end of the first quarter we were able to start sales in the Omsk region.
- In the current period the Kofola Group reduced its **general administrative costs** by 4 865 thousand PLN; this was possible as a result of reducing employment and wages in the administration of Megapack by 1 814 thousand PLN, and reducing administrative costs to a lesser extent in all countries.

- In the current period we were able to achieve a rise in **operating profitability** (EBIT) from 1,7% in the first quarter of 2009 to 2,2% in the first quarter of 2010, where the operating profit in the first quarter of 2010 amounted to 5 062 thousand PLN compared to 5 621 thousand PLN in the first quarter of 2009.
- The 7 645 thousand PLN change in depreciation in the compared periods was caused by standardizing depreciates rates within the Group, with the change not being recognized until the results of the fourth quarter of 2009, as a result of which the depreciation for the first quarter of 2009 is by approximately 3 800 thousand PLN higher.
- In both of the compared quarters the Group was able to generate the same **EBITDA profitability** of 10,6%. In values it 24 702 thousand PLN in the first quarter of 2010 compared to 32 546 thousand PLN in the first quarter of 2009.
- In the comparative period the **profitability of the syrup segment** improved considerably due primarily to lower prices of sugar and the closing in 2009 of one of the three production lines used in the production of syrups. The result of non-carbonated beverages is down due mainly to a drop in the volume of sales and a rise in the cost of sales in Russia associated with promoting this category of beverages.
- Due to positive trends on the foreign currency market and better currency risk management, the Group was able to reduce its **financial costs** from 20 683 thousand PLN to 5 583 thousand PLN. In the current period the Group recognized 1 749 thousand PLN in foreign exchange gains compared to 14 125 thousand PLN in foreign exchange losses in the same period of the previous year.
- Compared to the end of 2009 the Group's companies were able to repay 21 419 thousand PLN of **financial liabilities;** however the net debt went up by 14 699 thousand PLN due to a decrease in cash and cash equivalents by 36 119 thousand PLN.
- The **results for the current period** were significantly affected by changes in the rates adopted for the purposes of the balance sheet valuation of foreign entities (5,9% strengthening of the average exchange rate of the Polish zloty to the Czech crown and an 11,8% strengthening of the Polish zloty to the Euro in the first quarter of 2010 compared to the same period of the previous year).
- Compared to the same quarter of 2009 in the first quarter of 2010 we were able to reduce our **inventories** by as much as 35 175 thousand PLN and **receivables** by 65 285 thousand PLN. Trade and other **payables** were also reduced by 106 617 thousand PLN.
- In the first half of 2010 we introduced several **new products** to the market: the Pickwick Just Tea frozen teas, the Snipp fruit juices and drinks, new Rajec flavored waters and Rajec water with oxygen, the well-known carbonated beverage Orangina, and continued to introduce to the market the Jupik Shake children's drink.
- On 24 March the Kofola Group began its celebration of the **50th anniversary of the Kofola brand** on the Czech and Slovak market. In connection with this anniversary we have planned a series of marketing and public relations events, which should translate into a further rise in awareness of the brand among Czechs and Slovaks, and bring about an increase in sales on those markets.

Given the current macroeconomic conditions, market trends and events, our assessment of the first quarter is positive, because despite a drop in consolidated sales the Group was able to improve the profitability of its operations. We believe that investments in sales structures, the widening of distribution and the development of new sale channels will bring good results in the coming quarters. We also expect a rise in sales from the newly introduced products, as well as a rise in the sale of the Kofola drink as a result of the "50th anniversary of the Kofola brand" campaign.

**INCOME STATEMENT**

***The three month period ended 31 March 2010 compared to the three month period ended 31 March 2009***

| Selected financial highlights | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 | Change 2010/2009 | Change 2010/2009 (%) |
|---|---|---|---|---|
| Revenue | 232 695 | 305 629 | (72 934) | (24%) |
| Cost of sales | (136 328) | (204 367) | 68 039 | (33%) |
| Gross profit | 96 367 | 101 262 | (4 895) | (5%) |
| Selling, marketing and distribution costs | (74 381) | (74 339) | (42) | 0% |
| Administrative costs | (16 600) | (21 465) | 4 865 | (23%) |
| Operating result | 5 062 | 5 261 | (199) | (4%) |
| EBITDA | 24 702 | 32 546 | (7 844) | (24%) |
| Financial expense, net | (2 964) | (20 586) | 17 622 | (86%) |
| Income tax | (661) | 370 | (1 031) | (279%) |
| Net profit/(loss) for the period | 1 437 | (14 955) | 16 392 | (110%) |

| | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Earnings per share | 0,0864 | (0,5761) |
| Net profitability | 1,0% | (4,9%) |
| Profitability EBIT % | 2,2% | 1,7% |
| Profitability EBITDA % | 10,6% | 10,6% |

***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 3 month period ended 31 March 2010 amounted to 232 695 thousand PLN, which constitutes a drop of 24% compared to the same period of the previous year. Revenue from the sale of finished products amounted to 222 021 thousand PLN, which constitutes 95% of total revenues. The drop in the Group's revenues in the 3 month period ended 31 March 2010 compared to the 3 month period ended 31 March 2009 was caused primarily by: lower (by 37 687 thousand PLN) revenues of the Megapack Group, the sale of the company Maxpol Sp. z o.o. in December 2009 (in the 1st quarter of 2009 the company's revenue amounted to 11 434 thousand PLN after excluding intra-group transactions), lower revenues of the company Hoop Polska Sp. z o.o. (decrease by 19 895 thousand PLN excluding intra-group transactions), and a change in the exchange rates used to translate the financial statements of foreign entities (effect of approx. 9 645 thousand PLN).

The activities of the KOFOLA S.A. Group concentrate on five market segments: carbonated beverages, non-carbonated beverages, mineral water, syrups and low-alcohol drinks. Together these segments account for around 95% of the Group's sales revenues. The revenue structure has not changed considerably compared to the same period of last year. The largest among the revenues of 3 month period ended 31 March 2010 was the sale of carbonated beverages, as was the case in the comparative period (47% and 39% of revenues in the 3 month periods ended 31 March 2010 and 31 March 2009). In the reporting period the greatest drop was recorded in the low-alcohol drinks segment in Russia (16% and 6% of revenues in the 3 month periods ended 31 March 2010 and 31 March 2009).

*Net revenues of the Group's most significant entities*

| Net revenues from the sales of products, services, goods and materials * | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 | Change | % Change |
|---|---|---|---|---|
| Hoop Polska Sp. z o.o. | 91 970 | 114 999 | (23 029) | (20%) |
| Kofola a.s. (CZ) | 76 330 | 84 066 | (7 736) | (9%) |
| Kofola a.s. (SK) | 47 597 | 51 809 | (4 212) | (8%) |
| Megapack Group | 22 841 | 60 528 | (37 687) | (62%) |

** Standalone data without consolidation adjustments*

The revenues realized in the 3 month period ended 31 March 2010 by the company HOOP Polska were by 20% lower than in the comparative period. This decrease was caused by a change in the business model and the company's withdrawal from the sale of less perspective brands. In 2010 the enlarged sales department is focusing on reaching more points of retail sale and rebuilding its market share. The weather conditions in January 2010 were also of significance.

