kofola

CONSOLIDATED ANNUAL REPORT

KOFOLA S.A. GROUP FOR THE YEAR 2014

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1.1 Letter from the Chairman of the Management Board

Dear Kofola friends,

2014 was an important milestone for Kofola Group and showed that Kofola is well prepared for the actual macroeconomic situation. The Group´s adjusted net profit reached PLN 44.1 million, which represents a 33.4% year-on-year increase. The economic performance of the Group is thus best in last five years and I am proud on my whole Kofola team for their great job.

Market research clearly shows that successful companies are those that can effectively manage and fearlessly innovate their strong local brands and promote them in a modern marketing manner. And this is how we build the success of Kofola. Our brands set the direction in their categories and are not afraid to look for entirely new ways. The soft drinks market in Central Europe generally stagnates, but macroeconomic indicators of household consumption are already showing an increasing tendency. Capturing and proper utilisation of market growth potential is a challenge for us. Despite adverse market situation Kofola´s share rises. Step by step we are heading towards our vision to be the number one soft drinks producer on the Czechoslovakian market.

We have gone a long way in the past four years. In our growth, both organic and through acquisitions, we have focused on having a complete portfolio of non-alcoholic drinks for the CzechoSlovak market, consumers and customers. In 2010 the Group bought the company Pinelli with its energy drink Semtex, and the following year started the Hot Fill line for preservative-free drinks. In 2012 Kofola entered the fresh juice market by buying UGO bars and started producing pascalised fresh juices. By the acquisition of Mangaloo in 2014 we became the biggest producer of fresh juices on the central European market and entered the "fast-food" market with its concept of salaterias. In 2013 the Group became the distributor for Evian, Badoit and Vincentka. In 2014 Kofola started a long-term cooperation with the Rauch Group about their products on the CzechoSlovakian market. The acquisition of Radenska is just before the finalisation. We believe that we will soon welcome the Slovenian market lovebrand in our portfolio and that also in 2015 we will continue to look for acquisition opportunities.

Through these important milestones Kofola became a partner with the most comprehensive and high-quality portfolio in the CzechoSlovak soft drinks market offering high quality beverages that satisfy even the most demanding customers.

We are not only focusing on our complex portfolio, but also improving our services. Since October 2014 we started new distribution model - direct distribution in the Czech Republic. The whole distribution process will be simpler, more efficient and favourable for the Group, its business partners and final customers. We expect positive implications resulting from the utilisation of know-how gained in Slovakia where the direct distribution started in 2009.

We patiently try to increase our production and logistical efficiency. We have achieved a considerable success in this field in 2014. Especially thanks to process optimization, cost discipline and investments in modern technology, we managed to meet the Company´s demanding budget.

Because of all the undertaken steps we recorded an increase in the adjusted EBITDA by 11.4% with this consolidated indicator being PLN 139.0 million. The gross profit reached PLN 363.7 million (increase by 18.2%).

High operating added value, pressure on the working capital reduction and a reasonable amount of capital expenditure have enabled us to achieve great financial stability of the Group. The Kofola Group´s indebtedness therefore systematically decreases and the ratio of Net Debt/adjusted EBITDA is of 0.98 as at 31 December 2014. The achieved financial position enables us to continue with acquisition activities. Stable financial situation allowed to pay a dividend of PLN 17.0 million representing PLN 0.65 per share. The Company carries on with the buy-back program, in line with the general meeting resolution.

1. THE DIRECTOR'S REPORT ON THE ACTIVITIES OF THE KOFOLA S.A. GROUP

According to IAS 31, beginning from 2013, the Megapack Group has been consolidated using the equity method. In 2014, Megapack continued to develop its market position on the Russian market, especially in the area around Moscow. The company paid a dividend to the shareholders of RBL 100 million. Complex geopolitical and economic situation in Russia has an adverse effect on the company´s present value.

In the area of non-alcoholic drinks in 2015, we expect market stabilization, positive development of raw materials prices and other shift of producers towards the growing categories. From our perspective, we can see further opportunity to strengthen our market position and realisation of our medium-term plans, which we have defined in the Strategy direction until 2017. Our key projects will be direct distribution in the Czech Republic, taking over the Rauch products distribution, a gradual shift of production of individual products without the use of preservatives and successful integration of Radenska acquisition into the Kofola Group.

Personally I consider 2014 as a very successful year wherefore I would like to thank to all my 2100 colleagues in all countries and last but not least to our customers and commercial partners.

I am looking forward to 2015 with great expectations.

CHAIRMAN OF THE MANAGEMENT BOARD

KOFOLA S.A.

1.2 Description of the KOFOLA S.A. Group

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

OUR MISSION AND GOAL

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

2014 AWARDS

Czech TOP 100 – Kofola a.s. Czech Republic, the fifth most admired company in the Czech Republic in 2013.

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

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

Hoop Polska Sp. z o.o. was awarded a ***Hit of FMCG 2014*** title for ***Jupik*** brands.

Hoop Polska Sp. z o.o. was awarded a "***Hit Handlu" 2014*** title for ***Jupik Strawberry***.

Kofola a.s. Czech Republic obtained the price ***RHODOS – company with the most impressive image*** in the category of producers and suppliers of beverages.

WE ARE PROUD OF OUR SUCCESSES…

1. THE DIRECTOR'S REPORT ON THE ACTIVITIES OF THE KOFOLA S.A. GROUP

COMPANIES OF THE KOFOLA S.A. GROUP AS AT DECEMBER 31, 2014

Holding companies:

- **KOFOLA S.A.** – Kutno (PL)
- **Kofola ČeskoSlovensko a.s.** – Ostrava (CZ)
- **Alofok Ltd** – Limassol (CYP)
- **KOFOLA, družba za upravljanje, d.o.o.** – Ljubljana (Slovenia)

Production and trading companies:

- **Kofola a.s.** – Krnov, Mnichovo Hradiště, Prague (CZ)
- **Kofola a.s.** – Rajecká Lesná, Bratislava (SK)
- **Hoop Polska Sp. z o.o.** – Kutno, Bielsk Podlaski, Grodzisk Wielkopolski, Warsaw (PL)
- **OOO Megapack** – Moscow, Promozno, Vidnoye, Moscow Region (RU)
- **Pinelli spol. s r.o.** – Krnov (CZ)
- **UGO trade s.r.o.** – Krnov (CZ)

Distribution companies:

- **OOO Trading House Megapack** – Moscow, Widnoje, Moscow Region (RU)
- **STEEL INVEST Sp. z o. o.** – Kutno (PL)

Transport companies:

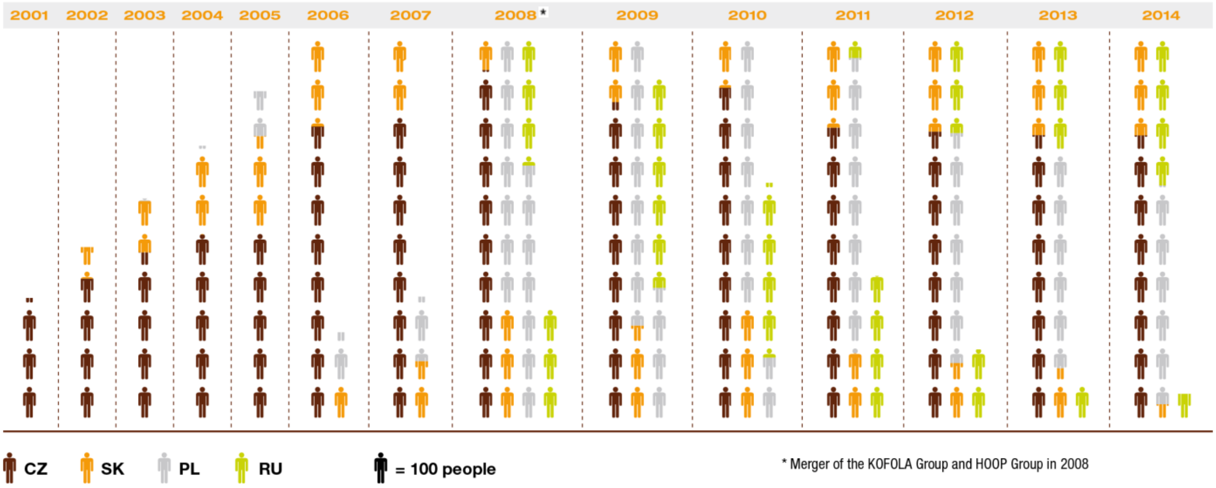
- **Santa-Trans s. r. o.** – Krnov (CZ)

OUR MAIN BRANDS IN 2014

PEOPLE ARE OUR STRENGHT

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

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



Average annual employment in KOFOLA S.A. Group (including Megapack Group) decreased from 2 084 persons in 2013 to 2 056 people in 2014.

THE GROUP'S STRUCTURE AND CHANGES THEREIN IN THE REPORTING PERIOD

As at 31 December 2014 the Group comprised the following entities:

	Company Name	Headquarters	Range of activity	Consolidation method	Direct or indirect % part in share capital	% part in voting rights
1.	KOFOLA S.A.	Poland, Kutno	holding	parent company		
2.	Kofola ČeskoSlovensko a.s.	Czech Republic, Ostrava	holding	acquisition accounting	100.00%	100.00%
3.	Hoop Polska Sp. z o.o.	Poland, Kutno	production and distribution of non-alcoholic beverages	acquisition accounting	100.00%	100.00%
4.	Kofola a.s.	Czech Republic, Krnov	production and distribution of non-alcoholic beverages	acquisition accounting	100.00%	100.00%
5.	Kofola a.s.	Slovakia, Rajecká Lesná	production and distribution of non-alcoholic beverages	acquisition accounting	100.00%	100.00%
6.	Santa-Trans s.r.o.	Czech Republic, Krnov	road cargo transport	acquisition accounting	100.00%	100.00%
7.	OOO Megapack	Russia, Widnoje	production of non-alcoholic and low-alcoholic beverages	equity accounting	50.00%	50.00%
8.	OOO Trading House Megapack	Russia, Widnoje	sale and distribution of non-alcoholic and low-alcoholic beverages	equity accounting	50.00%	50.00%
9.	Alofok Ltd	Cyprus, Limassol	holding	acquisition accounting	100.00%	100.00%
10.	PINELLI spol. s r.o.	Czech Republic, Krnov	trademark licensing	acquisition accounting	100.00%	100.00%
11.	UGO trade s.r.o.	Czech Republic, Krnov	operation of fresh bars chain	acquisition accounting	90,00%	90.00%
12.	STEEL INVEST Sp. z o.o.	Poland, Kutno	does not conduct any business activity	acquisition accounting	100.00%	100.00%
13.	Kofola, družba za upravljanje, d.o.o.	Slovenia, Lubljana	holding	acquisition accounting	100.00%	100.00%

The parent company – **KOFOLA S.A.** ("the Company", "the Issuer") with its registered office in Kutno, 99-300, ul. Wschodnia 5. At this time the Company's functions consist primarily of management and ownership of all of the entities belonging to the KOFOLA S.A. Group.

The subsidiary – **Hoop Polska Sp. z o.o.** with its registered office in Kutno 99-300, ul. Wschodnia 5, in which the KOFOLA S.A. holds 100% of shares. The company's main area of activities is the production and sale of non-alcoholic beverages.

The subsidiary – **Kofola ČeskoSlovensko a.s.** is a company that manages the Group and at the same time is the parent company of the Kofola ČeskoSlovensko a.s. Group, with its registered office in Ostrava, Nad Porubkou 2278/31A, 708 00 Ostrava - Poruba, the Czech Republic, in which KOFOLA S.A. holds 100% of shares in the share capital.

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

- Kofola ČeskoSlovensko a.s. – the parent company – registered in the Czech Republic performing management and control of the other entities comprising the KOFOLA S.A. Group,
- Kofola a.s. (CZ) – a company registered in the Czech Republic, with main activities consisting of the production and distribution of beverages on the territory of the Czech Republic,
- Kofola a.s. (SK) – a company registered in Slovakia, with main activities consisting of the production and distribution of beverages on the territory of Slovakia,
- Santa-Trans s.r.o. (CZ) – a company registered in the Czech Republic, with main activities consisting of road cargo transport provided mainly to the Kofola a.s. (Czech Republic),
- Pinelli spol. s r.o. (CZ) – a company registered in the Czech Republic, in which the Kofola a.s. (CZ) holds 100% of shares. At present Pinelli spol. s r.o. owns Semtex and Erektus trademarks,
- UGO trade s.r.o. (CZ) – a company registered in the Czech Republic, where Kofola ČeskoSlovensko a.s. (CZ) holds 90% of shares after merger with companies Mangaloo s.r.o., Mangaloo freshbar s.r.o. The merger was registered by the court on 30 October 2014. The company's main area of activities is managing of fresh bars chain. The company was acquired on 1 December 2012,
- Kofola, družba za upravljanje, d.o.o. – a company registered in Slovenia as a holding company for acquisition of Radenska d.d.

The subsidiary – **Alofok Ltd.** – the Group member company since 5 February 2013, with its registered office in Limassol, Cyprus, where KOFOLA S.A. holds 100% of share capital. The company holds 50% of shares in the Megapack Group.

An associate – **the Megapack Group**, with its parent company OOO Megapack with its registered office in Promozno, Vidnoye, Leninskiy District, Moscow Region, the Russian Federation, where KOFOLA S.A. holds 50% of shares in the share capital. The main activities of the Megapack Group are the provision of beverage bottling services to third parties, production of own beverages, as well as their distribution on the territory of the Russian Federation.

The subsidiary – **STEEL INVEST Sp. z o.o.** – in which the KOFOLA S.A. holds 100% share. At present, the company does not conduct any business operations apart from debt collection.

COMPANIES PRESENTED FOR THE COMPARATIVE PERIOD ONLY:

A subsidiary – **Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.** The main activity of PCD HOOP Sp. z o.o. was the wholesale of beverages. After the sale of its assets, the company's activities were extinguished. The shares in PCD HOOP Sp. z o.o. were disposed of on 14 January 2014. This company was consolidated using the acquisition method. Because of immateriality the Company's data are presented for the comparative period only.

The subsidiary – **Santa-Trans.SK, s.r.o. (SK)** - a company registered in Slovakia, with main activities consisting of road transport provided mainly to the Kofola a.s. (Slovakia). The shares in Santa –Trans SK, s.r.o. were disposed of on 16 April 2013.

An associate – **Transport – Spedycja – Handel - Sulich Sp. z o. o.** (TSH Sulich Sp. Z o.o.) of which the KOFOLA S.A. held 50% and had 50% of votes at Shareholders' Meeting. The company's activities consisted of road cargo transport and forwarding. The shares in TSH Sulich Sp. z o.o. were disposed of on 8 March 2013.

1.3 Most significant events in the KOFOLA S.A. Group in the period from 1 January 2014 to the preparation of the present financial information

ACQUISITON OF RADENSKA

It is expected that on 17th March 2015 subsidiary Kofola, družba za upravljanje, d.o.o. closes transaction of acquisition 87.16% of share in Slovenian company Radenska d.d. with signing procedure started on 19 December 2014 by sales and purchase agreement (SPA) with Pivovarna Laško d.d. Radenska is the number one producer of natural mineral and spring water products in Slovenia. Furthermore Kofola is a party to agreement for the acquisition of further 6.82% stake in Radenska, specifying further conditions precedent which must be met within the next two weeks.

The transaction constitutes great opportunity for the Group to establish its presence in another European region. The Group will utilise the synergies coming from use of its know-how, efficient processes and innovations and is looking forward to develop and further build the Radenska brand. Also, the Group anticipates that the acquisition of Radenska will support its expansion possibilities to the Balkan market.

COOPERATON WITH RAUCH

In November 2014, the Group finalised the contract with the Rauch Group for exclusive distribution of Rauch products in the Czech Republic and Slovakia. It is a beginning of a long-term cooperation between two producers with common philosophy and values - quality products and continuous innovation towards healthier beverages. This cooperation with a family run company that is alike Kofola Group still owned by its original founders will make the Kofola Group a partner with the most comprehensive and high-quality portfolio in the CzechoSlovak soft drinks market offering beverages that satisfy even the most demanding customers.

ACQUISITION OF MANGALOO GROUP

On 21 January 2014, Kofola ČeskoSlovensko a.s. acquired 100% share in the Mangaloo group, owner of a chain of fresh bars in several large shopping centres in the Czech Republic. By this transaction following the acquisition of UGO fresh bars in 2012 the Group becomes the strongest player in the rapidly growing fresh juices market. Kofola continues to develop its portfolio of fruit and vegetable products both fresh and treated by the means of pascalization that keep the nutrition values and give the product a 4 week shelf life.