The revenues of Kofola a.s. (CZ) realized for the 3 month period ended 31 March 2010 were by 3,5% lower than in the comparative period in the local currency (a drop of 9% after translation into PLN). This drop, lower than the drop on the market, was caused by decreased demand and a one-off sale of materials in the 1st quarter of 2009. The revenues of Kofola a.s. (SK) realized for the 3 month period ended 31 March 2010 were higher than in the comparative period by 4% in the local currency (a drop of 8% after translation into PLN), which allowed it to increase its market share.

In the 3 month period ended 31 March 2010 the Megapack Group decreased the value of its sales revenue by 62% compared to the same period of the year 2009. The main reason for the drop 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 goods sold*

In the 3 month period ended 31 March 2010 the Kofola Group's consolidated costs of goods sold decreased by 68 039 thousand PLN, or 33%, to 136 328 thousand PLN from 204 367 thousand PLN in the same period of 2009. The decrease in the Group's cost of goods sold was caused primarily by lower consumption of production products caused by a drop in sales revenues, as well as the Group's ability to get better prices on main production materials due to the scale effect arising out of centralizing purchasing at the Group, as well as the strengthening of the Polish zloty and the Czech crown with respect to the Euro.

In the 3 month period ended 31 March 2010 the consolidated costs of goods sold went down to 58,6 % of net sales revenues, compared to 66,9% in the same period of the year 2009.

*Selling, marketing and distribution costs*

In the three month period ended 31 March 2010 the Group's consolidated sales costs increased by 42 thousand PLN, i.e. by 0,1% to 74 381 thousand PLN from 74 339 thousand PLN in the same period of 2009.

In percentages, in the three month period ended 31 March 2010 our sales costs increased to 32,0% of net sales revenues, compared to 24,3% in the same period of 2009. This means a rise in the share of sales costs by 7,7 percentage points. This increase pertained primarily to the company Kofola a.s. (SK) further to the introduction of direct distribution (increase in transport and storage costs), as well as other production companies from the Group, which have increased their sales forces.

The above described rise in logistics costs in Slovakia was caused by the start up of direct distribution and transport of products directly to smaller stores, pubs and restaurants, which in the long-term will make it possible to reclaim the margin that was previously handed over to distributors.

*Administrative costs*

In the three month period ended 31 March 2010 the consolidated administrative costs went down by 4 865 thousand PLN, i.e. by 23% to 16 600 thousand PLN from 21 465 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 decrease in services purchased from third parties and a reduction in employment and wages at the Megapack Group.

In percentages, in the three month period ended 31 March 2010 the consolidated administrative costs reached 7,1 % of net sales revenues, compared to 7,0 % in the same period of 2009. This means an actual rise in general administrative costs by 0,1 percentage points.

*Operating profit*

Operating profit is down by 199 thousand PLN, i.e. by 4 % to 5 062 thousand PLN in the three month period ended 31 March 2010 from 5 261 thousand PLN in the same period of 2009. This decrease was caused primarily by a lower gross sales profit with comparable values of sales costs and lower than in the year 2009 administrative costs.

In the year 2009 the Management analyzed the depreciation rates used at the Group in order to better standardize them. A detailed analysis was performed of the expected useful lives of the main asset groups. As a result of these two changes, depreciation in the first quarter of 2010 is by around 3 800 thousand PLN lower than what it would amount it had the previous depreciation rates and periods been applied to the main asset groups.

In the three month period ended 31 March 2010 our profit margin on operating activities increased to 2,2 % from 1,7% in the same period of 2009.

*EBITDA*

EBITDA, calculated as the operating profit plus depreciation for a given period, fell from 32 546 thousand PLN in the three month period ended 31 March 2009 to 24 702 thousand PLN, i.e. by 7 844 thousand PLN (by 24 %) in the three month period ended 31 March 2010. The decrease in the 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 3 490 thousand PLN due to higher sales costs) and at the Megapack Group (decline in EBITDA by 1 800 thousand PLN).

The EBITDA margin remained unchanged in both the analyzed periods and amounted to 10,6%.

*Net financial expenses*

In the three month period ended 31 March 2010 the Group recorded net financial expenses of 2 964 thousand PLN compared to 20 586 thousand PLN in the same period of 2009. The financial expenses of the KOFOLA S.A. Group decreased in this period due primarily to a decline in the financial costs of the Kofola Holding a.s. Group by 12 193 thousand PLN from 15 709 thousand PLN in the three month period ended 31 March 2009 to 3 516 thousand PLN in the same period of 2010. The drop in the Group's financial costs is caused primarily be a decline in foreign exchange losses due to a decreased exposure to currency risk (repayment of a portion of credits denominated in EUR), and due to the strengthening of the exchange rates of PLN and CZK to EUR. A large portion of foreign exchange losses in the first quarter of 2009 related to unrealized foreign exchange differences arising primarily out of a valuation of loans, credits and leases denominated in EUR.

*Income tax*

In the three month period ended 31 March 2010 we recorded income tax in the amount of 661 thousand PLN compared to -370 thousand PLN in the same period of 2009. The rise in income tax is caused by an increase in gross profit and a decrease in deferred income tax assets.

*Net profit for the period*

The consolidated net profit for the three month period ended 31 March 2010 amounted to 1 437 thousand PLN, of which 2 261 thousand PLN corresponds to the holding company's shareholders, compared to a loss of -14 955 thousand PLN in the same period of 2009, of which -15 077 thousand PLN corresponded to the shareholders of the holding company. This increase was caused primarily by lower financial expenses in the period of three months ended 31 March 2010. The results for the reporting period were also positively affected by the standardization of depreciation rates at the Group, and the effective cost management processes implemented at all of the Group's companies.

**BALANCE SHEET**

| **Selected financial highlights** | **31.3.2010** | **31.12.2009** | **31.3.2009** | **Change from 12.2009 (%)** | **Change from 3.2009 (%)** |
|---|---|---|---|---|---|
| **Total assets** | **1 302 029** | **1 391 809** | **1 533 295** | **(6%)** | **(15%)** |
| Fixed assets, out of which: | 916 215 | 946 812 | 1 038 712 | (3%) | (12%) |
| *Tangible fixed assets* | *550 782* | *574 576* | *659 192* | *(4%)* | *(16%)* |
| *Intangible fixed assets* | *220 805* | *223 536* | *232 875* | *(1%)* | *(5%)* |
| *Goodwill* | *111 487* | *111 693* | *111 760* | *0%* | *0%* |
| *Financial assets available for sale* | 9 455 | *11 522* | 7 828 | (18%) | 21% |
| Current assets, out of which: | 384 835 | 444 998 | 494 583 | (14%) | (22%) |
| *Inventories* | *115 948* | *107 840* | *151 123* | *8%* | *(23%)* |
| *Trade receivables and other receivables* | *232 654* | *266 408* | *297 939* | *(13%)* | *(22%)* |
| *Cash and cash equivalents* | *14 385* | *50 503* | *36 913* | *(72%)* | *(61%)* |
| **Total equity and liabilities** | **1 302 029** | **1 391 809** | **1 533 295** | **(6%)** | **(15%)** |
| Equity assigned to the shareholders of the parent company | 523 996 | 526 210 | 479 712 | 0% | 9% |
| Non-controlling capital | 42 938 | 42 882 | 46 795 | 0% | (8%) |
| Total equity | 566 934 | 569 092 | 526 507 | 0% | 8% |
| Long-term liabilities | 297 283 | 200 179 | 274 788 | 49% | 8% |
| Short-term liabilities | 437 812 | 622 538 | 732 000 | (30%) | (0%) |

| | **31.3.2010** | **31.12.2009** | **31.3.2009** |
|---|---|---|---|
| Current ratio | 0,88 | 0,71 | 0,68 |
| Quick ratio | 0,61 | 0,54 | 0,47 |
| Total debt ratio | 56% | 59% | 66% |
| Net debt | 359 901 | 345 202 | 479 267 |
| Net debt /EBITDA | 1,8 | 1,7 | 2,8** |

***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*

* based on annualized value of EBITDA

** including EBITDA of Hoop Group for the months of April-May 2008

***Assets***

At the end of March 2010 the Group's fixed assets equaled 916 215 thousand PLN. Compared to 31 December 2009 the value of fixed assets decreased by 30 596 thousand PLN (3%). The greatest decrease was recorded in tangible and intangible fixed assets, whose value went down by 23 793 thousand PLN, or 4 %, compared to December 2009. 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, and a change in the exchange rate used in the balance sheet valuation of foreign entities, which is responsible for 12 287 thousand PLN of the change in the value of assets. Fixed assets account for 70% of total assets (at the end of 2009: 68 %).

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.

Financial assets available for resale, totaling 9 455 thousand PLN, consist of shares of the company BOMI, which were sold in April (see also subsequent events).

As at 31 March 2010 the Group's current assets amounted to 384 835 thousand PLN. They consisted primarily of: trade and other receivables – 60% of current assets, and inventory – 30%. Compared to the end of December 2009, the value of current assets decreased by 60 163 thousand PLN (where the greatest drop was recorded in trade receivables – by 33 754 thousand PLN, and in cash and cash equivalents – by 36 119 thousand PLN). Compared to the end of March 2009 the value of current assets is down by 109 748 thousand PLN (with the biggest drop recorded in trade receivables – by 65 285 thousand PLN, and in inventory – by 35 175 thousand PLN). Compared to the end of 2009 the value of inventory is up slightly (by 8%) as a result of preparing products for the spring-summer season. The ratio of current assets to sales revenue has remained practically unchanged as at 31 March 2010 and 31 March 2009.

The value of working capital calculated as the sum of inventory, trade receivables less short-term trade payables and other payables as at 31 March 2010 was 101 384 thousand PLN compared to 68 012 thousand PLN as at 31 December 2009 and 95 227 thousand PLN as at 31 March 2009. The rise in the value of working capital compared to 31 December 2009 is caused by the seasonality effect (higher inventory buffers before the spring-summer season), as well as a drop in trade payables and other payables, mainly at the Megapack Group.

***Liabilities***

As at 31 March 2010 the Group's liabilities (long- and short-term together) amounted to 735 095 thousand PLN, which constitutes a decrease by 87 622 thousand PLN (or 11%) compared to the end of December 2009. The decrease in liabilities was caused primarily by a drop in the value of trade payables and other payables (by 59 020 thousand PLN, or 19% - resulting mainly from the payment of excise tax in Russia on sales in the fourth quarter of 2009 and the repayment of 78 546 thousand PLN worth of Megapack's liabilities). Compared to 31 March 2009 a drop may be seen in the Group's liabilities by 271 693 thousand PLN, or 27 %, mainly under credits and loans (decrease by 110 280 thousand PLN, or 25 %) and under trade and other payables (down by 106 618 thousand PLN, or 30 %).

The ratio of net debt to annualized EBITDA is down from 2,8 times at the end of the first quarter of 2009 to 1,8 times at the end of the first quarter of 2010. Compared to the end of 2009 the ratio of net debt to annualized EBITDA went up by 0,1 time (the effect of a decrease in the value of cash and cash equivalents).

The debt ratio (short- and long-term liabilities to total assets) amounted to 56% as at 31 March 2010 (59% at the end of December 2009 and 66% as at 31 March 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 359 901 thousand PLN as at 31 March 2010 after increasing by 14 699 thousand PLN compared to the end of December 2009. Despite a lower value of credits, loans and lease payables, the rise was caused by the repayment of liabilities, which resulted in a decrease in cash by 36 119 thousand PLN.

The current ratio, calculated as the ratio of total current assets to total short-term liabilities amounted to 0,88 as at 31 March 2010 (0,71 at the end of 2009, 0,68 as at 31 March 2009), whilst the quick ratio equaled 0,61 (0,54 at the end of 2009 and 0,47 as at 31 March 2009).

**CASH FLOW**

In the first quarter of 2010 the value of net cash flows was -36 118 thousand PLN. Compared to the same period of the previous year the Group generated cash flows that were by 31 418 thousand PLN lower. Operating cash flows amounted to -18 369 thousand PLN and were by 40 932 thousand PLN lower than those generated in the period from January to March 2009. The Group paid lower interest compared to the first quarter of 2009 (decrease in expenses by 4 267 thousand PLN), which was caused by lower use of external financing sources. The significant decrease in the value of liabilities, and other changes in current capital are described above.

The excess of investment expenses over income amounted to 1 054 thousand PLN and was by 27 633 thousand PLN lower than in the same period of last year. In the current period the value of investment cash flows was affected primarily by the acquisition of tangible and intangible fixed assets in the amount of 6 709 thousand PLN, and the sale of a portion of BOMI shares, resulting in an income of 4 447 thousand PLN. Lower investment expenses incurred by the Group's companies compared to the previous year are caused by a lack of a significant need to invest in production assets in the quarter.

In the first quarter of 2010 the Group showed negative financing cash flows of -16 695 thousand PLN. Compared to the first quarter of 2009 the Group's net financing cash were lower by 18 119 thousand PLN. The reason for this drop was the excess of the value of credits and loans paid over the income from credits and loans taken. In the first quarter of 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.

## 5.4 Information about basic products

***Market position of the KOFOLA S.A. Group***

According to AC Nielsen, as at 31 March 2010 the companies of the KOFOLA S.A. Group rank third on the non-alcoholic beverages market in the *Czech Republic* (of which second when it comes to colas, first in syrups, first on the market of children's drinks and second for non-carbonated beverages), rank second on the *Slovak* non-alcoholic beverages market (first in colas, first in mineral water, second in syrups, first in children's drinks and fourth in non-carbonated beverages), and seventh on the *Polish* market of non-alcoholic beverages, but fourth on the market of non-carbonated beverages (of which second in syrups, third in colas, sixth in children's drinks, seventh in energy drinks, tenth in mineral waters).

In *Russia* the company Megapack is visible primarily on the local Moscow market.