DIRECT DISTRIBUTION IN THE CZECH REPUBLIC

The Group launched direct distribution channel in the Czech Republic in October 2014 and expects positive implications resulting from the utilisation of know-how gained in Slovakia where the direct distribution started in 2009. The whole distribution process will be simpler, more efficient and favourable for the Group, its business partners and final customers.

SALE OF SHARES IN A SUBSIDIARY – POMORSKIE CENTRUM DYSTRYBUCJI HOOP SP. Z O.O.

KOFOLA S.A. disposed of all of its shares in subsidiary, PCD HOOP Sp. z o.o. based in Koszalin on 14 January 2014.

SALE OF AREA IN RAJEC

On 8 April 2014 Kofola a.s., (SK) sold area in Rajec (warehouses and offices) for PLN 6 253 thousand. The net result of this transaction is immaterial and therefore it is not treated as one-off item in section 1.5.

SHARE BUY-BACK TRANSACTIONS

As part of the Share Buy-Back Program realized with agency of DM Copernicus Securities SA implemented on the basis of Resolution No. 18 of the Annual General Meeting held on 24 June 2013 - the Company acquired for redemption, on 2 April 2014 and 26 May 2014 9 624 shares with a nominal value of PLN 1.00 each, with a total nominal value of PLN 9 624 representing 0.0368 % of share capital, for a total price of PLN 362 thousand.

RESOLUTION REGARDING COVERING LOSS INCURRED IN 2013 AND ALLOCATION OF SUPPLEMENTARY CAPITAL FOR DISTRIBUTION BETWEEN SHAREHOLDERS OF KOFOLA S.A.

According to Resolution No. 19 from 23 June 2014 the Ordinary General Meeting of KOFOLA S.A. 2014 has decided to cover the loss recorded by the Company in 2013 in the amount of PLN 166 171 thousand from the Supplementary capital. Moreover Shareholders Meeting decided to allocate the amount of PLN 17 004 thousand from the Dividend fund (created from prior year profits) for distribution between shareholders. Shares from each series (A, B, C, D, E, F, G) excluding own shares, will be part of the dividend that amounts to PLN 0.65 per share. The dividend date was set for 23 September 2014 and the payment of the dividend was set for 8 December 2014.

CONTINUATION OF OWN SHARES REDEMPTION PROGRAMME

In accordance with Resolution No. 22 from 23 June 2014 the Ordinary General Meeting of KOFOLA S.A. authorized, under the conditions and within the limits set out in the adopted resolution, the Management Board of KOFOLA S.A. to purchase its own shares for cancellation and thus reduction of the share capital of the KOFOLA S.A. The total number of shares covered by the Redemption Programme will be no more than 106 484 shares, which constitutes approximately 0.4069% of the share capital, the resources allocated to the Programme may not exceed PLN 566 thousand and the price of acquired shares cannot exceed PLN 60 per share.

RESOLUTION ON THE CREATION OF RESERVE FUND FOR ACQUISITION OF THE KOFOLA S.A. OWN SHARES

According to Resolution No 23 from 23 June 2014 the Ordinary General Meeting of KOFOLA S.A. decided to establish reserve capital in 'Supplementary capital' to cover the total amount of own shares acquired by the Company (pursuant to Resolution No. 22 from 23 June 2014) in the amount of PLN 566 thousand.

RESOLUTION ON CANCELLATION OF OWN SHARES AND REDUCTION OF SHARE CAPITAL

According to Resolutions No. 20 and 21 from 23 June 2014 the Ordinary General Meeting of KOFOLA S.A. decided on the cancellation of 9 624 ordinary shares acquired within the share redemption programme completed by the end of May 2014 and decided on the reduction of the share capital by PLN 9 624 to PLN 26 160 379. Reduction of the share capital was registered by the Court on 7 January 2015.

MERGER OF GROUP COMPANIES

The companies UGO trade s.r.o., Mangaloo s.r.o., Mangaloo freshbar s.r.o. were merged. The merger is accounted for retrospectively from 1 January 2014 and UGO trade s.r.o. is the successor company. The merger was registered by the court on 30 October 2014.

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

From the start of its operations, KOFOLA S.A. Group strives to be a socially responsible company. We believe that being responsible is an answer to the needs of all of the Group's stakeholders, and in particular when it comes to generating returns for shareholders while maintaining our values.

Our CSR activities are not a matter of last few years. They are dated back to times long before CSR became a fashionable thing. In 2010, we openly named CSR (Corporate Social Responsibility) an inherent element of our company culture. At first, a very intuitive approach was reflected in several CSR projects. In 2012, we reviewed our strategy. We are proud to support local communities, through which we could recently become successful.

In the year 2014, we have become a member of the Association of CSR and continued many CSR projects started in previous years. At the same time, we were trying to implement the idea of CSR in all possible areas. In our operations we pay special attention to supporting a healthy lifestyle (responsible consumption), having a frugal approach to natural resources, protecting the environment, tradition, being a good neighbour, honouring agreements and business rules and having employees who are ambassadors of our values. Our employees across the entire company donated blood during two Kofola´s blood donation days.

RESPONSIBLE CONSUMPTION

Responsible consumption means taking an active part in various organisations, such as Food Chambers, where our employees hold leading positions and develop various initiatives relating to healthy living, as well as educates consumers with regard to proper consumption of beverages. We voluntarily marked our products with the GDA nutrition facts labels. In the Czech Republic we are a proud partner of an internet course on healthy living for kids under the "Live healthy and have fun" (Hravě žij zdravě – http://www.hravezijzdrave.cz/) slogan. This program was also started in Slovakia (http://www.hravozizdravo.sk/).

In Poland, we are engaged in having a similar program "Trzymaj Formę", which is an educational program for children of high school age, promoting healthy life styles and nutrition (http://www.trzymajforme.pl/).

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

HEALTHY PRODUCTS

In the markets, where we operate, we invest significant part of our turnover in new product development and new technologies.

We strongly focus on improving the healthy properties of our products. Firstly, we use only natural colouring. Secondly, in the Czech Republic we operate PET line with "Hot Filling" technology. For our 100 % fresh juices we started to use high pressure technology (pascalization) thanks to which all nutritional values of fruit and vegetables are retained. Whenever we prepare an innovation, we always try to bring a better or healthier product to the consumer. We are the biggest operator of fresh bars in central Europe and we extended the offer of fresh juices with fresh salads and soups.

ENVIRONMENTAL PROTECTION

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

In 2012, we achieved a decrease in the weight of the majority of PET bottles, thanks to which we have lowered usage of granules and thus decreased negative environmental impact. Compared to the year 2011, we have also increased usage of granules from recycling.

By using the "Green Point" trademark on our products we publicly declare, that we care about the environment and contribute to its protection. We participate on the programs, that ensure consumers to have good conditions for separating waste and teach how to sort waste properly. We separate waste in all our buildings and offices.

We also limit contamination caused by fumes generated by our vehicles. We currently have one of the most advanced vehicle fleets, which meets Europe's strictest norms and we are just implementing the usage of CNG in our lorries.

ESTABLISHMENT OF THE 'PAPROĆ' FUNDATION

On 22 February 2012, the Board of Directors of the subsidiary Hoop Polska Sp. z o.o. passed a resolution to set up the "Paproć" foundation for the purposes related to the protection of nature and the environment. Aside from an educational mission, the foundation's aim is to activate entrepreneurs and people supporting environmental activities to fight for the protection of natural heritage.

TRADITION

We are there, where we have local brands and understand the local culture. By buying local brands and building positive emotions and experiences around them, we make it possible to maintain the cultural heritage on the markets in which we operate. Core competence of KOFOLA S.A. Group is to resurrect or build from the scratch strong local brands respecting local culture and specific consumer's needs. Kofola is a group that knows how to work with local brands, cares for them and further develops and strengthens them.

EMPLOYEES

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

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

In 2013, we managed to get a grant from the European social fund through the operational programme Human resources and employment and the Czech state budget. This project will lead to the training of our staff in skills necessary for the profession to improve our competitiveness.

GOOD NEIGHBOUR

One of the most important aspects for our company is to be a "good neighbour". This is why we developed a whole series of projects that support the regions in which we operate, from the construction of play grounds, through the development of communications infrastructure or support of local non-government organisations. We are proud to support local communities, through which we could recently become successful.

Being a good neighbour is an element of our responsible approach to brand building (Brand Social Responsibility).

We are a significant donor of the National Anticorruption Fund in the Czech Republic.

1.5 Description of operating results and financial position

Presented below is a description of the financial position and results of the KOFOLA S.A. Group for the year 2014. It should be reviewed along with the consolidated financial statements and with other financial information presented in the current report. All amounts are stated in PLN thousands unless stated otherwise.

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

Due to significant differences in the Czech crown, Euro and Russian rubble exchange rates to the Polish zloty between the reporting period of 2014, and the same period of 2013, in order to present better comparability of financial statements of the Group's Czech, Slovak and Russian companies, the data for the comparable period of 2013 was converted to the Polish zloty with the 2014 exchange rate. Information about rates used for translation purposes can be found in Note 4.3. The consolidated financial information presenting data translated using exchange rates for the given period is presented in the second part of the present report.

It should be noted that only in Note 1.5 the comparative data have been converted at the exchange rate applicable to the reported period of 2014. In all other notes the comparative data have been translated at the historical rate.

In the Management's opinion, the consolidated financial information adjusted by one-off events provide a better comparability of the KOFOLA S.A. Group's results between the periods; but from a formal standpoint, the consolidated financial information, presented in the second section of this report, are reported.

One-off items constitute all extraordinary items, exceptional items, non-recurring or unusual in nature, including in particular results from the sale of fixed assets and financial assets, costs not arising from ordinary operations, such as those associated with impairment of fixed assets, financial assets, goodwill and intangible assets, relocation costs and the costs of group layoffs, etc.

SUMMARY OF OPERATING RESULTS

Selected financial data	Reported 1.1.2013 - 31.12.2013	Reported adjusted by one-off events 1.1.2013 - 31.12.2013 *	Adjusted recalculated** 1.1.2013 - 31.12.2013 - comparative data for management purposes
Continuing operations			
Revenue	1 015 979	1 015 979	985 151
Cost of sales	(694 905)	(694 905)	(677 517)
Gross profit	**321 074**	**321 074**	**307 634**
Selling, marketing and distribution costs	(224 390)	(224 390)	(215 860)
Administrative costs	(44 206)	(44 206)	(41 676)
Other operating income/(expenses), net	(135 010)	3 835	3 741
Operating result	**(82 532)**	**56 313**	**53 839**
EBITDA	**(9 519)**	**129 326**	**124 803**
Financial expenses, net	(7 460)	(9 527)	(10 038)
Income tax	(32 858)	(11 417)	(9 921)
Net profit /(loss) on continuing operations	**(122 850)**	**35 369**	**33 880**
Discontinued consolidation			
Net (loss) for the period on discontinued consolidation	**(849)**	**(849)**	**(849)**
Net profit/(loss) for the period	**(123 699)**	**34 520**	**33 031**
- attributable to shareholders of the parent company	(123 660)	34 559	33 070

* in the 12-month period ended 31 December 2013, the operating result, EBITDA and net profit were influenced by one-off items: on one hand impairment of goodwill, brands and fixed assets relating to Polish operations in total amount of PLN 141 948 thousand and on the other hand profit from significant disposal of fixed assets in the amount of PLN 3 103 thousand

** results reported as comparative data in the 12-month period ended 31 December 2013 recalculated for use of this report at the exchange rates effective in the 12-month period ended 31 December 2014 for better comparability

The operating profit of the KOFOLA S.A. Group in 2013 was affected by following one-off items: on one hand impairment of goodwill, brands and fixed assets relating to Polish operations in total amount of PLN 141 948 thousand and on the other hand profit from significant disposal of fixed assets in the amount of PLN 3 103 thousand. The financial result of the KOFOLA S.A. Group in 2013 was affected by sale of a subsidiary Santa-Trans.SK, s.r.o., from which the Group recorded a gain of PLN 2 067 thousand. Income tax expense of the KOFOLA S.A. Group in 2013 was affected by release of deferred tax assets amounting to PLN 21 335 thousand and tax related to profit from disposal of fixed assets amounting to PLN 106 thousand. Impairments and sale of Santa-Trans.SK, s.r.o. were tax neutral.

The results for 2014 after one-off adjustments are presented in the table below:

Selected financial data for the period 1.1.2014 - 31.12.2014	Consolidated financial statements under IFRS	One-off adjustments	Adjusted financial statements for management purposes
Continuing operations			
Revenue	953 417	-	953 417
Cost of sales	(589 693)	-	(589 693)
Gross profit	**363 724**	**-**	**363 724**
Selling, marketing and distribution costs	(244 258)	-	(244 258)
Administrative costs	(48 304)	-	(48 304)
Other operating income/(expense), net	(10 631)	6 747	(3 884)
Operating result	**60 531**	**6 747**	**67 278**
EBITDA	**132 241**	**6 747**	**138 988**
Financial expense, net	(11 155)	-	(11 155)
Income tax	(12 044)	-	(12 044)
Net profit for the period	**37 332**	**6 747**	**44 079**
- attributable to shareholders of the parent company	37 379	6 747	44 126

The operating profit of the KOFOLA S.A. Group in 2014 was affected by following one-off item: impairment of investment in associate in total amount of PLN 6 747 thousand. Impairment is tax neutral.

1. THE DIRECTOR'S REPORT ON THE ACTIVITIES OF THE KOFOLA S.A. GROUP

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

- Consumers continued to have a high level of uncertainty, and therefore they were looking for savings in their shopping carts by limiting their consumption spending or by choosing cheaper products.
- Decrease in consumption in the higher margin gastro segment.
- Continuing transfer of sales from traditional to modern sales channel in Russia and from retail chain stores to food discount chains in Poland.
- Consolidations in the distributors market that negatively influence trading conditions and worsening of financial standing of smaller food wholesalers in particular.
- Stabilization of raw material prices.
- A wet and cool August had a negative effect on the demand for the Group's products, especially in the HoReCa sector, which was only partially compensated by hot and dry September.
- Weakening of Czech crown against EUR which influenced the purchase prices of raw materials.

Below, we describe the changes that have taken place in the main items of the consolidated financial information:

- **Revenues** PLN 953 417 thousand.
- **Gross profit** increased from PLN 307 634 thousand to PLN 363 724 thousand, i.e. by PLN 56 090 thousand (18.2%).
- **Adjusted operating result (EBIT)** increased from PLN 53 839 thousand to PLN 67 278 thousand, i.e. by PLN 13 439 thousand (25.0%).
- **Adjusted EBITDA (operating result plus depreciation and amortisation)** increased from PLN 124 803 thousand to PLN 138 988 thousand, i.e. by PLN 14 185 thousand (11.4%).
- **Adjusted net profit attributable to shareholders of the parent company** increased from PLN 33 070 thousand to PLN 44 126 thousand i.e. by PLN 11 056 thousand (33.4%).
- Decrease in **net financial debt** from PLN 203 086 thousand as at 31 December 2013 (translated to Polish zloty at the exchange rate from 31 December 2014) to PLN 136 630 thousand as at 31 December 2014, i.e. by PLN 66 456 thousand (32.7%). The Group's net debt calculated as a multiple of 12-month adjusted EBITDA equalled to 0.98 at the end of December 2014 against 1.63 at the end of December 2013.

POLAND

- In 2014 (compared to 2013), Hoop Polska Sp. z o.o. recorded a decrease in revenues from sales to parties from outside the Group by PLN 59 965 thousand (13.3%). This decrease relates mainly to cash&carry and discount retailers and is caused by the fact that we focus on improving the margins on our products in Poland despite the fact that we may lose some part of the volume sold.

CZECH REPUBLIC

- In 2014 (compared to 2013), Kofola a.s. (Czech Republic) recorded an increase in revenues from sales to parties from outside the Group by PLN 3 486 thousand (1.1%). This slight increase relates to impulse segment and results mainly from the increased sales of water and energy drinks.
- Jupí Syrup still maintains its market leader position in the Czech Republic.
- In the fourth quarter 2014, Kofola a.s. (Czech Republic) reached second position in the non-alcoholic beverage market in the retail as well as HoReCa segment in terms of market share.

SLOVAKIA

- In 2014 (compared to 2013), Kofola a.s. (Slovakia) recorded an increase in revenues from sales to parties from outside the Group by PLN 4 553 thousand (2.2%).The increase relates mainly to higher sales of carbonated beverages and waters.
- At the year-end 2014, Kofola a.s. (Slovakia) further strengthen its leading position in the non-alcoholic beverage market in the retail segment as well as HoReCa segment in terms of market share.
- In the fourth quarter of 2014, Kofola a.s. (Slovakia) was the market leader in the water segment in Slovakia.