**Products**

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

**KOFOLA GROUP BRANDS**

| | |
|---|---|
| CARBONATED BEVERAGES | Kofola, RC Cola, Citrocola, Hoop Cola, Top Topic, Vinea, Chito, Orangina, 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 |
| ICE COFFEE | Nescafé Xpress |
| ICE TEA | Pickwick Just Tea |
| ENERGY DRINKS | R20 |
| LOW ALCOHOL BEVERAGES (Russia) | Hooch, Dieviatka, Tiamo Tanto |

In 2010 the Group's assortment of beverages was broadened to include the Pickwick Just Tea frozen 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. 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.

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 sales made by distribution companies, sales of the R20 and Nescafe Xpress energy drinks, 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.

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 this data in the financial statements.

Reporting segment results for the period of three months ended 31 March 2010 and 31 March 2009:

**Operating segments**

| **1.1.2010 - 31.3.2010** | **Carbonated beverages** | **Non-Carbonated beverages** | **Mineral waters** | **Syrups** | **Low alcohol drinks** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|
| **Revenue** | 109 567 | 28 436 | 38 492 | 31 356 | 14 851 | 9 993 | 232 695 |
| Sales to external customers | 109 567 | 28 436 | 38 492 | 31 356 | 14 851 | 9 993 | 232 695 |
| **Operating expenses** | (101 608) | (33 032) | (38 726) | (27 431) | (16 037) | (10 798) | (227 633) |
| **Operating result** | **7 959** | **(4 595)** | **(234)** | **3 925** | **(1 186)** | **(806)** | **5 062** |
| Financial income | | | | | | | 2 619 |
| Financial expense | | | | | | | (5 583) |
| Profit before tax | | | | | | | 2 098 |
| Income tax | | | | | | | (661) |
| **Net profit** | | | | | | | **1 437** |

| **1.1.2009 - 31.3.2009** | **Carbonated beverages** | **Non-Carbonated beverages** | **Mineral waters** | **Syrups** | **Low alcohol drinks** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|
| **Revenue** | 117 873 | 38 749 | 38 392 | 30 990 | 49 981 | 29 644 | 305 629 |
| Sales to external customers | 117 873 | 38 749 | 38 392 | 30 990 | 49 981 | 29 644 | 305 629 |
| **Operating expenses** | (110 216) | (40 922) | (36 404) | (30 272) | (51 069) | (31 485) | (300 368) |
| **Operating result** | **7 657** | **(2 173)** | **1 988** | **718** | **(1 088)** | **(1 841)** | **5 261** |
| Financial income | | | | | | | 97 |
| Financial expense | | | | | | | (20 683) |
| Profit before tax | | | | | | | (15 325) |
| Income tax | | | | | | | 370 |
| **Net loss** | | | | | | | **(14 955)** |

## 5.5 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 - 31.3.2010 | Poland | Czech Republic | Russia | Slovakia | Other | Total |
|---|---|---|---|---|---|---|
| **Revenue** | 95 509 | 74 175 | 22 840 | 40 170 | - | 232 695 |
| Sales to external customers | 95 509 | 74 175 | 22 840 | 40 170 | - | 232 695 |
| **Operating expenses** | (94 108) | (69 935) | (24 664) | (38 919) | (7) | (227 633) |
| **Operating result** | **1 401** | **4 240** | **(1 824)** | **1 252** | **(7)** | **5 062** |
| Financial income | 2 461 | 142 | 16 | 0 | - | 2 619 |
| Financial expense | (3 511) | (1 426) | (48) | (598) | - | (5 583) |
| Profit before tax | 351 | 2 955 | (1 856) | 654 | (7) | 2 098 |
| Income tax | 503 | (627) | (295) | (241) | - | (661) |
| **Net profit** | **854** | **2 328** | **(2 151)** | **413** | **(7)** | **1 437** |
| **Assets and liabilities** | | | | | | |
| Segment assets | 629 635 | 375 038 | 89 519 | 207 612 | 224 | 1 302 029 |
| **Total assets** | **629 635** | **375 038** | **89 519** | **207 612** | **224** | **1 302 029** |
| Segment liabilities | 313 012 | 250 311 | 17 304 | 154 095 | 373 | 735 095 |
| Equity | | | | | | 566 934 |
| **Total liabilities and equity** | | | | | | **1 302 029** |
| **Other information concerning segment** | | | | | | |
| Investment expenditure : tangibles and intangibles | 1 321 | 2 960 | 1 635 | 793 | - | 6 709 |
| Depreciation and amortization | 5 650 | 7 648 | 2 565 | 3 776 | - | 19 640 |

| 1.1.2009 - 31.3.2009 | Poland | Czech Republic | Russia | Slovakia | Other | Total |
|---|---|---|---|---|---|---|
| **Revenue** | 111 067 | 87 848 | 60 528 | 46 187 | - | 305 629 |
| Sales to external customers | 111 067 | 87 848 | 60 528 | 46 187 | - | 305 629 |
| **Operating expenses** | (117 298) | (81 912) | (60 330) | (40 775) | (53) | (300 368) |
| **Operating result** | **(6 231)** | **5 936** | **198** | **5 412** | **(53)** | **5 261** |
| Financial income | 80 | 16 | 0 | 0 | 0 | 97 |
| Financial expense | (14 820) | (3 622) | - | (2 240) | (2) | (20 683) |
| Profit before tax | (20 970) | 2 330 | 198 | 3 172 | (54) | (15 325) |
| Income tax | 1 465 | (932) | (49) | (114) | - | 370 |
| **Net profit** | **(19 505)** | **1 398** | **149** | **3 058** | **(54)** | **(14 955)** |
| **Assets and liabilities** | | | | | | |
| Segment assets | 768 781 | 424 837 | 98 172 | 238 611 | 2 894 | 1 533 295 |
| **Total assets** | **768 781** | **424 837** | **98 172** | **238 611** | **2 894** | **1 533 295** |
| Segment liabilities | 449 166 | 334 253 | 34 502 | 188 104 | 764 | 1 006 788 |
| Equity | | | | | | 526 507 |
| **Total liabilities and equity** | | | | | | **1 533 295** |
| **Other information concerning segment** | | | | | | |
| Investment expenditure : tangibles and intangibles | 2 589 | 3 335 | 229 | 24 737 | - | 30 890 |
| Depreciation and amortization | 8 957 | 10 807 | 2 575 | 4 938 | 8 | 27 285 |

### 5.6 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. 12 May 2010, the following hold 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 shares 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 shares or 43,11% of total votes at General Meeting of KOFOLA S.A.

As at 31 March 2010 the share capital amounted to 26 172 602 PLN and consisted of 26 172 602 shares with a nominal value of 1 PLN per share, entitling to 26 172 602 votes at the Company's General Shareholders Meeting.

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

According to the Group's information, no changes have been made in the ownership of major share packages 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% |
| Other | 1 494 076 | 5,71% | 5,71% |
| **Total** | **26 172 602** | **100,00%** | **100,00%** |

### 5.7 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 first quarter of 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 year 2009.

| Shareholder | Number of shares | | % of share capital | | Votes at GSM | |
|---|---|---|---|---|---|---|
| | 14.5.2010 | 19.3.2010 | 14.5.2010 | 19.3.2010 | 14.5.2010 | 19.3.2010 |
| **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% |

### 5.8 Ongoing proceedings before courts, arbitration authorities or public administration authorities

KOFOLA S.A. is a party in the bankruptcy proceeding of the entity Fructo-Maj. 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 March 2010 amounted to 5 006 thousand PLN and is presented in the financial statements of KOFOLA S.A. as short-term credit payables due by 31 August 2010, and as receivables from the company Fructo-Maj. As at 31 March 2010 the total value of the receivables from Fructo-Maj relating to the acquired debt is 15 155 thousand PLN, the balance sheet value of this item, after revaluation, is 7 468 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 assets 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.

Except for the matter described above, the companies of the KOFOLA S.A. Group are not involved in any other cases (disputes), which could have a material effect on their financial position.

### 5.9 Information about significant contracts

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

### 5.10 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 4.18 to the financial statements.

### 5.11 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., CR / Kofola Holding | UNICREDIT BANK | 7 746 T EUR | 29 916 | 6/2012 | Kofola a.s., SR | subsidiary |
| Kofola a.s., CR / Kofola Holding | VÚB BANKA | 8 595 T EUR | 33 196 | 2/2015 | Kofola a.s., SR | subsidiary |
| Kofola Holding | ČSOB a.s. | 626 T EUR | 2 418 | 3/2014 | Kofola a.s., SR | subsidiary |
| Kofola Holding | UNICREDIT BANK | 594 T EUR | 2 294 | 2/2011 | Kofola a.s., SR | subsidiary |
| Kofola a.s., CR | VÚB BANKA | 6 894 T EUR | 26 626 | 3/2014 | Kofola a.s., SR | subsidiary |
| Kofola S.A. | Bank Zachodni WBK S.A. | 44 436 T PLN | 44 436 | 31.12.2015 | Hoop Polska Sp z o.o. | subsidiary |
| Kofola S.A. | Kredyt Bank S.A. | 39 628 T PLN | 39 628 | 31.12.2015 | Hoop Polska Sp z o.o. | subsidiary |
| Kofola S.A. | Bank Pekao S.A. | 17 057 T PLN | 17 057 | 31.12.2015 | Hoop Polska Sp z o.o. | subsidiary |
| Kofola S.A. | Deutsche Leasing | 16 996 T PLN | 16 996 | 2/1014 | Hoop Polska Sp z o.o. | subsidiary |
| Kofola S.A. | ING Commercial Finance | 5 224 T PLN | 5 224 | till termination of the contract | Hoop Polska Sp z o.o. | subsidiary |
| Hoop Polska Sp. z o.o. | Cargill | 544 T PLN | 544 | till termination of the contract | | |
| **Total Sureties for Loans or Guarantees Issued** | | | **218 335** | **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.

### 5.12 Information on issuing securities

No issue of securities took place in the presented period.

### 5.13 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.

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

The Group's net result in the reported period was affected mainly, but not only, by the strengthening of the Polish zloty to the euro. In the 1st quarter of 2009 the Group recognized 14 125 thousand PLN in net foreign exchange losses, whereas in the 1st quarter of 2010 the Group recognized 1 717 thousand PLN in net foreign exchange gains. This was caused by lower variability of foreign exchange rates compared to the comparative period, and of better management of foreign exchange risk by the Group's companies. A large portion of the foreign exchange losses incurred in the comparative period related to unrealized foreign exchange differences arising primarily out of the valuation of loans, credits and lease payables denominated in EUR at the 31 March 2009 exchange rate.

The Group's results were also positive affected by its ability to get better prices on main production materials due to the scale effect arising out of centralizing purchasing at the Group, and by favorable EUR to PLN and CZK exchange rates. In addition, in the year 2009 the Management analyzed the depreciation rates used at the Group in order to better standardize them. A detailed analysis was performed of the expected useful lives of the main asset groups. As a result of these two changes, depreciation in the first quarter of 2010 is by around 3 800 thousand PLN lower than what it would amount it had the previous depreciation rates and periods been applied to the main asset groups.

### 5.15 External and internal factors material to the Group's growth

The Kofola Group's competitive position has to do with the main market factors, such as brand strength, costs, quality, their direct sources, marketing activities, 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.

The main factors determining the Group's financial results:

- the volume of sales,
- market prices in main segments,
- the cost of raw materials – sugar, moulds and isoglucose, flavorings and concentrates, as well as packaging,
- weather conditions,
- changes in foreign exchange rates (EUR/CZK, EUR/CZK),
- interest rates,
- the macroeconomic situation,
- cost discipline and ongoing analysis of profitability, maintaining administrative costs at a fixed level while increasing the scale of production to further lower the total unit costs of producing goods.

In the upcoming quarters the Group's results will be greatly affected by the exchange rates of PLN and CZK to EUR, changes in the prices of materials, as well as changes in consumption. The Group's sales revenues are expressed primarily in Polish zlotys, Czech crowns and Euros (in Slovakia), as well as rubles, whilst a large portion of its purchases is made in EUR or USD (Russia). A rise in the value of the EURO and USD with respect to the local currencies translates into higher prices of raw materials, and thus a drop in margins. In addition, a high EUR against PLN and CZK increases the prices of the majority of the materials used in the production of beverages, including such basic components as sugar and moulds used in the production of PET bottles. The Group's currency risk management policy is to cover known risks in a cost effective manner. Based on an assessment of the currency risk, the Group acquires derivative financial instruments in order to properly manage this risk. In order to protect against it, the Group uses foreign currency options and forward contracts.

The risk and threat factors to the operations of the KOFOLA Group are primarily caused by the specific nature of its industry. The greatest include seasonality of sales, the fact that consumption of mineral water and beverages depends on weather conditions, sensitivity to changes in prices of raw materials used in the production of beverages, currency risk (in particular with regard of the EUR/PLN and CZK exchange rates), the risk of losing large clients and impairment of goodwill and brand value.

### 5.16 Subsequent events that could have a significant effect on the Group's future financial results

Before the publication of the present financial statements KOFOLA S.A sold all of its shares of the company BOMI. After commission, the income from this transaction realized after 31 March 2010 amounted to 9 402 thousand PLN.

On 7 April 2010 Ms. Simona Nováková, Member of the Board of Directors, resigned from the position of Member of the Board of Directors effective 30 April 2010. The Supervisory Board appointed Mr. Bartosz Marczuk to the position of Member of the Board of Directors effective 1 May 2010. The Company informed of the changes in its Management Board in its Current Report No. 6/2010.

## SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

| | | | |
|---|---|---|---|
| **12.05.2010** | **Jannis Samaras** | **Chairman of the Board of Directors** | ................................. |
| *Date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **Bartosz Marczuk** | **Member of the Board of Directors** | **.................................** |
| *date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **Martin Mateáš** | **Member of the Board of Directors** | ................................. |
| *date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **René Musila** | **Member of the Board of Directors** | ................................. |
| *date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **Tomáš Jendřejek** | **Member of the Board of Directors** | ................................. |
| *date* | *name and surname* | *position* | *signature* |

## SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

| | | | |
|---|---|---|---|
| **12.05.2010** | **Katarzyna Balcerowicz** | **Chief Accountant** | ................................. |
| *date* | *name and surname* | *position* | *signature* |

***Document signed on the Polish original.***

# 6 Condensed separate financial statements KOFOLA S.A.

## 6.1 Separate Income Statement

for the period ended 31st of March 2010 and for the period ended 31st of March 2009.

| | Note | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from the sale of finished products and services | | - | 632 |
| Revenue from the sale of goods and materials | | - | - |
| Revenue | | - | 632 |
| Cost of products and services sold | 9.2 | - | (543) |
| Cost of goods and materials sold | 9.2 | - | - |
| Total cost of sales | | - | (543) |
| **Gross profit** | | **-** | **89** |
| Selling, marketing and distribution costs | 9.2 | (25) | (20) |
| Administrative costs | 9.2 | (574) | (1 352) |
| Other operating income | | 22 | 77 |
| Other operating expenses | | (3) | (9) |
| **Operating result** | | **(580)** | **(1 215)** |
| Financial income | 9.3 | 2 739 | 13 511 |
| Financial expense | 9.4 | (3 267) | (121) |
| **Profit /(loss) before tax** | | **(1 108)** | **12 175** |
| Income tax | | 277 | (2 617) |
| **Net profit on continued activity** | | **(831)** | **9 558** |
| **Discontinued activity** | | | |
| Net profit on discontinued activity | | - | - |
| **Net profit /(loss) for the financial year** | | **(831)** | **9 558** |
| **Earnings per share (in PLN)** | | | |
| - basic earnings per share | | (0,0318) | 0,3652 |
| - basic earnings per share from continuing operations | | (0,0318) | 0,3652 |
| - diluted earnings per share | | (0,0316) | 0,3652 |
| - diluted earnings per share from continuing operations | | (0,0316) | 0,3652 |

## 6.2 Separate statement of comprehensive income

for the period ended 31st of March 2010 and for the period ended 31st of March 2009.

| | Note | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|---|
| **Net profit /(loss) for the financial year** | | **(831)** | **9 558** |
| **Other comprehensive income (gross)** | | | |
| Fair value gains on available-for-sale financial assets | | 1 640 | (1 836) |
| Other | | - | (164) |
| Income tax relating to components of Other comprehensive income | | (312) | 349 |
| **Other comprehensive income for the period (net)** | | **1 328** | **(1 651)** |
| **Total comprehensive income for the period** | | **497** | **7 907** |

### 6.3 Separate balance sheet

as at 31st of March 2010, 31st of December 2009 and 31st of March 2009.

| | Note | 31.3.2010 | 31.12.2009 | 31.3.2009 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Fixed assets** | | **1 001 742** | **1 005 690** | **1 017 455** |
| Tangible fixed assets | | 401 | 402 | 935 |
| Goodwill | | 13 767 | 13 767 | 13 767 |
| Intangible fixed assets | | 101 | 131 | 222 |
| Investment in subsidiaries and associates | | 854 881 | 854 219 | 853 845 |
| Financial assets available for sale | | 9 455 | 11 522 | 7 828 |
| Loans provided to related parties | | 120 603 | 121 518 | 134 704 |
| Other financial assets | | - | 1 562 | - |
| Deferred tax assets | | 2 534 | 2 569 | 6 154 |
| **Current assets** | | **19 254** | **13 913** | **16 507** |
| Inventories | | - | - | 75 |
| Trade receivables and other receivables | | 14 589 | 13 768 | 14 662 |
| Income tax receivables | | - | - | 97 |
| Cash and cash equivalents | | 4 665 | 145 | 1 673 |
| **TOTAL ASSETS** | | **1 020 996** | **1 019 603** | **1 033 962** |
| | | | | |
| **LIABILITIES AND EQUITY** | | | | |
| **Equity** | | **904 834** | **903 675** | **917 431** |
| Share capital | | 26 173 | 26 173 | 26 173 |
| Other capital | | 877 771 | 875 781 | 864 609 |
| Retained earnings | | 890 | 1 721 | 26 649 |
| **Total Equity** | | **904 834** | **903 675** | **917 431** |
| **Long-term liabilities** | | **73 523** | **73 523** | **60 203** |
| Provisions | | - | - | 14 |
| Other liabilities | | 13 334 | 13 334 | - |
| Deferred tax reserve | | 60 189 | 60 189 | 60 189 |
| **Short-term liabilities** | | **42 639** | **42 405** | **56 328** |
| Bank credits and loans | | 5 006 | 5 306 | 10 256 |
| Trade liabilities and other liabilities | | 17 347 | 16 813 | 12 516 |
| Provisions | | 20 286 | 20 286 | 33 556 |
| **Total Liabilities** | | **116 162** | **115 928** | **116 531** |
| **TOTAL LIABILITIES AND EQUITY** | | **1 020 996** | **1 019 603** | **1 033 962** |

### 6.4 Separate cash flow statement

for the period ended 31st of March 2010 and for the period ended 31st of March 2009.

| | Note | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|---|
| **Cash flow on operating activity** | | | |
| Gross profit (loss) | | (1 108) | 12 175 |
| Adjustments for the following items: | | | |
| Depreciation | 9.2 | 32 | 77 |
| Net interest and dividends | 9.3,9.4 | (1 651) | (2 316) |
| (Profit)/loss on investment activity | | 2 179 | (11 066) |
| Change in the balance of receivables | | 730 | 2 716 |
| Change in the balance of inventories | | - | 314 |
| Change in the balance of liabilities | | 297 | (1 450) |
| Change in the balance of provisions | | - | - |
| Paid income tax | | - | - |
| Other | | - | - |
| **Net cash flow on operating activity** | | **479** | **450** |
| **Cash flow on investing activity** | | | |
| Sale of intangible assets and fixed assets | | - | - |
| Purchase of intangible assets and fixed assets | | - | (250) |
| Sale of financial assets | | 4 447 | - |
| Purchase of financial assets | | - | - |
| Dividends received | | - | - |
| Proceeds from repaid loans | | - | - |
| Granted loans | | - | - |
| **Net cash flow on investing activity** | | **4 447** | **(250)** |
| **Cash flow on financial activity** | | | |
| Proceeds from loans and bank credits received | | - | - |
| Repayment of loans and bank credits | | (300) | (300) |
| Dividends paid to the shareholders of the parent company | | - | - |
| Interest paid | 9.4 | (106) | (121) |
| **Net cash flow on financing activity** | | **(406)** | **(421)** |
| Total net cash flow | | 4 520 | (221) |
| **Cash at the beginning of the period** | | **145** | **1 894** |
| **Cash at the end of the period** | | **4 665** | **1 673** |
| Cash with limited ability to use | | - | - |

## 6.5 Separate statement of changes in equity

for the period ended 31st of March 2010, for the period ended 31st of December 2009 and for the period ended 31st of March 2009.

| | Note | Share capital | Other capital | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **As at 1.1.2009** | | **26 172** | **866 260** | **17 091** | **909 523** |
| Increase of share capital | | 1 | - | - | 1 |
| **Total comprehensive income for the period** | 6.2 | **-** | **(1 651)** | **9 558** | **7 907** |
| **As at 31.3.2009** | | **26 173** | **864 609** | **26 649** | **917 431** |
| | | | | | |
| **As at 1.1.2009** | | **26 172** | **866 260** | **17 091** | **909 523** |
| Increase of share capital | | 1 | - | - | 1 |
| Capital relating to subscription warrant allocation program | | - | 424 | - | 424 |
| **Total comprehensive income for the period** | | **-** | **8 860** | **1 617** | **10 477** |
| Dividends payment | | - | - | (16 750) | (16 750) |
| Profit distribution | | - | 237 | (237) | - |
| **As at 31.12.2009** | | **26 173** | **875 781** | **1 721** | **903 675** |
| | | | | | |
| **As at 1.1.2010** | | **26 173** | **875 781** | **1 721** | **903 675** |
| Capital relating to subscription warrant allocation program | | - | 662 | - | 662 |
| **Total comprehensive income for the period** | 6.2 | **-** | **1 328** | **(831)** | **497** |
| **As at 31.3.2010** | | **26 173** | **877 771** | **890** | **904 834** |

# 7 General information

Information about the company:

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

Until 30 May 2008 KOFOLA SPV Sp. z o.o., from 31 May 2008 to 23 December 2008 KOFOLA-HOOP S.A

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

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.