RUSSIA

- In Russia, in 2014, sales revenues amounted to PLN 237 149 thousand, from which PLN 61 632 thousand make revenues from own branded products.

CONSOLIDATED INCOME STATEMENT

THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2014 COMPARED TO THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2013

Selected financial data	1.1.2014 – 31.12.2014	1.1.2013 - 31.12.2013*	Change 2014/2013	Change 2014/2013 (%)
Continued operations				
Revenue	953 417	985 151	(31 734)	(3.2%)
Cost of sales	(589 693)	(677 517)	87 824	(13.0%)
Gross profit	**363 724**	**307 634**	**56 090**	**18.2%**
Selling, marketing and distribution costs	(244 258)	(215 860)	(28 398)	13.2%
Administrative costs	(48 304)	(41 676)	(6 628)	15.9%
Adjusted other operating income / (expenses), net	(3 884)	3 741	(7 625)	(203.8%)
Adjusted operating result	**67 278**	**53 839**	**13 439**	**25.0%**
Adjusted EBITDA	**138 988**	**124 803**	**14 185**	**11.4%**
Adjusted financial expense, net	(11 155)	(10 038)	(1 117)	11.1%
Adjusted income tax	(12 044)	(9 921)	(2 123)	21.4%
Adjusted net profit from continuing operations	**44 079**	**33 880**	**10 199**	**30.1%**
Discontinued consolidation				
Net (loss) for the period from discontinued consolidation	**-**	**(849)**	**849**	**(100.0%)**
Adjusted net profit for the period	**44 079**	**33 031**	**11 048**	**33.4%**
- attributable to shareholders of the parent company	44 126	33 070	11 056	33.4%

** data recalculated using currency exchange rates for the period of twelve months period ended 31 December 2014*

REVENUE

The consolidated net sales revenue of the KOFOLA S.A. Group for 2014 amounted to PLN 953 417 thousand, which constitutes a decrease by PLN 31 734 thousand (i.e. 3.2%) compared to the previous year. Revenues from the sale of finished products and services amounted to PLN 941 923 thousand, which constitutes 98.8% of total revenues.

The change in revenues of the KOFOLA S.A. Group in 2014 as compared to 2013 was mainly due to lower by PLN 59 965 thousand revenues of Hoop Polska Sp. z o.o. On the other hand the newly acquired Mangaloo Group added revenues of PLN 14 092 thousand in the reporting period, revenues of Kofola a.s. (Slovakia) increased by PLN 4 553 thousand, revenues of Kofola a.s. (Czech Republic) increased by PLN 3 486 thousand and sales of the UGO Group also increased by PLN 3 191 thousand.

The activities of the KOFOLA S.A. Group concentrate on the production of beverages in four market segments: carbonated beverages, non-carbonated beverages, waters and syrups. Together these segments account for 95.2% of the Group's sales revenues. The biggest share among the revenues in the analysed period of 2014 similarly as in the comparative period 2013 represented the sales of carbonated beverages (55.5% and 56.6% respectively).

COSTS OF SALES

In 2014, the KOFOLA S.A. Group's consolidated costs of sales decreased by PLN 87 824 thousand, i.e. by 13.0%, to PLN 589 693 thousand from PLN 677 517 thousand in 2013. As percentage, the consolidated cost of sales accounted for 61.9% of revenues (68.8% in the comparative period). The development of costs of sales relates to savings in production, change in sales structure and stabilization of raw material prices.

SELLING, MARKETING AND DISTRIBUTION COSTS

Consolidated selling, marketing and distribution costs in 2014 increased by PLN 28 398 thousand, i.e. by 13.2% to PLN 244 258 thousand, from PLN 215 860 thousand in 2013. The increase in selling, marketing and distribution costs is mainly driven by depreciation of returnable packages recorded in 2014 and increased sales support and brand costs.

ADMINISTRATIVE COSTS

In 2014, the consolidated administrative costs amounted to PLN 48 304 thousand.

ADJUSTED OPERATING RESULT

Operating result (EBIT) increased from PLN 53 839 thousand in 2013 to PLN 67 278 thousand in 2014, i.e. by PLN 13 439 thousand (i.e. by 25.0%).

The increase of EBIT is attributable to improvement of gross profit.

ADJUSTED EBITDA

EBITDA (calculated as the operating profit plus depreciation and amortisation) increased from PLN 124 803 thousand realized in 2013 to PLN 138 988 thousand realized in 2014, i.e. by PLN 14 185 thousand (i.e. by 11.4%).

The increase of EBITDA is attributable to improvement of gross profit.

ADJUSTED NET FINANCIAL EXPENSES

Net financial expenses increased from PLN 10 038 thousand incurred in 2013 to PLN 11 155 thousand incurred in 2014, i.e. by PLN 1 117 thousand (by 11.1%). The change in Net financial expenses in 2014 as compared to 2013 was mainly due to lower by PLN 5 487 thousand interest expense due to reduced level of debt and lower base rates. On the other hand there was a decrease of net FX gains by PLN 7 457 thousand mainly due to less favourable FX rate movements related to bonds issued in CZK during 2013.

ADJUSTED INCOME TAX

Income tax expense amounts to PLN 12 044 thousand in 2014 which represents effective tax rate of 21.5%. In 2013, adjusted income tax expense amounted to PLN 9 921 thousand which represented effective tax rate of 22.7%.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Selected financial data	31.12.2014	31.12.2013 *	Change 2014/2013	Change 2014/2013 (%)
Total assets	**933 585**	**905 915**	**27 670**	**3.1%**
Fixed assets, out of which:	658 188	639 363	18 825	2.9%
Tangible fixed assets	*434 903*	*414 353*	*20 550*	*5.0%*
Intangible fixed assets	*163 951*	*159 043*	*4 908*	*3.1%*
Goodwill	*13 553*	*13 553*	*-*	*-*
Investment in associates	*43 393*	*51 841*	*(8 348)*	*(16.1%)*
Deferred tax assets	*459*	*439*	*20*	*4.6%*
Current assets, out of which:	275 397	266 552	8 845	3.3%
Inventories	*65 165*	*91 066*	*(25 901)*	*(28.4%)*
Trade receivables and other receivables	*122 243*	*144 509*	*(22 266)*	*(15.4%)*
Cash and cash equivalents	*87 610*	*30 769*	*56 841*	*184.7%*
Total equity and liabilities	**933 585**	**905 915**	**27 670**	**3.1%**
Equity	412 477	390 960	21 517	5.5%
Long-term liabilities	158 585	151 662	6 923	4.6%
Short-term liabilities	362 523	363 293	(770)	(0.2%)

* *translated using exchange rates as at 31 December 2014*

ASSETS

At the end of December 2014, the Group's fixed assets amounted to PLN 658 188 thousand. Compared to 31 December 2013, the value of fixed assets increased by PLN 18 825 thousand (i.e. 2.9%). This change was caused by several contradictory factors: depreciation charges in the amount of PLN 71 710 thousand, purchase of tangible fixed assets in the value of PLN 47 728 thousand, fixed assets acquired pursuant to financial lease agreements in the value of PLN 15 497 thousand and fixed assets related to acquisition of Mangaloo Group in the value of PLN 8 979 thousand.

As at 31 December 2014, goodwill included the following items: goodwill of Pinelli spol. s r.o. and goodwill of Klimo production plant taken over by Kofola a.s. (Czech Republic) in 2006. Goodwill arising from the merger of HOOP S.A. Group with Kofola SPV Sp. z o.o. Group in the amount PLN 89 184 thousand has been impaired in December 2013.

The Group's current assets as at 31 December 2014 amounted to PLN 275 397 thousand. In the structure of current assets as at the end of December 2014 the biggest were: trade receivables and other receivables making 44.4%, cash and cash equivalents making 31.8% and inventory making 23.7% of the total current assets.

LIABILITIES

As at the end of December 2014, the Group's liabilities (total long- and short-term) amounted to PLN 521 108 thousand, which constitutes a 1.2% (PLN 6 153 thousand) increase compared to the end of December 2013. The drop of indebtedness was more than compensated by the higher level of trade and other payables and increase of provisions.

The Group's consolidated net debt (calculated as total long- and short-term liabilities relating to credits, loans, bonds, leases and other debt instruments less cash and cash equivalents) amounted to PLN 136 630 thousand as at 31 December 2014, which means a PLN 66 456 thousand decrease compared to PLN 203 086 thousand as at the end of December 2013.

CONSOLIDATED CASH FLOW

Consolidated cash flow generated from operating activity in the period ended 31 December 2014 amounted to PLN 146 442 thousand and was higher by PLN 36 102 thousand compared to the period ended 31 December 2013. The increase is mainly driven by higher profit before tax and favourable movement of working capital changes.

Consolidated cash flow generated from investing activity in the period ended 31 December 2014 amounted to PLN (36 969) thousand compared to PLN (31 568) thousand generated in the period ended 31 December 2013. The increase relates to higher capital expenditure and lower dividend received from associate company OOO Megapack compared to the prior period.

Consolidated cash flow from financing activity for the period ended 31 December 2014 amounted to PLN (53 361) thousand compared to PLN (80 849) thousand in the period ended 31 December 2013. This decrease is result of the financial stability of the KOFOLA S.A. Group when lower level of external financing is needed.

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

Activities of the Issuer Group companies, their financial position and results of operations are subject to and may in the future be subject to negative changes as a result of the occurrence of any of the risk factors described below. Occurrence of even some of these risk factors may have a materially adverse effect on the business, financial condition and financial results of the Issuer or KOFOLA S.A. Group as a whole, and in consequence may expose investors to loss of all or part of the funds invested. The factors presented below represent the key risks. Most of those risk factors are of contingent nature and may or may not occur and the Issuer is not able to express its view on their probability of occurrence. The order in which they are presented is not an indication as to their significance, or probability of occurrence or of the potential impact on the Group. Other risks, factors and uncertainties than those described below, including also those which the Group is not currently aware of or which are considered to be minor, may also have an important negative impact on the Group's operations, financial position and results of operations, financial position and results of operations in the future.

Key risks are monitored. For these risks, preventive actions are taken to reduce their vulnerability and reduce their potential impact on the Group.

RISK ASSOCIATED WITH THE MACROECONOMIC SITUATION OF THE COUNTRIES IN WHICH THE GROUP OPERATES

The economic position of Kofola Group's companies is strictly tied into the economic situation in the Czech Republic, Poland, Russia and Slovakia, which are the most important markets for the sale of the Group's products. Macroeconomic factors such as: GDP growth, unemployment, effective growth of wages, availability of the consumer loans or the economic outlook translate into the willingness of the citizens of these countries to purchase the products manufactured by the Kofola Group companies. In consequence, this may affect the sale of the Group's products. Group companies seek to minimise this risk by managing various price categories, offering simultaneously products from higher, middle and lower category as well as products under private brands of retail chains, improving distribution and increasing availability of the Group´s products and continuously working on strengthening its own brands.

Additionally, policies adopted by the governments and central banks of the countries where Kofola Group companies operate may have a negative impact on currency exchange rates, interest rates and other instruments traded on European financial markets, and may also lead to more difficult access to new sources of financing, affecting both availability of loans and proneness of investors to purchase new bonds. These changes could complicate prolongation of short-term loans for another period or in obtaining new loans for investment financing and in consequence this could hamper the functioning of individual companies and distract the Management from further optimisation of the Group with the goal of obtaining financing. Kofola Group closely monitors and manages exposure to wider economic factors to the extent that it is possible or beneficial to do so, in particular, hedging our currency requirements.

RISK OF CHANGES IN THE PRICES OF RAW MATERIALS

The primary factors that affect the costs of producing beverages are raw materials, in particular sugar, isoglucose, granules used in the production of PET bottles, fruit concentrates, foil, paper, and indirectly – oil. The majority of the basic raw materials constitute so-called commodities, which are subject to significant fluctuations on world markets.

Sudden changes in the raw material prices may have a significant effect on the margins earned on the sale of beverages, and therefore fluctuations of the KOFOLA Group's profitability and its ability to generate cash.

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

THE RISK RESULTING FROM THE SEASONAL WEATHER CONDITIONS

The sale of non-alcoholic beverages is highly dependent on weather conditions, in particular temperature and precipitation. Nearly 60% of the KOFOLA S.A. Group's sales is realised in the second and third quarters of a year, reaching a peak during the hottest summer months. Rainy and cool summers may result in the low level of revenues, in particular in the water segment. An unusually hot summer, on the other hand, may trigger larger than expected demand from the customers and in consequence inability of the KOFOLA S.A. Group companies to deliver sufficient quantities of products to retailers, which could result in potential penalties for service level below the agreed thresholds.

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

RISK OF LOSING LARGE CLIENTS

A significant portion of the revenues earned by the KOFOLA S.A. Group companies comes from clients that operate chains of the grocery stores, supermarkets, hypermarkets and discount stores. In recent years, there is a visible trend of trade volumes moving from the traditional corner shops to the larger operators of the chain stores (sometimes called the Modern Trade channel). In consequence, those chains, especially the discount store operators, are becoming stronger and increase their share in the revenues of the KOFOLA S.A. Group companies. Those chains are tough negotiators, which increases the risk of lack of agreement on the terms and conditions and in consequence loss of a significant client, adversely impacting the revenues and/or bringing about the necessity of costs cutting measures to adjust the cost structure to the reduced sales level, which can lead to a decrease in profitability and an impaired ability to generate cash.

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

RISK RESULTING FROM HIGHLY COMPETITIVE ENVIRONMENT

Companies belonging to the KOFOLA S.A. Group operate in a highly competitive market where both multinational and local producers compete against each other through offering a wide range of products. Due to this competitive environment, any changes in the current trends in beverage industry and consumer behaviour pose additional risk of downward pressure on the selling prices and/or a possibility of losing the market shares in the individual product categories or in the overall soft drinks market. Consequently, KOFOLA S.A. Group may suffer margins decline and generate less cash. Consumer preferences evolve over time and in the FMCG environment it is necessary to keep up with consumer requirements and tastes and develop our products to meet these.

The issuer protects against this type of risk primarily by building an emotional brand and loyalty of the consumers to the brands in its portfolio and by introducing new products on the market. KOFOLA S.A. Group closely monitor consumer trends in order to anticipate changes in preferences and match our offerings to these trends across our diversified portfolio and markets. We regularly develop our current products and aim to offer innovative new products to create new sub-categories and generate consumer needs.

RISK ASSOCIATED WITH PRICING BEHAVIOR OF MAIN COMPETITORS

The pricing policy of the main competitors lies beyond influence of the KOFOLA S.A. Group. Changing approach to pricing policy by the strong players may result in a market pressure on the KOFOLA S.A. Group companies to adjust their pricing to the current market trends and negatively impact achieved margins and in consequence the amounts of generated cash. To maintain its competitive position, the Issuer's companies are forced to conduct promotional campaigns, as a result of which they lower the margin realised on products sold as part of the promotion. This risk constitutes a threat to the profitability of the Kofola Group.

The companies from the Kofola Group try to minimise this risk by increasing the percentage share of the restaurant sector (that is less prone to promotions), as well as by promoting impulse products (with higher margins) or introducing new products, for which no aggressive pricing promotions have to be used (in the absence of competitor's products).

DIFFICULTY IN TRANSFER OF THE RISING RAW MATERIAL PRICES TO THE END CONSUMERS

The raw materials prices, in particular those that are based on commodities or harvest levels, are prone to fluctuations during short periods as well as to long term trends. Terms and conditions between the companies in the KOFOLA S.A. Group and their customers are typically concluded for 12-month periods and therefore the KOFOLA S.A. Group companies might have limited possibilities to adjust upward the selling prices of soft drinks several times during the year to reflect the behaviour of the raw materials prices.

Moreover the large retail chains tend to defend the end consumers and resist price increases. That difficulty in the transfer of rising raw materials prices to the end consumers might impact the margins realized on the sale of soft drinks and, hence, the ability of the KOFOLA S.A. Group to generate cash.

The companies from the Kofola Group try to minimise this risk by negotiations with major customers about price increases, adjusting its cost structure, implementing innovations leading to higher margins and by proper packing and sale channel tactics.

IT RISK

The KOFOLA S.A. Group companies in order to carry out day-to-day business rely on information technology supporting all major processes in the business (both maintained in-house as well as outsourced to third parties). The KOFOLA S.A. Group companies may thus encounter system failures including but not limited to power losses, computer break-downs, computer viruses or security breaches which may also be caused by third parties. Any failure of the information systems may result in a disruption of the daily operations, which could have an adverse effect on the KOFOLA S.A. Group's revenues, relations with customers in case of under-deliveries of products and in consequence the profitability and the ability to generate cash.