Until 31 March 2009 the Company had the status of a protected labor entity granted based on decision No. D/01803 issued by the Government's Plenipotentiary for Disabled Persons on 1 December 1997.

The Company has been formed for an unspecified time.

The Company's separate financial statements cover the period ended 31 March 2010 and include comparatives for the period ended 31 March 2009.

# 8 Information about the methods used to prepare the condensed separate financial statements of the KOFOLA S.A.

## 8.1 Basis for the preparation of the separate financial statements

The present condensed separate financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these condensed separate financial statements we were aware of no circumstances indicating a threat to the Company's going concern.

The present condensed separate financial statements are to be read along with the audited annual separate financial statements of Kofola S.A. prepared in accordance with International Financial Reporting Standards (IFRS), containing notes ("the separate financial statements prepared in accordance with IFRS") for the year ended 31 December 2009.

The condensed separate financial statements consist of the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement, and selected notes.

The present condensed quarterly separate financial statements ("the separate financial statements") have been prepared in accordance with the requirements of IAS 34 "Interim Reporting", as well as the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (Journal of Laws No. 33, item 259) ("the Decree"), and present the Company's financial position as at 31 March 2010 and 31 December 2009, the results of its operations for the period of 3 months ended 31 March 2010 and 31 March 2009, as well as cash flows for the period of 3 months ended 31 March 2010 and 31 March 2009.

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

## 8.2 Functional currency and presentation currency

The Polish zloty is the functional currency of the Company and the presentation currency of the standalone financial statements.

## 8.3 Translation of amounts expressed in foreign currencies

Transactions expressed in currencies other the Polish zloty are translated into the Polish zloty using the exchange rate as at the date of the transaction.

Financial assets and liabilities expressed as at the balance sheet date in currencies other than the Polish zloty are translated into the Polish zloty using the average exchange rate announced for a given currency by the National Bank of Poland for the end of the reporting period. The resulting foreign exchange differences are recognized under financial revenue (costs).

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.

The following rates were used in the balance sheet valuation:

| Currency rates at the end of period | **31.3.2010** | **31.12.2009** | **31.3.2009** |
|---|---|---|---|
| PLN/USD | 2,8720 | 2,8503 | 3,5416 |
| PLN/EUR | 3,8622 | 4,1082 | 4,7013 |
| PLN/RUB | 0,0973 | 0,0950 | 0,1046 |
| PLN/CZK | 0,1517 | 0,1554 | 0,1708 |

| Average currency rates, calculated as arithmetical mean of currencies on last day of each month in period | **31.3.2010** | **31.12.2009** | **31.3.2009** |
|---|---|---|---|
| PLN/USD | 2,9018 | 3,1236 | 3,5578 |
| PLN/EUR | 3,9669 | 4,3406 | 4,5994 |
| PLN/RUB | 0,0968 | 0,0982 | 0,1017 |
| PLN/CZK | 0,1532 | 0,1639 | 0,1654 |

## 8.4 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 Separate Report of Kofola S.A. 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 financial statements for the period of 3 months ended 31 March 2009.

With regard to the comparatives for the period of three months ended 31 March 2009, and adjustment has been recognized resulting from the final settlement of the merger of Kofola SPV Sp.z o.o. and HOOP S.A, presented in Note 9.8.

### 8.5 Approval of financial statements

The Board of Directors approved the present separate financial statements for publication on 12th of May 2010.

# 9 Notes to the condensed separate financial statements of the KOFOLA S.A.

## 9.1 Information about 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.

The Company has performed an analysis to identify potential operating segments.

As the Company's activities are focused on holding management, no operating segments have been separated.

## 9.2 Expenses by type

| | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Depreciation of fixed assets and intangible assets | 32 | 54 |
| Employee benefits costs | 63 | 383 |
| Consumption of materials and energy | 20 | 15 |
| Services | 446 | 1 245 |
| Taxes and fees | 12 | 34 |
| Property and life insurance | 1 | - |
| Costs of development work | - | - |
| Other costs | 26 | 87 |
| **Total expenses by type** | **600** | **1 818** |
| Change in the balance of products, production in progress, prepayments and accruals | - | 97 |
| Cost of manufacturing products for the entity's proprietary needs | - | - |
| **Reconciliation of expenses by type to expenses by function** | **600** | **1 915** |
| Costs of sales, marketing and distribution | 25 | 20 |
| Administrative costs | 574 | 1 352 |
| Cost of products sold | - | 543 |
| **Reconciliation of expenses by type to expenses by function** | **600** | **1 915** |

**Costs of employee benefits**

| | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Cost of salary | 62 | 383 |
| Social security and other benefits costs | 1 | - |
| Reserves costs for pension, jubilee award and other employee benefit | - | - |
| **Total costs of employee benefits** | **63** | **383** |

### 9.3 Financial income

| | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Financial interest income from: | | |
| - credits and loans granted | 1 997 | 2 436 |
| Net financial income from realized FX differences | - | 11 075 |
| Other financial income | 742 | - |
| **Total financial income** | **2 739** | **13 511** |

### 9.4 Financial expense

| | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Financial interest expense from: | | |
| - credits and financial leases | 346 | 121 |
| Net financial losses from realized FX differences | 2 921 | - |
| **Total financial expense** | **3 267** | **121** |

### 9.5 Changes in reserves and provisions

| | Receivables | Financial assets | Provisions |
|---|---|---|---|
| **As at 1.1.2010** | **10 313** | **10 083** | **20 286** |
| Increase due to creation | 25 | - | - |
| Decrease due to release and use | - | - | - |
| **As at 31.3.2010** | **10 338** | **10 083** | **20 286** |

### 9.6 Dividends paid and declared

| | 1.1.2010 - 31.3.2010 | 1.1.2009 - 31.3.2009 |
|---|---|---|
| Dividends declared in the given period | - | - |
| Dividends on common shares: | - | - |
| paid out in the given period | - | - |
| **Dividends paid and declared** | **-** | **-** |