The Issuer protects against this type of risk by establishing back data centre, daily backups, disks in mirroring and continued articulation and implementation of information security policies.

CREDIT RISK

In conducting its trade activity, the KOFOLA S.A. Group companies primarily realise the sales of their products and services to the customers with deferred payments therefor. As a result, KOFOLA S.A. Group companies are exposed to a credit risk of the respective counterparty's failure to pay for the delivered products or services. A failure to pay by a large customer could have an adverse impact on the KOFOLA S.A. Group profitability and its ability to generate cash.

In order to minimise this risk and to maintain the lowest possible level of working capital Group KOFOLA S.A. applies the procedure for granting trade credit limit for customers buying with deferred payment. The level of trade receivables of the Group KOFOLA S.A. is regularly monitored. In addition, part of receivables is insured within an organised trade credit insurance program.

RISK OF PRODUCT CONTAMINATION

Like other food stuffs, beverages are threatened by contamination that may be the result of using contaminated materials or errors made in the production process. The contamination and release of a product on the market leads to the risk of compromising the given product's reputation and incurring costs of recalling the products from the market, utilising them and paying possible penalties and damages. Moreover despite the quality control along all the supply chain, it may also happen that the products will be intentionally contaminated by humans in an act of terrorism or blackmail.

Intentional or unintentional product contamination may results in a loss of reputation of a brand or manufacturer that in consequence may adversely impact the sales of that brand or even all products manufactured by that manufacturer in the particular market in the long term and lead to the necessity to recall the products from the market and reduce their use in a short term. Any such event could adversely impact the level of sales and in consequence the profitability and the ability to generate cash. In extreme cases product contamination could lead to such damage to the brand being contaminated that the KOFOLA S.A. Group will be forced to completely withdraw such brand from the market.

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

RISK OF TERMINATION OF FINANCING FACILITIES

Companies of the KOFOLA S.A. Group use external financing in a form of bank loans, issued notes, leasing as well as the trade finance solutions like factoring and receivables discounting. The financing arrangements are concluded for the specified time periods and are typically extended at maturity upon the fulfilment by the company being financed of certain terms and conditions (so called covenants).

Deterioration in the financial performance or other non-adherence to the defined terms and conditions can lead to a lack of extension of the financing facilities or in extreme cases cancellation of the financing contracts, exposing the KOFOLA S.A. Group companies to the necessity of refinancing. Termination of the financing facilities may also happen on the bank's decision to reduce or completely withdraw from the exposure in the particular market where the KOFOLA S.A. Group companies operate.

In a case of the insufficient external financing, the KOFOLA S.A. Group may be forced to curtail the scale of its operations and in extreme cases be forced to dispose of some of its assets to release cash. Such steps could impair the KOFOLA S.A. Group's profitability and its ability to generate cash.

The Issuer limits this risk by maintaining constant and good relationships with the banks, continuously maintaining open information policy towards financing banks.

RISK OF IMPAIRMENT OF GOODWILL OR KEY BRANDS

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

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

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

The issuer protects against this type of risk primarily by building an emotional brand and loyalty of the consumers to the brands in its portfolio and by introducing new products on the market.

RISK OF INCOMPLETE UTILISATION OF TAX INCENTIVE IN KOFOLA A.S. (CZ)

In January 2008, by the decision of the Ministry of Industry and Trade of the Czech Republic, Kofola a.s. (CZ) (a member company of the KOFOLA S.A. Group) received a consent to be provided with investment incentives in the form of corporate income tax relief for the period of 10 consecutive years. The total amount of the state support in the form of investment incentives should not exceed CZK 161.04 million. This support was already recognized as a deferred tax asset in 2008 and 2009. There is a risk that the future profit before tax achieved by Kofola a.s. (CZ) might be insufficient to fully utilize this tax incentive and in that case the previously recognized deferred tax asset will have to be released decreasing the net profit of Kofola a.s. (CZ) and, as a consequence, the consolidated net profit of the KOFOLA S.A. Group.

As at the year-end 2013 Management Board of Kofola a.s. (CZ) revised its tax projections for years 2014 – 2017 and decided to write-off part of the deferred tax asset relating to the tax relief from investment incentives. As at 31 December 2014 based on the preliminary tax calculations Kofola a.s. (CZ) utilised CZK 2.2 million of tax incentive.

RISK OF LOSS OF INTELLECTUAL PROPERTY RIGHTS

A very important component of the long-term assets of the KOFOLA S.A. Group is its intellectual property, in particular the beverages trademarks. The companies within the KOFOLA S.A. Group holding those intellectual rights keep those rights registered and protected in the relevant local authorities in each state where the KOFOLA S.A. Group operates. The periods of intellectual property protection are monitored and prolonged when appropriate. Those rights to the intellectual properties can be subject to hostile activities like imitations, copying or attempts to size such property at the protection expiry period. Therefore there is a risk of infringement on, or misappropriation of, those intellectual properties which in consequence would undermine the competitive position of the KOFOLA S.A. Group and result in a decrease in sales volumes.

In order to decrease this risk, companies of the Group that are owners of the trademarks perform regular prolongation of registration of owned trademarks and administer products´ websites.

THE RISK OF BUSINESS INTERRUPTION

Companies of the KOFOLA S.A. Group are exposed to the risk of business interruption that might be caused by several factors and accidental events, including but not limited to, fire, floods, breakdowns of the production lines, malfunctions in functioning of the ERP (Enterprise Resource Planning) system and similar. Any such business interruption could from time to time put one or more of the production plants or customer service departments from operation and, thus, decrease the sales volumes.

Group minimises risk of business interruption by using insurance for above mentioned kind of events (insurance for so called Business interruption) and also by implementation of the group back-up servers for safety of the main database.

RISK OF PENALTIES FOR UNDER-DELIVERIES

The KOFOLA S.A. Group companies, according to the prevailing market standards, have the contract clauses specifying their obligations to deliver certain quantities of the products to the key customers and/or the minimum percentage of deliveries versus the orders. Unfulfilled obligations or the percentage of realized deliveries below the defined thresholds can result in contractual penalties to be paid by the KOFOLA S.A. Group companies, which will lead to a reduction in the profitability of the KOFOLA S.A. Group.

The Issuer limits this risk by effective Supply chain management set up, improvement in sales forecasting, creating inventory safety buffer before the top season and keys suppliers diversification.

RISK OF UNSUCCESSFUL INTEGRATION AFTER MERGER

Pursuing its development strategy, the KOFOLA S.A. Group seeks acquisition targets in order to consolidate the market and acquire brands or companies fitting its product portfolio or having the unexplored market potential. Each completed acquisition carries a risk of unsuccessful integration of the acquired company into the KOFOLA S.A. Group structures, and therefore a risk of failing to achieve the pre-acquisition financial targets.

The Issuer limits this risk by continued monitoring of progress against the integration plan, including frequent and regular tracking of key performance indicators and senior leadership being closely involved in monitoring progress and in making key decisions. Additionally proven integration processes, procedures and practices are applied to ensure delivery of expected returns.

RISK ASSOCIATED WITH LOSING KEY MANAGEMENT PERSONNEL

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

The Issuer limits this risk by sustaining a strong culture of accountability, empowerment and personal development as well as by building the group's leadership talent pipeline through strategic people resourcing.

FOREIGN EXCHANGE RISK

More than half of the raw materials used for production are purchased in euro or in the local currency but with the pricing derived from euro. Therefore, the results of the KOFOLA S.A. Group are subject to fluctuations in the foreign exchange rates of euro and the local currencies. Despite the applied hedging policy, the KOFOLA S.A. Group might not be able to hedge all the currency risks, in particular in the longer periods.

The KOFOLA S.A. Group companies make the internal settlements for the shared services provided by Kofola ČeskoSlovensko a.s. in Czech crowns. The Issuer provides the financing for the Czech and Slovak operations via Kofola ČeskoSlovensko a.s. in a form of the intragroup loans denominated in Czech crowns. Therefore the Issuer and the KOFOLA S.A. Group are exposed to the fluctuations of the foreign exchange rates against the Czech crown.

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

INTEREST RATE RISK

The KOFOLA S.A. Group companies use external financing facilities to finance their long term assets as well as the working capital. Most of those financing facilities bear the floating interest rate and, therefore, depend on the behaviour of the base interest rates in the interbank market and the interest rate policies adopted by the relevant central banks. The rapid and unexpected changes in interest rates might result in an increase in the financing costs and in consequence negatively impact the KOFOLA S.A. Group's profitability and its financing cash flows.

At the time of this Report, the KOFOLA S.A. Group did not protect itself against changes in interest rates.

THE RISK OF CHANGES IN TRADE STRUCTURE

In the recent years, the food and beverage manufacturers observe changes in the structure of the retail shops with the economic slowdown making the retail discounters a more attractive place to shop for consumers, which redirects trading volumes from the fast developing hypermarket and supermarket chains. The accelerating speed of life directs the customers to more convenient places for purchases, which diminishes the significance of the traditional corner food shops. The changes in the retail structure, if not properly and timely recognized and addressed by adjustment to the KOFOLA S.A. Group business model, might have an adverse impact on the sale volumes and, in consequence, the KOFOLA S.A. Group's profitability and its ability to generate cash.

KOFOLA S.A. Group tries to minimise risk of changes in the trade structure by adequately adjusting production to the sale in particular channels (including differentiation of capacity of packages), by assigning sale labour forces specialised in servicing particular channels and adapting the sales labour forces to the structure of the customers. KOFOLA S.A. Group operates across many different channels in our core markets and continuously monitors consumer behaviour to understand changing trends. KOFOLA S.A. Group is adopting strategies that will provide the flexibility to respond to the changing landscape and consumer needs.

THE RISK OF FUEL PRICE INCREASES

Most of the soft drinks manufacturers use diesel trucks to deliver their products. Therefore, the rising fuel prices (either related to the crude oil prices or the level of the excise duty on diesel fuel) can have a negative impact on the transportation costs and in consequence on the KOFOLA S.A. Group profitability and its ability to generate cash.

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

THE RISK OF INCREASE OF ELECTRICITY PRICES

Production processes consume significant volumes of electricity, in particular for heating and PET bottles blowing. Increases in energy prices can have a negative impact on the production costs and in consequence on the KOFOLA S.A. Group profitability and its ability to generate cash.

Kofola Group seeks to minimalize the risk of a price increase of electricity by increasing production effectiveness (OEE) and by seeking alternative electricity suppliers.

RISK ASSOCIATED WITH LEGAL REGULATIONS

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

The Russian government, in order to reduce the alcoholism problem in Russia, in the recent years introduced a number of limitations to sale and marketing of alcoholic beverages including, inter alia, restrictions to sell alcoholic beverages after 10:00 p.m., increasing the level of exercise duty, reducing the number of off-licence shops and reducing the maximum alcohol content of alco-pops. Those steps may result in decreased consumption of alcoholic beverages and partial transfer of consumers to the so-called 'grey economy'.

Changes in the level of VAT rates on soft drinks may also adversely impact the level of sales of the KOFOLA S.A. Group products.

In some countries the restrictions on sale of high sugar content of beverages or additional product fees for products with high sugar content have already been implemented. There is a risk that similar regulations could be the implementation in the countries, where the KOFOLA S.A. Group companies operate as well.

In some developed countries restrictions on single use of PET bottles or special product charges for drinks in such bottles promoting multi-usage of PET bottles have been implemented. There is a risk that the governments of countries where the KOFOLA S.A. Group companies operate will introduce such product charges to discourage the sale of products in single use PET bottles or introduce the necessity to sell the soft drinks in multi-usage PET bottles. Such measures, if implemented, could have an adverse effect on the KOFOLA S.A. Group's profitability or its ability to generate cash.

The Issuer tries to minimise this risk by monitoring the changes in legal regulations and adapting to them in advance, as well as making sufficiently early applications to extend licenses and permits for the production and sale of alcoholic beverages or by implementing recipe changes in products. Companies of KOFOLA S.A. Group have, as one of the first in the region, introduced beverages with stevia, used as a substitute for sugar.

LOSS OF LICENSE TO PRODUCE AND SELL ALCOHOL PRODUCTS

The two Russian companies belonging to the KOFOLA S.A. Group were granted licenses to produce and sell the low alcohol beverages that are valid until October 2016. The licensees are subject to verification of compliance by the local regulator. A failure to do so might result in suspension or withdrawal of one or more licenses. A lack of license to sell low alcohol beverages could lead to significantly reduced revenues of the Russian companies belonging to the KOFOLA S.A. Group.

There is also a risk that those licenses may not be extended beyond the date indicated above. This could have an adverse effect on revenues of one or both of the Russian companies belonging to the KOFOLA S.A. Group.

To reduce the above risk, Issuer and Russian companies belonging to the KOFOLA S.A. Group regularly monitor the relevant legislation and follow up the legal requirements for the license owners.

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

In accordance with the requirements of § 91 par. 5 point 4 of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognising as equally valid the information required by the regulations of a state that is not a member state, as well as § 29 par. 5 of the Warsaw Stock Exchange Regulations, the Management Board of KOFOLA S.A. with its registered office in Kutno ("the Company") hereby makes public its declaration on the Company's application of corporate governance principles in the year 2014.

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

Based on § 29 par. 2 of the Regulations of the Warsaw Stock Exchange („Stock Exchange", „WSE"), KOFOLA S.A. should apply the principles of corporate governance that the Stock Exchange Board may pass with regard to listed companies whose shares are admitted to trading on the stock exchange. Effective 4 July 2007, in its Resolution No. 12/1170/2007, the Stock Exchange Board adopted corporate governance principles in the form of "Good Practices of the Companies Listed on the Warsaw Stock Exchange" ("Good practices", "corporate governance principles"), which were amended by Resolution No. 17/1249/2010 dated 19 May 2010, Resolution No. 15/1282/2011 dated 31 August 2011, Resolution No. 20/1287/2011 dated 19 October 2011 and Resolution No.19/1307/2012 dated 21 November 2012.

The corporate governance principles are available to the public on the Stock Exchange's website at: http://corp-gov.gpw.pl/.

1.7.2 The corporate governance principles that the Company did not apply

In 2014 the Company applied all of the principles referred to in the Good Practices of the Companies Listed on the WSE, with the exception of principles as followed.

In 2014 the Company stated that it was not applying the principle referred to in point 6 of Part IV of the Good Practices i.e. the principle which says that the day of the dividend and the dividend payment date shall be so set that the period between them was as short as possible and in any event not longer than 15 working days. Failure to implement the aforementioned principle resulted from the fact that, in Resolution No. 17 dated 23 June 2014 adopted by the Ordinary General Meeting of Shareholders, of which the Company stated in the current report No. 6/2014 and 7/2014 dated 24 June 2014, the day of the dividend was set for 23 September 2014, while the dividend payment date was established on 8 December 2014.

In the year 2014 the Company still did not apply the principle referred to in point 6 of Part III of the Good Practices, i.e. the principle relating to meeting the criteria of independence by at least two members of the Supervisory Board of which the Company informed in current report No. 20/2014 dated 29 September 2014.

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

Moreover, during Ordinary General Meeting of Shareholders convened on 23th June 2014, 21st July 2014, 2nd September 2014 and 29th September 2014, - due to the high costs of implementation and the lack of interest of the shareholders on the participation in the General Meeting via electronic means of communication, the Company did not apply the principle of 10 of Part IV of the Code of Best Practice. In the opinion of the Management Board, the Company applied the procedure for documenting general meetings fully reflect their actual course and ensure transparency of them. Therefore, lack of application of the principle does not affect the reliability of the Company's information policy. Introducing the possibility of carrying out electronic general meeting will only increase the cost of organizing the meeting.

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

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

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

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

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

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

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

In accordance with the Company's Statute, the Company's auditor is appointed by the Supervisory Board. Significant matters relating to periodic reports that are not verified by the auditor are consulted with the auditor in order to avoid any material adjustments in the subsequent reports. KOFOLA S.A. kept its accounting books using the SAP R/3 system as the largest companies from the Group i.e. Kofola a.s. CZ, Kofola a.s. SK, Hoop Polska Sp. z o.o., Kofola ČeskoSlovensko a.s. The system is password protected against unauthorised access. The process of preparing the financial statements involves a specified team of Finance Department employees; other persons do not have access to the data which is the basis of its preparation. The Company's accounting books, accounting evidence, documentation and the financial statements of the Company are stored in accordance with the provisions of the Accounting Act.

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

The Shareholders of KOFOLA S.A. – state according to Company's knowledge on 31 December 2014:

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

- 13 395 373 shares, or 51.19% of share capital of the KOFOLA S.A.
- 13 395 373 votes, or 51.19% of total votes at General Shareholders' Meeting of the KOFOLA S.A.

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

- 11 283 153 shares or 43.11% of share capital of KOFOLA S.A.
- 11 283 153 votes or 43.11% of total votes at General Shareholders' Meeting of the KOFOLA S.A.

As at 31 December 2014 the share capital amounted to PLN 26 170 003 and consisted of 26 170 003 shares entitling to 26 170 003 votes at General Shareholders' Meeting of the Company.

According to Resolutions No. 20 and 21 from 23 June 2014 the Ordinary General Meeting of the KOFOLA S.A. decided on the cancellation of 9 624 ordinary shares acquired within the share redemption programme completed by the end of 2014 and decided on the reduction of the share capital by PLN 9 624 to PLN 26 160 379. Reduction of the share capital was registered by the Court on 7 January 2015.

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

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

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

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

1.7.7 All restrictions on the transfer of the ownership of securities

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

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

THE PRINCIPLES OF APPOINTING SUPERVISORY BOARD MEMBERS

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

a) as long as KSM Investment SA with the registered office in Luxembourg ("KSM") remains the Company's shareholder with no less than 35% of the Company's share capital, KSM shall appoint and remove 3 (three) members of the Supervisory Board, including the Chairman of the Supervisory Board – the appointment and removal of a Supervisory Board member by KSM on the basis of this paragraph shall be made by way of a written statement submitted to the Company and the person concerned and shall be effective as of the date of submission to the Company this statement concerning the appointment of the member of the Supervisory Board with a written statement of the member of the Supervisory Board including a consent for performance the function of a member of the Supervisory Board,
b) as long as CED GROUP S. a r.l. („CED") remains the Company's shareholder with no less than 15% of the Company's share capital, CED shall appoint and remove 2 (two) members of the Supervisory Board, including the Vice- Chairman of the Supervisory Board – the appointment and removal of a Supervisory Board member by CED on the basis of this paragraph shall be made by way of a written statement submitted to the Company and the person concerned and shall be effective as of the date of submission to the Company this statement concerning the appointment of the member of the Supervisory Board with a written statement of the member of the Supervisory Board including a consent for performance the function of a member of the Supervisory Board.

THE PRINCIPLES OF APPOINTING MANAGEMENT BOARD MEMBERS

1. The Management Board comprises from 5 to 8 members appointed and removed by the Supervisory Board. Members of the Company's Management Board may hold the following positions::
   a) Chairman of the Management Board,
   b) Finance Director – Member of the Management Board,
   c) Operating Directors - Member of the Management Board,
   d) Sales Director - Member of the Management Board,
   e) Marketing Director - Member of the Management Board,
   f) Human Resources and Services Director - Member of the Management Board,
   g) Development Director - Member of the Management Board,
2. Subject to the provisions of Par. 18.8. r)-v) above, the resolution of the Supervisory Board on appointment or removal from office of all or any particular members of the Management Board, including the President of the Management Board, shall be adopted by a simple majority of the votes.

3. If the Supervisory Board removes from office any member or members of the Management Board, as a result of which the number of the Management Board members falls below five, the Supervisory Board shall be obliged to appoint on the same meeting the new members of the Management Board in the number which shall guarantee the maintenance of the composition of the Management Board referred to the Articles of association of the Company.
4. If the term of office of any member or members of the Management Board expires due to reasons other than their removal from office and, as a result, the number of the Management Board members falls below five, the Supervisory Board shall be obliged within 14 days of the occurrence of such fact to appoint a new member.
5. A resigning Management Board member shall be obliged to advise the Supervisory Board and the remaining members of the Management Board of his or her resignation in writing.
6. The term of office of the Management Board shall be five years. The members of the Management Board may be re-appointed for next terms of office. Members of the Management Board are appointed for a joint term of office.
7. The tenure of the Management Board members shall expire as provided for in Art. 369 § 4 of the Commercial Companies Code. If new members were appointed to fill a vacancy or supplement the composition of the Management Board during its term of office, the term of office of the newly-appointed Management Board member shall expire at the same time as the terms of office of the other Management Board members.

THE POWERS OF THE SUPERVISORY BOARD

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

a) reviewing the Company's financial statements and the report of the Management Board on the Company's operations, in terms of their conformity with the accounting books and documents and with the actual state of affairs, and the Management Board's recommendations concerning the distribution of profit or coverage of loss, and submitting annual written report on the findings of the review to the General Shareholders Meeting,
b) reviewing the financial statements of the Company's Group and the report of the Management Board on the operations of the Company's Group, and submitting annual written report on the findings of the review to the General Shareholders Meeting,
c) supervising the performance of budgets,
d) approving the payment of interim dividend,
e) approving the grant of power of proxy or general power of attorney,
f) issuing opinions on matters to be discussed during the General Shareholders Meeting,
g) issues referred to in Par. 18 section 8 of the Statute of the Company.

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

a) approval of the consolidated economic and financial plan ("the budget") of the capital group of the Company prepared by the Company's Management Board, changing the format used for preparing the Company's budget,
b) approving the Company's long-term operating plans developed by the Management Board,
c) approving any acquisition, purchase or disposal of shares in other entities, as well as joining any commercial-law company or civil-law partnership, by the Company or any company of its Group, where such transactions are not provided for in the budget and their value exceeds EUR 8 000 000 or an equivalent of that amount,
d) approving any share capital increase, sale of a business or an organized part of a business, a demerger, merger or transformation of any company of the Company's Group if the value of assets subject to such transactions exceeds 15% of the Company's assets disclosed in the financial statements for the preceding financial year, where such transactions are not provided for in the budget,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE POWERS OF MANAGEMENT BOARD

Representation of the Company and the Management Board's responsibilities

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

Passing resolutions

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

a) adopting the budget,

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

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

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

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

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

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

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

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

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

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

Acquisition of own shares by the Company

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

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

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

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

CONVENING OF THE GENERAL MEETINGS

1. An Annual General Shareholders Meeting shall be convened annually by the Management Board, not later than within six (6) months of the end of the Company's financial year.
2. A General Shareholders Meeting shall be convened by the Management Board. The Supervisory Board may convene an Annual General Shareholders Meeting if it is not convened by the Management Board within the period specified in this chapter or in the Statute, and the Extraordinary General Shareholders Meeting, if it considers its convocation as advisable.
3. The shareholders representing at least half of the share capital or at least half of the total votes on the General Shareholders Meeting may convene an Extraordinary General Shareholders Meeting. The shareholders shall appoint the Chairman of this General Shareholders Meeting.
4. A shareholder or shareholders representing at least one twentieth of the share capital may request the convening of the Extraordinary General Meeting and placing certain issues in the agenda of this Meeting. The request to convene an Extraordinary General Meeting must be submitted to the Management Board in writing or in electronic form. If, within two weeks from the date of the request submitted to the Management Board, an Extraordinary General Meeting shall not be convened, the registry court may authorise the shareholders applying with this request to convene an Extraordinary General Meeting. The court shall appoint the chairman of this Meeting.
5. A motion for convening the General Shareholders Meeting shall specify the issues to be included in the agenda. The motion shall require a justification.
6. The General Shareholders Meeting shall be convened for a day that is a business day in Poland.
7. The General Shareholders Meeting convened on the motion of the Shareholders may only be cancelled or its date changed upon the approval by the parties submitting the motion. In all other cases, the General Shareholders Meeting may be cancelled if there occur any extraordinary obstacles to its holding (force majeure) or when holding the Meeting would be obviously purposeless.

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

MAKING RESOLUTIONS BY THE GENERAL MEETING

1. Subject to the provisions of Art. 404 of the Commercial Companies Code, the General Shareholders Meeting may adopt resolutions only on matters provided for in the Commercial Companies Code, in the Statute and matters included in the agenda of the Meeting.

2. A resolution not to consider an issue included in the agenda of the meeting shall be adopted only for significant reasons. The relevant motion shall be justified in detail.

3. The General Shareholders Meeting shall be opened by the Chairperson of the Supervisory Board or by a person designated by the Chairperson, or – if there is not such a person – by the oldest Supervisory Board member present at the meeting. In the absence of such persons, the General Shareholders Meeting shall be opened by the Chairman of the Management Board, a person designated by the Management Board, or the Shareholder representing the largest number of the Company shares. If there are two or more Shareholders representing the largest number of the Company shares, the General Shareholders Meeting shall be opened by the oldest of them.

4. The General Shareholders Meeting shall be valid and shall have the capacity to adopt effective resolutions if the attending shareholders represent no less than 50% (fifty per cent) of the share capital. If there is no quorum present at the first General Shareholders Meeting, the Management Board shall immediately convene another General Shareholders Meeting with the same agenda, on a date falling no sooner than after four weeks of the first General Shareholders Meeting, indicating that it is convened after an earlier Meeting was adjourned and that it shall be valid regardless of the percentage of the share capital represented.

5. Subject to the mandatory provisions of the Commercial Companies Code and unless the Statute's provisions provide otherwise, resolutions shall be adopted by a simple majority. As long as CED GROUP S. à r.l., a limited-liability company under the law of Great Duchy of Luxemburg, with registered office in Luxembourg ("CED") remains the Company's shareholder with no less than 15% of shares in its share capital, the following matters shall require a resolution by the General Shareholders Meeting, adopted with the majority of 70% (seventy percent) of the votes cast in favour of the resolution:

   a) payment of dividend to shareholders in the amount exceeding 75% (seventy-five percent) of the net profit generated by the Company in the preceding financial year,

   b) appointment and removal of the independent member of the Supervisory Board,

   c) removal or suspension of members of the Company's Management Board.

6. The General Shareholders Meeting shall adopt Rules of Procedures for the General Shareholders Meeting, specifying in detail the manner of conducting the Meetings and adopting resolutions. In the event of a change to the Rules, the change shall become effective as of the next General Shareholders Meeting.

THE POWERS OF THE GENERAL MEETING

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

a) reviewing and approving the report of the Management Board on the Company's operations and the operations of the Company's group and the financial statements of the Company and the Group for the preceding financial year,

b) adopting resolutions on the distribution of net profit in the form of dividend, or on the exclusion of the net profit from dividend payment, in whole or in part, and retaining it for the Company's own purposes; adopting resolutions on coverage of loss,

c) approving the performance of duties by the members of the Company's governing bodies,

d) selling or leasing the Company's business or its organised part, and encumbering the business or its part with any limited property rights,

e) changing the legal form of the Company and any deciding on any merger of the Company with another company or legal entity,

f) adopting resolutions concerning claims for repair of damage inflicted in connection with Company's formation, its management or supervision,

g) amending the Company's Statute, increasing or reducing the Company's share capital,

h) issuing convertible bonds or bonds with the pre-emptive rights,

i) acquiring Company's own shares,

j) subject to Par. 17, Section 1 below, appointing and removing Supervisory Board members, including the Chairperson of the Supervisory Board,

k) dissolving the Company,

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

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

n) determining the dividend record date, that is the date as at which the list of Shareholders entitled to dividend for the given financial year is determined, subject to the provisions of Art. 348, Par. 2 of the Commercial Companies Code, and determining the dividend payment date,

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

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

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

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

Right to Participate in the General Meeting of Shareholders

1. Shareholders Meeting have only those who are shareholders of the Company for sixteen days before the date of the General Shareholders Meeting (the record date for the participation in the General Meeting).
    a) The bearer shares in a form of the document confer the right to participate in General Meeting if the documents of shares are submitted in the company not later than on the record date for participation in the general meeting and shall not be received before the end of this date. Instead of shares, it may be submitted the certificate issued as the proof of deposit of shares at the notary, in the bank or in the investment firm which have a seat or branch in the European Union or in a state which is the party of the agreement on the European Economic Area, as indicated in the notice of the convention of the General Meeting.
    b) The dematerialized bearer shares confer the right to participate in the General Meeting provided that the notification to the operator of the securities account the participation in the General Meeting shall be submitted by the holder of the dematerialized shares under Art. 406 (3) § 2 of the Commercial Companies Code.
2. The persons entitled to participate in the General Shareholders Meeting pursuant to point 1 of this paragraph are hereinafter referred to as the "Eligible Participants".
3. The members of the Company's Management Board and Supervisory Board, as well as other persons invited by the body which has convened the General Shareholders Meeting, shall be obliged to participate, with the right to speak, in the General Shareholders Meeting.
4. The Shareholder who is natural persons may participate in the General Shareholders Meeting and exercise its voting right personally or through a proxy, unless such voting right has been limited or waived under the applicable laws or the provisions of the Company's Statute adopted on the basis of such laws.
5. A Shareholder which is a legal person or an entity with no legal personality, but with the legal capacity, may participate in the General Shareholders Meeting and exercise its voting right through a person authorised to make declarations of will on behalf of such Shareholder or through a proxy.
6. The Power of attorney to participate in the General Meeting and to execution of voting right must be granted in writing or in electronic form. Granting power of attorney in electronic form shall not require a provision of it with a secure electronic signature verified by a valid qualified certificate. The Management Board decides of the manner of notification of the fact of granting the power of attorney in the notice of the convention of the General Meeting.

7. If the proxy at the General Meeting is a board member, member of the supervisory board, liquidator, an employee of the Company or member of bodies or employee of the company or subsidiary cooperative of the Company, the power of attorney may authorise to represent on the only one General Meeting. The proxy has an obligation to disclose to the shareholder the circumstances indicating the existence or the possibility of existence of a conflict of interests. Granting further power of attorney is impossible. In aforementioned case, the Proxy votes in accordance with instructions granted by the shareholder.

Opening of a General Meeting and election of its Chairman

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

Binding the General Meeting with the agenda

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

5. A shareholder or shareholders representing at least one twentieth of the share capital before the date of the General Meeting may submit to the Company in writing or by electronic means of communication, draft of resolutions concerning the issues placed in the agenda of general meeting or the issues which shall be placed in the agenda. The Company shall promptly announce the drafts of resolutions on its website.

Voting

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

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

THE RULES OF OPERATION OF THE COMPANY'S BOARD OF DIRECTORS

The Board of Directors ("BoD") operates in accordance with applicable provisions of law, Good Practices and the provisions of the Company's Statute.

CHANGES IN THE COMPOSITION OF THE COMPANY'S BOARD OF DIRECTORS

THE COMPOSITION OF THE BOARD OF DIRECTORS OF KOFOLA S.A. on 31 DECEMBER 2014:

- Mr. Janis Samaras – Chairman of the BoD,
- Mr. Martin Mateáš – Member of BoD,
- Mr. René Musila – Member of the BoD,
- Mr. Tomáš Jendřejek – Member of the BoD,
- Mr. Daniel Buryš – Member of the BoD,
- Mr. Marián Šefčovič – Member of the BoD.

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

CHANGES IN THE COMPOSITION OF THE COMPANY'S SUPERVISORY BOARD

THE COMPOSITION OF THE SUPERVISORY BOARD OF KOFOLA S.A. on 31 DECEMBER 2014:

- Mr. René Sommer – Chairman,
- Mr. Jacek Woźniak – Vice-chairman,
- Mr. Dariusz Prończuk,
- Mr. Pavel Jakubík,
- Mr. Moshe Cohen-Nehemia,
- Ms. Agnieszka Donica.

Mr. Moshe Cohen-Nehemia was appointed to the Supervisory Board of KOFOLA S.A. on 29th September 2014, and will serve in the position of a member of the Supervisory Board.

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

THE AUDIT COMMITTEE comprises:

- Mr. René Sommer,
- Mr. Jacek Woźniak,
- Mr. Dariusz Prończuk,
- Mr. Pavel Jakubík,
- Mr. Moshe Cohen-Nehemia,
- Ms. Agnieszka Donica.

Mr. Moshe Cohen-Nehemia was appointed as a member of the Audit Committee on 29th September 2014.

On the day of preparation of this statement, the aforementioned composition the Audit Committee remains unchanged.

THE REMUNERATION COMMITTEE comprises:

- Mr. Jacek Woźniak – Chairman,
- Mr. René Sommer.

THE RULES OF OPERATION OF THE SUPERVISORY BOARD OF THE COMPANY

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

MEETINGS OF THE SUPERVISORY BOARD

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

1.8 Segments

ESTIMATED POSITION OF KOFOLA S.A. GROUP ON THE RETAIL SOFT DRINKS MARKET

In the soft drinks market in the *Czech Republic* as at 31 December 2014 the companies of KOFOLA S.A. Group hold first position in syrups market, second in cola-type drinks market, second in children drinks market, third in carbonated drinks market, fourth in energy drinks market, third in waters market and fourth in non-carbonated beverages market, in *Slovakia*, first position in waters market, second position in cola-type drinks market, second in children drinks market, second in syrups and carbonated beverages markets and fourth in non-carbonated beverages market. In *Poland*, second position in syrup market, third in cola-type drinks market, third in children drinks market and seventh in carbonated beverages market.