### 9.7 Information on transactions with related parties

Presented below are the total amounts of transactions concluded in a given financial period with related parties:

| **Revenues from the sale to related companies** | **1.1.2010 - 31.3.2010** revenues |
|---|---|
| - to consolidated subsidiaries | 671 |
| - to affiliates | - |
| - to non-consolidated subsidiaries | - |
| - to the members of key management and supervisory staff | - |
| - to other related companies (KSM Investment) | - |
| **Total revenues from the sale to related companies** | **671** |

| **Purchases from related companies** | **1.1.2010 - 31.3.2010** purchase of services, merchandise and materials |
|---|---|
| - from consolidated subsidiaries | 127 |
| - from affiliates | - |
| - from non-consolidated subsidiaries | - |
| - from the members of key management and supervisory staff | - |
| - from other related companies (KSM Investment) | - |
| **Total purchases from related companies** | **127** |

| Receivables from related companies | 31.3.2010 | 31.12.2009 | 31.3.2009 |
|---|---|---|---|
| - from consolidated subsidiaries | 4 369 | 4 870 | 505 |
| - from affiliates | - | - | - |
| - from non-consolidated subsidiaries | - | - | - |
| - from the members of key management and supervisory staff | - | - | - |
| - from other related companies (KSM Investment) | - | - | - |
| **Total receivables from related companies** | **4 369** | **4 870** | **505** |

| Liabilities towards related companies | 31.3.2010 | 31.12.2009 | 31.3.2009 |
|---|---|---|---|
| - towards consolidated subsidiaries | 29 242 | 28 869 | 8 992 |
| - towards affiliates | - | - | 2 |
| - towards non-consolidated subsidiaries | - | - | - |
| - towards the members of key management and supervisory staff | - | - | - |
| - towards other related companies (KSM Investment) | - | - | 4 986 |
| **Total liabilities towards related companies** | **29 242** | **28 869** | **13 980** |

**Loans granted to related parties**

| | 31.3.2010 | 31.12.2009 | 31.3.2009 |
|---|---|---|---|
| Principal | 98 890 | 101 301 | 119 560 |
| Interest* | 21 939 | 20 448 | 15 144 |
| **Total** | **120 829** | **121 749** | **134 704** |

* includes interest on a short-term loan repaid in October 2009

### 9.8 Business combination

On 30 May 2008 HOOP S.A. merged with Kofola SPV Sp. z o.o. The merged entity adopted the name Kofola-Hoop S.A., presently KOFOLA S.A. As a result of the merger, the share capital of KOFOLA S.A. was raised by 13 083 342 PLN to 26 171 918 PLN, through the issue of 13 083 342 ordinary F series shares with a nominal value of 1 PLN per share.

From a legal standpoint the acquirer was the entity that issued equity instruments – HOOP S.A. However, in accordance with International Financial Reporting Standards (IFRS 3) the primary criteria for deciding which of the entities is the acquirer is its ability to direct the other entity's financial and operating policies. As a result of the above-described business combination, the existing shareholders of Kofola SPV Sp. z o.o. hold the majority of votes in the combined entity's governing organs and have the actual ability to direct its financial and operating policies. This means that the transaction constituted a reverse acquisition, as in accordance with IFRS 3, the acquirer is the entity that from a legal standpoint was the acquiree, i.e. Kofola SPV Sp. z o.o.

The merger of HOOP S.A. with Kofola SPV Sp. z o.o. was accounted for using acquisition accounting.

On 30 May 2008 the individual assets and liabilities of Kofola SPV Sp. z o.o. (legal acquiree) were added, at book values, to the corresponding assets, liabilities and contingent liabilities of HOOP S.A. (legal acquirer) at their fair values determined as at the day of the business combination.

The settlement of the merger presented in previously published financial statements for the comparative period was temporary in nature due to the still ongoing process of valuation of the assets of HOOP S.A. The merger was registered on 30 May 2008 and in accordance with IFRS 3, the merged Company could adjust the calculations over a period of 12 months of the date of the merger

The financial statements for the first half of 2009 contain the final settlement of the merger and calculation of the goodwill, constituting the excess of the cost of the merger over the fair value of the identifiable assets, liabilities and contingent liabilities. For the purposes of the final settlement, the cost of the merger was determined in accordance with IFRS 3 based on the total fair value of all of the issued capital instruments of the pre-merger legal holding company (share listing of HOOP S.A.), whilst the temporary cost of the merger had been determined based on the value of HOOP S.A. adopted in the merger plan.

The final settlement of the merger changed the comparatives in these financial statements compared to those published previously. The below table shows the effect of the final settlement on previously published data:

| | 31.03.2009 | |
|---|---|---|
| | published financial statements | presented as comparatives |
| Net assets | 1 101 894 | 917 431 |
| Net profit/loss | 9 558 | 9 558 |

### 9.9 Contingent assets and liabilities

| | Contingent assets | Contingent liabilities |
|---|---|---|
| **As at 1.1.2010** | **-** | **99 506** |
| Increase | - | 66 628 |
| Decrease | - | (42 793) |
| **As at 31.3.2010** | **-** | **123 341** |

The above contingent liabilities consist primarily of off-balance sheet liabilities relating to guaranties and warranties granted by KOFOLA S.A. to companies from the Kofola S.A. Group.

#### 9.9.1 Court litigations

KOFOLA S.A. is a party in the bankruptcy proceeding of the entity Fructo-Maj. 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 March 2010 amounted to 5 006 thousand PLN and is presented in the financial statements of KOFOLA S.A. as short-term credit payables due by 31 August 2010, and as receivables from the company Fructo-Maj. As at 31 March 2010 the total value of the receivables from Fructo-Maj relating to the acquired debt is 15 155 thousand PLN, the balance sheet value of this item, after revaluation, is 7 468 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 assets 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.

Except for the matter described above, the companies of the KOFOLA S.A. Group are not involved in any other cases (disputes), which could have a material effect on their financial position.

### 9.10 Subsequent events

Before the publication of the present financial statements KOFOLA S.A sold all of its shares of the company BOMI. After commission, the income from this transaction realized after 31 March 2010 amounted to 9 402 thousand PLN.

On 7 April 2010 Ms. Simona Nováková, Member of the Board of Directors, resigned from the position of Member of the Board of Directors effective 30 April 2010. The Supervisory Board appointed Mr. Bartosz Marczuk to the position of Member of the Board of Directors effective 1 May 2010. The Company informed of the changes in its Management Board in its Current Report No. 6/2010.

## SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

| | | | |
|---|---|---|---|
| **12.05.2010** | **Jannis Samaras** | **Chairman of the Board of Directors** | ................................ |
| *Date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **Bartosz Marczuk** | **Member of the Board of Directors** | ................................ |
| *date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **Martin Mateáš** | **Member of the Board of Directors** | ................................ |
| *date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **René Musila** | **Member of the Board of Directors** | ................................ |
| *date* | *name and surname* | *position* | *signature* |
| **12.05.2010** | **Tomáš Jendřejek** | **Member of the Board of Directors** | ................................ |
| *date* | *name and surname* | *position* | *signature* |

## SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

| | | | |
|---|---|---|---|
| **12.05.2010** | **Katarzyna Balcerowicz** | **Chief Accountant** | ................................ |
| *date* | *name and surname* | *position* | *signature* |

***Document signed on the Polish original.***