In *Russia*, Megapack has only been noticeable in the local Moscow market so far. Due to the size of the Russian market, data of this company are not visible in the statistics; therefore it is difficult to establish its market position.

PRODUCTS

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

KOFOLA GROUP BRANDS IN 2014	
CARBONATED BEVERAGES	Kofola, RC Cola, Citrocola, Hoop Cola, Top Topic, Vinea, Orangina, Chito, Citronela, Fruti, Mr. Max, Koe Chto
WATERS	Rajec, Arctic, Białowieski Zdrój, Grodziska, Badoit, Evian, Vincentka
NON-CARBONATED BEVERAGES	Jupí Fruit Drink, Mr. Max, Top Topic, Snipp, Natelo
100% FRUIT JUICES AND NECTARS	Snipp, Eskimors, UGO
SYRUPS AND CONCENTRATES	Jupí, Paola, Super Barman, Bublimo
CHILDRENS' DRINKS	Jupík, Jupík Aqua, Jupík Aqua Sport, Jumper
ICE TEA	Pickwick Ice Tea, Hoop Ice Tea
ENERGY DRINKS	Semtex
LOW-ALCOHOL BEVERAGES (Russia)	Hooper's Hooch, Black Mamba

The KOFOLA S.A. Group produces also water, carbonated beverages and non-carbonated beverages and syrups on behalf of third parties, mostly big retail chains. These companies offer consumers products under their own brand using the possibility to distribute in their stores.

In addition, Megapack operating on the Russian market offers service of bottling drinks on behalf of companies from outside the Group. This applies both to low-alcohol beverages, and non-alcohol beverages.

The Board of Directors of the KOFOLA S.A. is the chief operating decision maker responsible for operational decision-making and uses these results to decide on the allocation of resources to the segment and to assess segments performance.

The Group operates in the following segments managed by the chief operating decision maker:

- Poland
- Czech Republic
- Slovakia
- Export

The Group applies the same accounting methods for all of the segments which are also in line with the accounting methods used in the preparation of these consolidated financial statements. Transactions between segments are eliminated in the consolidation process. The segment Export represents an aggregation of few other countries mainly in Europe with similar economic characteristics.

Within the presented segments, the Group identified one customer, who generated more than 10% of the Group's consolidated revenues from continuing operations. The Group's revenues from that customer in 2014 amounted PLN 251 473 thousand (2013 PLN 295 511 thousand).

Total revenues and costs of all operating segments correspond to information presented in the income statement for the reporting and comparative period. Reporting segment results for the 12-month period ended 31 December 2014 and the 12-month period ended 31 December 2013 are presented below:

GEOGRAPHICAL SEGMENTS

1.1.2014 - 31.12.2014	Poland	Czech Republic	Slovakia	Export	Subtotal	Eliminations (consolidation adjustments)	Russia *	Total
Revenues	403 586	373 797	263 692	8 112	1 049 187	(95 770)	-	953 417
Sales to external customers	388 188	344 035	213 082	8 112	953 417	-	-	953 417
Inter-segment sales	15 398	29 762	50 610	-	95 770	(95 770)	-	-
Operating expenses	(395 074)	(353 325)	(225 680)	(7 830)	(981 909)	95 770	-	(886 139)
Related to external customers sales	(379 676)	(323 563)	(175 070)	(7 830)	(886 139)	-	-	(886 139)
Related to inter-segment sales	(15 398)	(29 762)	(50 610)	-	(95 770)	95 770	-	-
Adjusted operating result	**8 512**	**20 472**	**38 012**	**282**	**67 278**	**-**	**-**	**67 278**
Impairment	(6 747)	-	-	-	(6 747)	-	-	(6 747)
Operating result	**1 765**	**20 472**	**38 012**	**282**	**60 531**	**-**	**-**	**60 531**
Result from financial activity	16 160	7 751	(1 083)	(11)	22 817	(35 786)	1 814	(11 155)
with third parties	(8 140)	(3 735)	(1 083)	(11)	(12 969)	-	-	(12 969)
between segments	24 300	11 486	-	-	35 786	(35 786)	-	-
Share in associates' result	-	-	-	-	-	-	1 814	1 814
Profit /(loss) before tax	24 672	28 223	36 929	271	83 348	(35 786)	1 814	56 123
Income tax	-	(3 322)	(8 393)	-	(11 715)	(329)	-	(12 044)
Net profit /(loss)	**17 925**	**24 901**	**28 536**	**271**	**71 633**	**(36 115)**	**1 814**	**37 332**
Assets and liabilities								
Segment assets	356 211	400 577	205 751	3 605	966 144	(76 052)	43 393	933 585
Total assets	**356 211**	**400 577**	**205 751**	**3 605**	**966 144**	**(76 052)**	**43 493**	**933 585**
Segment liabilities	185 751	316 771	103 838	3 515	609 875	(88 767)	-	521 108
Equity					412 477	-	-	412 477
Total liabilities and equity					**933 585**	-	**-**	**933 585**
Other information concerning segment								
Tangible and intangible fixed assets – paid	7 962	16 870	20 389	-	45 221	-	-	45 221
Tangible and intangible fixed assets – additions	12 841	27 594	17 817	-	58 252	-	-	58 252
Depreciation and amortization	21 324	37 415	12 971	-	71 710	-	-	71 710

1.1.2013 - 31.12.2013 *	Poland	Czech Republic	Slovakia	Export	Subtotal	Eliminations (consolidation adjustments)	Russia **	Total
Revenues	462 374	379 281	265 892	3 365	1 110 912	(94 933)	-	1 015 979
Sales to external customers	449 290	353 312	210 012	3 365	1 015 979	-	-	1 015 979
Inter-segment sales	13 084	25 969	55 880	-	94 933	(94 933)	-	-
Adjusted operating expenses	(459 740)	(340 767)	(247 600)	(3 389)	(1 051 496)	94 933	-	(956 563)
Related to external customers sales	(446 656)	(314 798)	(191 720)	(3 389)	(956 563)	-	-	(956 563)
Related to inter-segment sales	(13 084)	(25 969)	(55 880)	-	(94 933)	94 933	-	-
Adjusted operating result	**2 634**	**38 514**	**18 292**	**(24)**	**59 416**	-	**-**	**59 416**
Impairment	(141 948)	-	-	-	(141 948)	-	-	(141 948)
Operating result	**(139 314)**	**38 514**	**18 292**	**(24)**	**(82 532)**	-	**-**	**(82 532)**
Result from financial activity	5 583	1 410	(1 213)	-	5 780	(15 063)	1 823	(7 460)
with third parties	(6 238)	(1 787)	(1 213)	-	(9 238)	-	-	(9 238)
between segments	11 866	3 197	-	-	15 063	(15 063)	-	-
Share in associates' result	(45)	-	-	-	(45)	-	1 823	1 778
Profit /(loss) before tax	(133 731)	39 924	17 079	(24)	(76 752)	(15 063)	1 823	(89 992)
Income tax	(5 304)	(23 889)	(3 855)	-	(33 048)	190	-	(32 858)
Loss on discontinued consolidation of the Megapack Group	-	-	-	-	-	-	(849)	(849)
Net profit /(loss)	**(139 035)**	**16 035**	**13 224**	**(24)**	**(109 800)**	(14 873)	**974**	**(123 699)**
Assets and liabilities								
Segment assets	373 830	393 781	181 069	4	948 684	(106 100)	51 841	894 425
Total assets	**373 830**	**393 781**	**181 069**	**4**	**948 684**	(106 100)	**51 841**	**894 425**
Segment liabilities	209 181	315 554	101 848	3	626 586	(119 714)	-	506 872
Equity					387 553	-	-	387 553
Total liabilities and equity					**894 425**	-	**-**	**894 425**
Other information concerning segment								
Tangible and intangible fixed assets – paid	5 790	13 376	8 242	-	27 408	-	-	27 408
Tangible and intangible fixed assets – additions	7 114	16 109	12 184	-	35 407	-	-	35 407
Depreciation and amortization	26 509	31 943	14 561	-	73 013	-	-	73 013

* Data in segments for the comparative period have been established by the historical exchange rate. They have not been recalculated, as in Note 1.5 using the currency exchange rate from the current reporting period.

** Discontinued consolidation (Megapack Group)

REVENUES BY PRODUCT

1.1.2014 - 31.12.2014	Carbonated beverages	Non-carbonated beverages	Waters	Syrups	Other	Total
Sales revenue	529 303	38 622	194 997	144 627	45 868	953 417

1.1.2013 - 31.12.2013	Carbonated beverages	Non-carbonated beverages	Waters	Syrups	Other	Total
Sales revenue	575 523	45 845	204 895	165 298	24 418	1 015 979

1.9 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. 17 March 2015 with due regard to the fact that reduction of the share capital to 26 160 379 PLN was registered by the register court on 7 January 2015), the following entities held at least 5% of the total number of votes at General Shareholders' Meeting of the KOFOLA S.A.:

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

- 13 395 373 shares, or 51.20 % of share capital of the KOFOLA S.A.
- 13 395 373 votes, or 51.20 % of total votes at General Shareholders' Meeting of the KOFOLA S.A.

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

- 11 283 153 shares, or 43.13 % of share capital of the KOFOLA S.A.
- 11 283 153 votes, or 43.13 % of total votes at General Shareholders' Meeting of the KOFOLA S.A.

As at 31 December 2014 the share capital amounted to PLN 26 170 003 and consisted of 26 170 003 shares entitling to 26 170 003 votes at General Shareholders' Meeting of the Company. After registration of reduction of the share capital by the register court on 7 January 2015 share capital amounts to PLN 26 160 379 and consisted of 26 160 379 shares entitling to 26 160 379 votes at General Shareholders' Meeting of the Company.

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

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

SHARE CAPITAL STRUCTURE			
Name of entity / individual	Number of shares	% in share capital	% of votes
KSM Investment S.A.	13 395 373	51.20%	51.20%
CED GROUP S. a r.l.	11 283 153	43.13%	43.13%
René Musila	687 709	2.63%	2.63%
Tomáš Jendřejek	687 660	2.63%	2.63%
Other	106 484	0.41%	0.41%
Total	**26 160 379**	**100.00%**	**100.00%**

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

According to the Company's information as at the date of submission of the report for the 12-month period ended 31 December 2014, no changes occurred in the ownership of the KOFOLA S.A. shares by management and supervisory staff compared to the date of submission of the report for 2013.

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

FRUCTO-MAJ SP. Z O.O.

On 17 December 2014 KOFOLA S.A. has received last payment rate of debts from Fructo-Maj Sp. z o.o., a company in the state of bankruptcy amounting PLN 442 thousand.

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

The Group has not concluded any material contracts in the reported period.

1.14 Information about significant contracts

On 19 December 2014, subsidiary Kofola, družba za upravljanje, d.o.o. has concluded sales and purchase agreement with Pivovarna Laško d.d. regarding acquisition 75.31% of share in the company Radenska d.d. Slovenia. Kofola, družba za upravljanje, d.o.o. should pay 13.59 EUR per share of Radenska and total amount to be paid by Kofola for purchased shares is EUR 51 805 thousand.

It is expected that on 17th March 2015 subsidiary Kofola, družba za upravljanje, d.o.o. with registered office Lubljana in Slovenia closes transaction of acquisition 87.16% of share in Slovenian company Radenska d.d. Furthermore Kofola is a party to agreement for the acquisition of further 6.82% stake in Radenska, specifying further conditions precedent which must be met within the next two weeks.

1.15 Information about relationships with other Group entities

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

A description of the transactions concluded between related parties is presented in Note 5.27 to the financial information.

1.16 Information about credits and loans

A description of the credits and loans is presented in Note 5.21 to the financial statements.

1.17 Information on loans granted

On 22 February 2012 KOFOLA S.A. granted the subsidiary Hoop Polska Sp. z o.o. a subordinated loan in the amount of PLN 11 000 thousand due as at 31 December 2017. The aim of the loan was to improve financial ratios of Hoop Polska Sp. z o.o. required for the credit agreement with the Bank Consortium.

On 4 April 2012 KOFOLA S.A. granted the subsidiary Hoop Polska Sp. z o.o. a subordinated loan in the amount of PLN 21 000 thousand due as at 31 December 2017. The aim of the loan was to finance the subsidiary's development plan.

1.18 Information on the granting by the Issuer or its subsidiary of credit or loan guarantees

Entity providing guarantees	Entity receiving guarantees	Credit value on balance sheet day which were subject to guarantee		The period for which guarantees has been provided	The entity for which liabilities guarantees were provided	Type of relationship between the Company and the entity committed to loan
		in currency	in PLN			
Kofola ČeskoSlovensko a.s.	VÚB banka a.s.	EUR 3 349 T	14 274	12/2017	Kofola a.s. (SK)	subsidiary
Kofola ČeskoSlovensko a.s.	Raiffeisen-Leasing	CZK 7 480 T	1 150	10/2015	Kofola a.s. (CZ)	subsidiary
Kofola ČeskoSlovensko a.s.	Oberbank Leasing	CZK 1 193 T	183	4/2016	Kofola a.s. (CZ)	subsidiary
Kofola ČeskoSlovensko a.s.	Oberbank Leasing	CZK 1 298 T	200	5/2016	Kofola a.s. (CZ)	subsidiary
Kofola ČeskoSlovensko a.s.	Oberbank Leasing	CZK 6 469 T	994	2/2017	Kofola a.s. (CZ)	subsidiary
Kofola ČeskoSlovensko a.s.	Oberbank Leasing	CZK 2 903 T	446	2/2017	Kofola a.s. (CZ)	subsidiary
Kofola ČeskoSlovensko a.s.	Oberbank Leasing	CZK 926 T	142	10/2017	Kofola a.s. (CZ)	subsidiary
Kofola ČeskoSlovensko a.s.	ČSOB a.s.	CZK 43 220 T	6 643	3/2019	Kofola a.s. (CZ)	subsidiary
Kofola ČeskoSlovensko a.s.	ČSOB a.s.	CZK 250 000 T	38 425	notice of termination	Kofola a.s. (CZ)	subsidiary
Kofola ČeskoSlovensko a.s.	ČSOB a.s.	CZK 12 667 T	1 947	2/2018	Kofola a.s. (CZ)	subsidiary
Kofola ČeskoSlovensko a.s.	ČSOB a.s.	EUR 40 T	170	3/2015	Kofola a.s. (CZ)	subsidiary
Kofola ČeskoSlovensko a.s.	UAB Putokšnis	PLN 500 T	500	3/2015	Hoop Polska Sp. z o.o.	subsidiary
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR 3 982 T	16 972	4/2015	Santa-Trans.SK s.r.o. (SR)	third party **
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR 5 301 T	22 594	12/2022	Santa-Trans.SK s.r.o. (SR)	third party **
Kofola a.s. (CZ)	Komerční banka, a.s.	CZK 20 000 T	3 074	1/2015	Santa Trans s.r.o. (CZ)	subsidiary
Kofola a.s. (CZ)	Komerční banka, a.s.	CZK 7 000 T	1 076	1/2019	Santa Trans s.r.o. (CZ)	subsidiary
Kofola a.s. (CZ)	Česká spořitelna, a.s.	CZK 3 840 T	590	1/2015	Societe Anonyme Des Eaux Minerales D'Evian	third party**
Kofola a.s. (CZ)	ČSOB a.s.	EUR 40 T	170	3/2015	Obala Grupa d.o.o.	third party **
KOFOLA S.A.	Bank Millennium S.A.	PLN 9 000 T	9 000	12/2020	Hoop Polska Sp. z o.o.	subsidiary
KOFOLA S.A.	Bank BPH S.A.	PLN 9 000 T	9 000	12/2020	Hoop Polska Sp. z o.o.	subsidiary
KOFOLA S.A.	Bank Millennium S.A.	PLN – T *	-	12/2020	Hoop Polska Sp. z o.o.	subsidiary
KOFOLA S.A.	Bank BPH S.A.	PLN – T *	-	12/2020	Hoop Polska Sp. z o.o.	subsidiary
KOFOLA S.A.	Toyota Leasing S.A.	EUR 350 T	1 493	6/2015	Hoop Polska Sp. z o.o.	subsidiary
KOFOLA S.A.	Krajowa Spółka Cukrowa S.A.	PLN 1 328 T	1 328	2/2015	Hoop Polska Sp. z o.o.	subsidiary
Total loans and guarantees issued as at 31.12.2014			**130 371**	**PLN thousand**		

* As at 31 December 2014 the loan was not used

** The fair value of the guarantees is close to zero (fair valuation in level 3)

In the reporting period the companies of the KOFOLA S.A. Group recorded remuneration for guaranteeing the liabilities of other Group companies. These items have been excluded from this report under consolidation adjustments.

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

The Group has not published forecasts of its financial results for the year 2014.

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

The Group's consolidated net debt, calculated as long- and short-term credits, loans and other debt instruments less cash and cash equivalents amounted to PLN 136 630 thousand as at 31 December 2014 after decreasing by PLN 66 456 thousand (comparative period was converted with exchange rate of the Polish zloty from the end of December 2014) from the end of December 2013. This decrease was mainly caused by higher cash generated in the reported period and lower use of credit lines due to better results.

Value of long-term liabilities from financial lease as at 31 December 2014 was PLN 11 496 thousand and was PLN 4 485 thousand higher compared to 31 December 2013.

In the period covered by the financial statements, the Group financed its operations primarily with funds generated from its operating activities and obtained by credits. In 2014 the Group also repaid PLN 63 470 thousand in bank debt. Debts were repaid when due.

On 4 October 2013 KOFOLA S.A. issued 110 pieces of bonds denominated in Czech Crowns with total nominal value of CZK 330 000 thousand.

Bonds issued:

- were not subject to public offering,
- were offered in private placements though underwriters, i.e. Česká spořitelna, a.s. and PPF banka a.s., based on a subscription agreement from 3 October 2013,
- nominal value of one bond was CZK 3 000 000,
- issue price of one bond represented 99.0% of the nominal value,
- maturity of bonds is 60 months from the date of issue, i.e. 4 October 2018,
- interest shall be calculated annually, the end of the first interest period is planned for 4 October 2014,
- bond rates – 12M PRIBOR plus a margin of 415 basis points,
- purpose of the bond issuance was to obtain funds which will be used primarily to diversify the sources of financing and refinance a part of the existing debt of the Company.

The Group's liquidity remained at a safe level, assured by the cash funds held, which as at 31 December 2014 amounted to PLN 87 610 thousand. As at 31 December 2014, the Group had unused credit lines for general use in the total amount of PLN 102 369 thousand.

At the end of the year 2014 the Group's ratio of net debt to adjusted EBITDA amounted to 0.98 times, which is considered to be very safe level. The Group has the borrowing power to take out additional credits for development purposes, potential acquisitions and to finance working capital.

Based on the available financial resources and credit lines as well as appropriate external funding opportunities, the Group has sufficient financial resources to implement the assumed investment projects, as well as the planned capital expenditure in 2015.

1.21 The Group's investment plans and their feasibility

In the reporting period for the 12 months ended 31 December 2014, KOFOLA S.A. Group companies made expenditures to increase the value of tangible assets and intangible assets amounting to PLN 45 221 thousand. Investment projects realised in this period mainly concerned the company Kofola a.s. (Czech Republic) - update of production line for UGO juices in bottles and gastro equipment, Kofola a.s. (Slovakia) - expenditure for gastro equipment and Hoop Polska Sp. z o.o. - expenditure for new land and forklifts.

For the year 2015, Kofola Group has planned capital expenditures continuing investments to the gastro segment and technologies for production of healthy beverages.

Kofola Group will finance its investment activities using funds earned from operating activities as well as external sources of financing in the form of bank loans and leasings.

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

The operating profit of the KOFOLA S.A. Group in 2014 was influenced by following items treated by the Management as one-off events: impairment of investment in associate in total amount of PLN 6 747 thousand. Impairment is tax neutral.

1.23 The factors that in Group's Management opinion would have a significant effect on the Group's future financial results in the next quarter

The Kofola Group's competitive position results from the basic market factors, such as: the strength of its brands, innovation, production costs, products quality, scale effect, swiftness and market position and the ability to obtain raw materials at favourable prices. In the Board of Directors's opinion, the Group's current 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 upcoming periods.

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

- the level of unemployment and people's willingness to consume outside of home and purchase brand name food products,
- pricing policies of competitors, in particular in the segment of carbonated beverages (especially cola), mineral waters and syrups,
- the changes in the structure of retail trade, consisting of the growing importance of discount food chains at the expense of traditional channels and the speed of adapting Kofola Group's operating business model to the changing market,
- the ability to maintain the largest customers at reasonable commercial terms to enable Kofola Group companies to generate positive cash flows,
- development of the prices of raw production materials, of which the majority is based on commodities (the prices of raw materials such as oil, sugar, isoglucose, granules for the production of PET bottles, fruit concentrates, foil or paper),
- a further marked deterioration in Russia's economic prospects accompanied by the decline in the Russian ruble can have the adverse effect on the ability of Russian associate OOO Megapack to pay dividends to its parent company and on the required amount of related impairment charges,
- weather conditions (temperature, rain falls),
- changes in foreign exchange rates (PLN, CZK, EUR and RUB) and effectiveness of protection against such changes (so-called hedging),
- ability to introduce innovative products to the market,
- ability to successfully integrate the acquired company into the KOFOLA S.A. Group structures and achieve the pre-acquisition financial targets.

1.24 Subsequent events

REDUCTION OF THE SHARE CAPITAL

On 7 January 2015 was registered the reduction of the share capital by PLN 9 624 to PLN 26 160 379. Reduction has been made according to resolutions No. 20 and 21 from 23 June 2014 the Ordinary General Meeting of the KOFOLA S.A.

ACQUISITON OF RADENSKA D.D.

It is expected that on 17 March 2015 subsidiary Kofola, družba za upravljanje, d.o.o. closes transaction of acquisition 87.16% of share in Slovenian company Radenska d.d. Furthermore Kofola is a party to agreement for the acquisition of further 6.82% stake in Radenska, specifying further conditions precedent which must be met within the next two weeks. Enclose below please find extract from audited financial statements Radenska d.d. for 2013.

Statement of financial position (in PLN thous.)	31.12.2013
Current assets (short-term)	81 409
Fixed assets (long-term)	264 088
Short-term liabilities	(57 995)
Long-term liabilities	(21 300)
Net assets	**266 202**

Income Statement (in PLN thous.)	1.1.2013 - 31.12.2013
Revenue	125 924
Total cost of sales	(80 894)
Services, Labour costs	(34 558)
Depreciation	(9 424)
Other operating expenses	(5 220)
Net financial costs	(17 190)
Profit (loss) before tax	(21 362)
Income tax	5 922
Net profit (loss) for the financial year	**(15 440)**

At the date of this report release, fair values are not determined as the purchase price allocation is not yet carried out.

On 11 March 2015, the group company Kofola ČeskoSlovensko a.s. concluded a loan agreement with Česká spořitelna, a.s. and Československá obchodní banka, a. s. for maximum of EUR 69 000 thousand with an interest based on PRIBOR + margin. The purpose of the loan is to finance the acquisition of Radenska d.d. by Kofola ČeskoSlovensko a.s.´s subsidiary Kofola, družba za upravljanje, d.o.o. The loan is denominated in CZK, final repayment date was set to 31 March 2024. The loan is secured by the shares of Kofola, družba za upravljanje, d.o.o., receivables of Kofola ČeskoSlovensko a.s. from Kofola, družba za upravljanje, d.o.o. resulting from financing the Radenska d.d. acquisition and by financial guarantees granted by KOFOLA S.A., Kofola a.s. (CZ) and Kofola a.s. (SK).

No other events have occurred after the balance sheet date.

1.25 Changes in the Group's basic management methods

During 2014 no changes in the Company's management methods were made.

1.26 Agreements concluded between the issuer and the management staff

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

1.27 Remuneration of Board of Directors and Supervisory Board members

The following total remuneration has been paid out to members of the Board of Directors and Supervisory Boards of KOFOLA S.A. by all the Group companies in respect of their discharge of the function:

Board of Directors	2014
Janis Samaras	685
Martin Mateáš	1 034
Tomáš Jendřejek	538
René Musila	527
Daniel Buryš	517
Marián Šefčovič	624
Total*	**3 925**

* Remuneration of PLN 3 301 thousand have been paid out by subsidiary Kofola ČeskoSlovensko a.s.

Supervisory Board	2014
René Sommer **	-
Jacek Woźniak	-
Dariusz Prończuk	-
Pavel Jakubík **	-
Martin Dokoupil	-
Moshi Cohen	80
Agnieszka Donica **	-
Total	**80**

** Remuneration paid out in 2014 from the employment in Kofola ČeskoSlovensko a.s. and Hoop Polska Sp. z. o.o. amounted to PLN 1 345 thousand.

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

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

1.29 Information about the entity authorised to audit the financial statements

On 30 May 2012 the company KOFOLA S.A. concluded a contract with PricewaterhouseCoopers Sp. z o.o. for an audit and review of financial statements. The agreement with PricewaterhouseCoopers Sp. z o.o. was concluded for a period of one year for an audit KOFOLA S.A. and KOFOLA S.A. Group for the financial year 2012 with an option to extend for a further two years. According to Supervisory Board decision from 21th March 2014 PricewaterhouseCoopers Sp. z o.o. has been appointed to audit and review of financial statements for 2014. The amount of remuneration resulting from the agreement with PricewaterhouseCoopers Sp. z o.o. due in respect of the standalone and consolidated financial statements KOFOLA S.A. for the year 2014 is PLN 20 thousand, whereas the amount of remuneration to PricewaterhouseCoopers Sp. z o.o. with the other titles, for the year 2014 amounted to PLN 20 thousand and relates to the review of interim individual and consolidated financial statements for first half of 2014.

1.30 Statement of the Board of Directors of KOFOLA S.A.

According to § 91 clause 1, item 6 of the Decree of the Council of Ministers from 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognising as equivalent information required by law of a non-member state the Board of Directors of KOFOLA S.A. declares that the entity authorised to audit the financial statements, which audited the financial statements for the year 2014, was selected in accordance with the legal regulations and that this entity and the auditors performing the audit of the report, met the conditions for an impartial and independent opinion on the audited annual financial statements in accordance with applicable regulations and professional standards.

According to § 91 paragraph 1 point 5 of the Council of Ministers of 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognising as equivalent information required by the law regulations of a non-member state the Board of Directors of KOFOLA S.A. declares that according to its best knowledge, the annual financial statements for 2014 and comparative figures have been prepared in accordance with applicable accounting principles and give a true and fair view about KOFOLA S.A. financial position and its financial performance, and that the issuer's activity report presents a true view of the development and achievements as well as position of KOFOLA S.A., including a description of the main risks and threats.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

17.3.2015	**Janis Samaras**	**Chairman of the Board of Directors**	………………………………
date	*name and surname*	*position/role*	*signature*
17.3.2015	**Martin Mateáš**	**Member of the Board of Directors**	………………………………
date	*name and surname*	*position/role*	*signature*
17.3.2015	**René Musila**	**Member of the Board of Directors**	………………………………
date	*name and surname*	*position/role*	*signature*
17.3.2015	**Tomáš Jendřejek**	**Member of the Board of Directors**	………………………………
date	*name and surname*	*position/role*	*signature*
17.3.2015	**Daniel Buryš**	**Member of the Board of Directors**	………………………………
date	*name and surname*	*position/role*	*signature*
17.3.2015	**Marián Šefčovič**	**Member of the Board of Directors**	………………………………
date	*name and surname*	*position/role*	*signature*

SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

17.3.2015	**Rafał Leduchowski**	**Chief Accountant**	………………………………
date	*name and surname*	*position*	*signature*

2.1 Consolidated income statement

for the 12-month period ended 31 December 2014 (audited) and for the 12-month period ended 31 December 2013 (audited) in PLN thousand.

Consolidated Income statement	Note	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Continuing operations			
Revenues from the sale of finished products and services	5.1	941 923	1 011 433
Revenues from the sale of goods and materials	5.1	11 494	4 546
Revenues		953 417	1 015 979
Cost of products and services sold	5.2	(578 951)	(690 647)
Cost of goods and materials sold	5.2	(10 742)	(4 258)
Cost of sales		(589 693)	(694 905)
Gross profit		**363 724**	**321 074**
Selling, marketing and distribution costs	5.2	(244 258)	(224 390)
Administrative costs	5.2	(48 304)	(44 206)
Other operating income	5.3	2 257	8 768
Other operating expenses	5.4	(6 141)	(1 830)
Impairment charge	5.14, 5.15	(6 747)	(141 948)
Operating result		**60 531**	**(82 532)**
Financial income	5.5	1 198	8 396
Financial expense	5.6	(14 167)	(17 635)
Share in the result of associates	5.7	1 814	1 779
Profit / (Loss) before tax		**49 376**	**(89 992)**
Income tax	5.10	(12 044)	(32 858)
Net profit / (loss) on continuing operations		**37 332**	**(122 850)**
Discontinued consolidation			
Profit / (Loss) for the period on discontinued consolidation	5.11	-	(849)
Net profit / (loss) for the period		**37 332**	**(123 699)**
Attributable to:			
Shareholders of the parent company		**37 379**	**(123 660)**
– from continuing operations		37 379	(122 811)
– from discontinued consolidation		-	(849)
Non-controlling interests from continuing operations		**(47)**	**(39)**
Earnings per share (in PLN)			
Basic earnings per share			
– from profit for the period from continuing operations attributable to shareholders of the parent company	5.12	1.4288	(4.6929)
– from profit for the period from discontinued consolidation	5.12	-	(0.0324)
– from profit for the period attributable to shareholders of the parent company	5.12	**1.4288**	**(4.7253)**
Diluted earnings per share			
– from profit for the period from continuing operations attributable to shareholders of the parent company	5.12	1.4288	(4.6918)
– from profit for the period from discontinued consolidation	5.12	-	(0.0324)
– from profit for the period attributable to shareholders of the parent company	5.12	**1.4288**	**(4.7242)**

2.2 Consolidated statement of other comprehensive income

for the 12-month period ended 31 December 2014 (audited) and for the 12-month period ended 31 December 2013 (audited) in PLN thousand.

Consolidated statement of other comprehensive income	Note	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Net profit / (loss) for the period		**37 332**	**(123 699)**
Other comprehensive income			
Currency differences from translation of foreign subsidiaries – subsequently reclassified to profit or loss		4 958	(2 603)
– from continuing operations		4 958	(8 161)
– from discontinued consolidation		-	5 558 *
Other comprehensive income (net)	2.5	**4 958**	**(2 603)**
Total comprehensive income		**42 290**	**(126 302)**
Attributable to:			
Shareholders of the parent company		**41 908**	**(126 263)**
– from continuing operations		41 908	(130 972)
– from discontinued consolidation		-	4 709
Non-controlling interests from continuing operations		**382**	**(39)**

* currency translation related to the Megapack Group as at 1 January 2013 subsequently reclassified to Income statement (see note 5.11)

2.3 Consolidated statement of financial position

As at 31 December 2014 (audited) and 31 December 2013 (audited) in PLN thousand.

ASSETS	Note	31.12.2014	31.12.2013
Fixed assets (long-term)		**658 188**	**631 780**
Tangible fixed assets	5.13	434 903	408 908
Goodwill	5.14	13 553	13 419
Intangible fixed assets	5.14	163 951	157 040
Investments in associates	5.15	43 493	51 841
Other long-term assets		61	134
Other long-term receivables	5.17	1 768	-
Deferred tax asset	5.10	459	438
Current assets (short-term)		**275 397**	**262 645**
Inventories	5.16	65 165	89 961
Trade receivables and other receivables	5.17	122 243	141 937
Income tax receivables		379	205
Cash and cash equivalents	5.18	87 610	30 542
TOTAL ASSETS		**933 585**	**894 425**

LIABILITIES AND EQUITY	Note	31.12.2014	31.12.2013
Equity attributable to shareholders of the parent company		**411 343**	**386 801**
Share capital	2.5	26 170	26 170
Supplementary capital	2.5	346 644	541 870
Currency translation difference	2.5	24 781	20 252
Other capital	2.5	-	-
Own shares	2.5	(431)	(69)
Retained earnings / Accumulated losses	2.5	14 179	(201 422)
Equity attributable to non-controlling interests	5.19.5	**1 134**	**752**
Total equity	2.5	**412 477**	**387 553**
Long-term liabilities		**158 585**	**149 365**
Bank credits and loans	5.21	70 286	66 681
Bonds issued	5.21	49 879	49 005
Financial leasing liabilities	5.25	11 496	7 011
Provisions	5.20	562	675
Other long-term liabilities	5.22	5 305	6 318
Deferred tax liabilities	5.10	21 057	19 675
Short-term liabilities		**362 523**	**357 507**
Bank credits and loans	5.21	85 753	100 431
Bonds issued	5.21	571	587
Financial leasing liabilities	5.25	6 255	7 297
Trade liabilities and other liabilities	5.22	251 801	238 019
Income tax liabilities		4 618	2 652
Other financial liabilities		50	-
Provisions	5.20	13 475	8 521
Total Liabilities		**521 108**	**506 872**
TOTAL LIABILITIES AND EQUITY		**933 585**	**894 425**

2.4 Consolidated cash flow statement

for the 12-month period ended 31 December 2014 (audited) and for the 12-month period ended 31 December 2013 (audited) in PLN thousand.

Consolidated cash flow statement	Note	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Cash flow from operating activity			
Profit / (Loss) before tax on continuing operations	2.1	49 376	(89 992)
Profit / (Loss) before tax on discontinued consolidation	5.11	-	(849)
Adjustments for:			
Non-cash movements and other adjustments			
Depreciation and amortization	5.1	71 710	73 013
Net interest	5.5	9 542	24 382
Dividend income		-	(9 021)
Share in associates' result	5.7	(1 814)	(1 779)
Loss on discontinued consolidation of the Megapack Group	5.11	-	849
Profit on sale of subsidiary (Santa-Trans.SK, s.r.o.)		-	(2 067)
Change in the balance of provisions	5.20	4 841	(1 654)
Impairment charge	5.14, 5.15	6 747	141 948
Gain on sale of property, plant and equipment		(1 394)	(3 648)
Other currency differences from translation		(2 348)	105
Other		-	417
Cash movements			
Paid income tax		(11 380)	(10 482)
Changes in working capital			
Change in the balance of receivables		24 950	9 522
Change in the balance of inventories		(28 082)	9 574
Change in the balance of liabilities		24 294	(29 441)
Change in the balance of state subsidies		-	(537)
Net cash flow from operating activity		**146 442**	**110 340**
Cash flow from investing activity			
Sale of intangible and tangible fixed assets		7 833	13 768
Purchase of intangible and tangible fixed assets	5.13, 5.14	(45 221)	(27 408)
Sale of subsidiary		380	154
Purchase of subsidiary net of acquired cash *		(7 505)	(7 589)
Dividends received from associate	5.15	3 415	9 021
Interest received		244	456
Proceeds from repaid loans		3 885	-
Cash from discontinued consolidation of Megapack Group as at 1 January 2013	5.11	-	(19 970)
Net cash flow from investing activity		**(36 969)**	**(31 568)**
Cash flow from financial activity			
Repayment of financial leasing liabilities		(10 947)	(14 076)
Proceeds from loans and bank credits received		48 332	66 593
Proceeds from bonds issue		-	54 521
Repayment of bonds		-	(53 460)
Repayment of loans and bank credits		(63 470)	(96 746)
Dividends paid to the shareholders of the parent company	5.9	(17 004)	(23 291)
Interest paid	5.6	(10 272)	(14 390)
Net cash flow from financing activity		**(53 361)**	**(80 849)**
Total net cash flow		56 112	(2 077)
Cash at the beginning of the period		**30 542**	**35 677****
Exchange differences from translation of cash		956	(3 058)
Cash at the end of the period		**87 610**	**30 542**
Restricted cash		-	-

* 2013 payment for UGO group and Pinelli spol. s r.o.
** including cash flow from deconsolidated companies as at 1 January 2013 (Megapack Group)

2.5 Consolidated statement of changes in shareholders' equity

for the 12-month period ended 31 December 2014 (audited) and the 12-month period ended 31 December 2013 (audited) in PLN thousand.

Consolidated statement of changes in equity	Note	Attributable to shareholders of the parent company							Equity attributable to non-controlling interests	Total equity
		Share capital	Supplementary capital	Currency translation difference	Other capital	Own shares *	Retained earnings / Accumulated losses	Equity attributable to shareholders of the parent company		
As at 1.1.2013		**26 173**	**534 518**	**26 459**	**177**	**(69)**	**(50 727)**	**536 531**	**498**	**537 029**
Net profit/(loss) for the period		-	-	-	-	-	(123 660)	(123 660)	(39)	(123 699)
Other comprehensive income		-	-	(2 603)	-	-	-	(2 603)	-	(2 603)
Total comprehensive income for the period	2.2	**-**	**-**	**(2 603)**	**-**	**-**	**(123 660)**	**(126 263)**	**(39)**	**(126 302)**
Decrease of share capital		(3)	3	-	-	-	-	-	-	-
Dividends payment	5.9	-	(11 536)	-	-	-	(11 755)	(23 291)	-	(23 291)
Other (profit distribution)		-	740	-	(177)	-	(739)	(176)	293	117
Discontinued consolidation of the Megapack Group		-	18 145	(3 604)	-	-	(14 541)	-	-	-
As at 31.12.2013		**26 170**	**541 870**	**20 252**	**-**	**(69)**	**(201 422)**	**386 801**	**752**	**387 553**
As at 1.1.2014		**26 170**	**541 870**	**20 252**	**-**	**(69)**	**(201 422)**	**386 801**	**752**	**387 553**
Net profit/(loss) for the period		-	-	-	-	-	37 379	37 379	(47)	37 332
Other comprehensive income		-	-	4 529	-	-	-	4 529	429	4 958
Total comprehensive income for the period	2.2	**-**	**-**	**4 529**	**-**	**-**	**37 379**	**41 908**	**382**	**42 290**
Dividends payment	5.9	-	(17 004)	-	-	-	-	(17 004)	-	(17 004)
Own shares		-	-	-	-	(362)	-	(362)	-	(362)
Transfers		-	(178 222)	-	-	-	178 222	-	-	-
As at 31.12.2014		**26 170**	**346 644**	**24 781**	**-**	**(431)**	**14 179**	**411 343**	**1 134**	**412 477**

* According to Resolutions No. 18 and 19 from 24 June 2013 the Ordinary General Meeting of KOFOLA S.A. decided on the cancellation of 2 599 ordinary shares acquired within the share redemption programme completed by the end of 2012 and decided on the reduction of the share capital by PLN 2 599 to PLN 26 170 003. Reduction of the share capital was registered by the Court on 15 October 2013.

Information about the parent company of the KOFOLA S.A. Group (“the Group”, “the KOFOLA S.A. Group”):

Name: KOFOLA Spółka Akcyjna („the Company”, “the Issuer”)

Registered office: ul. Wschodnia 5, 99-300 Kutno.

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

Registration organ: the Regional Court for Łódź-Śródmieście in Łódź, XX Business Division of the National Court Register, KRS 0000134518.

The Company has been formed for an unspecified time.

The Group’s consolidated financial information covers year ended 31 December 2014 and contains comparatives for the year ended 31 December 2013.

BOARD OF DIRECTORS

As at 31 December 2014 the Board of Directors of the parent company KOFOLA S.A. comprised:

- Mr. Janis Samaras – Chairman 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,
- Mr. Daniel Buryš – Member of the Board of Directors,
- Mr. Marián Šefčovič – Member of the Board of Directors.

SUPERVISORY BOARD

As at 31 December 2014 the Supervisory Board comprised:

- Mr. René Sommer – Chairman,
- Mr. Jacek Woźniak – Vice-Chairman,
- Mr. Dariusz Prończuk,
- Mr. Pavel Jakubík,
- Mr. Moshe Cohen-Nehemia,
- Ms. Agnieszka Donica.

Moshe Cohen-Nehemia was appointed as a member of the Supervisory Board on 29 September 2014.

AUDIT COMMITTEE

As at 31 December 2014 the Audit Committee comprised:

- Mr. René Sommer,
- Mr. Jacek Woźniak,
- Mr. Dariusz Prończuk,
- Mr. Pavel Jakubík,
- Mr. Moshe Cohen-Nehemia,
- Ms. Agnieszka Donica.

Moshe Cohen-Nehemia was appointed as a member of the Audit Committee on 29 September 2014.

4.1 Statement of compliance and basis for the preparation of the consolidated financial statements of the KOFOLA S.A. Group

The present consolidated financial statements (“consolidated financial statements”) have been prepared in accordance with the laws binding in the Republic of Poland and with International Financial Reporting Standards (“IFRS”), as well as the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) adopted by the European Union, and therefore comply with Article 4 of the E.U. Directive on the application of international accounting standards. The consolidated financial statements have been prepared on a going concern basis and in accordance with the historical cost method, except for financial assets and liabilities measured at fair value, and the assets, liabilities and contingent liabilities of the acquiree, which were stated at fair value as at the date of the acquisition as required by IFRS 3.

The consolidated financial statement includes the consolidated statement of the financial position, consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated cash-flow statement and explanatory notes.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise its judgement in the process of applying the group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements as disclosed in Note 4.6.

ADOPTION OF CHANGES TO STANDARDS IN 2014

The following standards, changes in binding standards and interpretations adopted by the European Union have been adopted by the Group starting from 1 January 2014:

- IFRS 10, Consolidated Financial Statements (issued in May 2011, amended on 28 June 2012 and in EU effective for annual periods beginning on or after 1 January 2014), replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

- IFRS 11 "Joint Arrangements" was issued by the International Accounting Standards Board in May 2011, adopted by the EU and applies to annual reporting periods beginning on or after 1 January 2014.The new standard superseded IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities - Non-Monetary Contributions by Venturers". Changes in definitions limited the number of types of joint arrangements to two: joint operations and joint ventures. At the same time eliminated the existing choice of proportionate consolidation in respect of entities under common control. All participants in joint ventures are now required to use the equity method.

- IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011, amended on 28 June 2012 and in EU effective for annual periods beginning on or after 1 January 2014), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. This standard will result in more detail disclosure in respect of subsidiaries which are not 100% owned by the Group in its annual 2014 financial statements.

- IAS 27, Separate Financial Statements, (revised in May 2011 and in EU effective for annual periods beginning on or after 1 January 2014), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.
- Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.
- IFRIC 21 – Levies - The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The impact of the adoption has been assessed as immaterial for Group.

The adoption of the above mentioned standards unless stated otherwise did not result in significant changes of the Group's accounting policies or presentation of data in the consolidated financial information.

Following new standards and amendments not yet effective are relevant for Group:

- IFRS 9, Financial Instruments: Classification and Measurement
- IFRS 15, Revenue from Contracts with Customers

The management of the Group is analysing potential impact of the above mentioned standards on the consolidated financial information of the Group.

Following new standards and amendments not yet effective are not relevant for Group:

- IFRS 11 - Joint agreement
- Amendment to IAS 28 - Investment in associate and joint ventures
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12 - Transition guidance
- Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions
- IFRS 14, Regulatory Deferral Accounts
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer plants

4.2 Functional currency and presentation currency

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

4.3 Translation of amounts expressed in foreign currencies

The methods used to recognize and value transactions expressed in foreign currencies have been specified in IAS 21 “The Effects of Changes in Foreign Exchange Rates”. Transactions expressed in foreign currencies are translated by the companies comprising the Group into their functional currencies using the exchange rates as at the date of the transaction. Monetary assets and liabilities expressed as at the balance sheet date in foreign currencies are translated using the closing 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:

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

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

Foreign exchange differences on loans granted to consolidated related parties are transferred as part of consolidation adjustments from the profit and loss to other comprehensive income and accumulated in Currency translation difference.

The following rates were used for preparation of the financial information:

Currency rate at the end of the period	31.12.2014	31.12.2013
PLN/CZK	0.1537	0.1513
PLN/EUR	4.2623	4.1472
PLN/RUB	0.0602	0.0914
PLN/USD	3.5072	3.0120

Average currency rate, calculated as arithmetical mean of currencies on last day of each month in the period	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
PLN/CZK	0.1520	0.1620
PLN/EUR	4.1893	4.2110
PLN/RUB	0.0821	0.0990
PLN/USD	3.1784	3.1653

The financial information of foreign entities is translated into PLN in the following manner:

- assets and liabilities for each statement of financial position presented at the exchange rate announced by the National Bank of Poland for the balance sheet date,
- income and expense for each income statement at the rate constituting the arithmetical mean of the average exchange rates announced by the National Bank of Poland for each day ending an operating month. The resulting foreign exchange differences are recognized directly in equity as a separate item,
- 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 an operating month. The resulting foreign exchange differences are recognized under the “Other currency differences from translation” item of the cash-flow statement.

4.4 Consolidation methods

4.4.1 Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and initially recognized non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4.4.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the acquired carrying value of net assets of the subsidiary is recorded in retained earnings. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4.4.3 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value as at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.4.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. As the equity of the associate has been reduced by paid dividends, the Company decided to assess the carrying amount of the investment by applying the discounted cash flow techniques. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition. The group’s investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group’s share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines as at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to ‘share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s financial information only to the extent of unrelated investor’s interests in the associates. Unrealised gains and losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

4.5 Accounting methods

4.5.1 Tangible fixed assets

Tangible fixed assets are stated at historical cost, except for items initially measured at fair values acquired in business combination, less accumulated depreciation, less any impairment losses. The historical costs of fixed assets consists of their acquisition price plus all costs directly associated with the asset's acquisition and adaptation for use. The costs also include the cost of replacing parts of machines and equipment as they are incurred, if the recognition criteria are met. Costs incurred after the asset is given over for use, such as maintenance and repairs, are charged to the income statement as they are incurred.

If circumstances occurred during the preparation of the financial statements indicating that the balance sheet value of tangible fixed assets may not be recoverable, the said assets are tested for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there are indications that impairment might have occurred, and the balance sheet value exceeds the estimated recoverable amount, then the value of those assets or cash generating units to which the assets belong is reduced to the value of the recoverable amount. The recoverable value corresponds to the higher of the following two values: the fair value less cost to sell, or the value in use. When determining value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate reflecting the current market assessments of the time value of money and the risk associated with the given asset component. If the asset component does not generate income sufficiently independently, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment write downs are recognised in the income statement under other operating costs.

A given tangible fixed asset is derecognised from the balance sheet when it is sold or if no economic benefits are anticipated from its continued use. All profits and losses arising from the derecognition (calculated as the difference between the potential net income from the sale and the balance sheet value of a given item) are recognised in the income statement in the period in which the de recognition was performed.

Assets under construction consist of fixed assets that are being constructed or assembled, and are stated at acquisition price or cost of production. Fixed assets under construction are not depreciated until the construction is completed and the assets given over for use.

Returnable packages in circulation are recorded within property, plant and equipment at cost net of accumulated depreciation less any impairment loss. Returnable packages allocated at customers are covered by advances received.

The balance sheet value, the useful life and the depreciation method of fixed assets are verified, and if need be – adjusted, at the end of each financial year.

DEPRECIATION

Tangible fixed assets, or their significant and separate components, are depreciated using the straight-line method to allocate their costs to their residual values over their economic useful lives. Land is not depreciated. Depreciation of returnable packages is recorded to write them off over the course of their economic life. The Group assumes the following economic useful lives for the following categories of fixed assets:

	Useful life
Buildings and constructions	20 - 40 years
Technical improvement on leased property	10 years
Plant and equipment	2 - 15 years
Vehicles	4 – 6 years
Returnable packages	2 – 8 years

4.5.2 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

4.5.3 Leases

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

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

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

4.5.4 Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination.

Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Any impairment of goodwill cannot be subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

4.5.5 Intangible fixed assets

Intangible fixed assets acquired in a separate transaction are initially stated at acquisition price or production costs. The acquisition price of intangible assets acquired in a business combination is equal to their fair value as at the date of the combination. After their initial recognition, intangible assets are stated at their historical price or production costs less accumulated amortisation and impairment write downs. Expenses incurred for intangible assets produced by the entity, except for capitalised costs of development, are not capitalised and are recognised in the income statement of the period in which they were incurred.

The Group determines whether the economic useful life of an intangible asset is definite or indefinite. A significant part of the Group's intangible assets constitute trademarks, for which the Group has selected for an indefinite useful life. KOFOLA S.A. Group companies are the owners of some of the leading trademarks in non-alcoholic beverages in Central Europe. As a result, these brands are generating positive cash flow and the Group owns the brands for the long term. Coming to the conclusion that these trademarks have indefinite useful lives, the Board took into account several factors and circumstances, such as size, diversification and market share of each brand, the brand's past performance, long-term development strategy, any laws or other local laws which may affect the life of the assets and other economic factors, including the impact of competition and market conditions. Group Management expects that it will acquire, hold and promote trademarks for an indefinite period through marketing and promotional support. The trademarks with indefinite useful lives are tested for impairment at least annually.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there are impairment indicators. Period and method of amortisation of intangible assets with finite lives are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful life
Software licences	3 years
Computer software	3 – 6 years
Other licences	5 – 7 years
Valuable rights	8 years

4.5.6 Recoverable amount of fixed assets

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

4.5.7 Financial instruments

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

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

1. loan receivables,
2. derivative instruments (options, forward contracts, futures, swap contracts, embedded derivative instruments),
3. other financial assets (trade receivables, cash).

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

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

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

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

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

- financial assets stated at fair value through profit or loss,
- loans and receivables.

Financial liabilities are divided into:

- financial liabilities stated at fair value through profit or loss,
- financial liabilities stated at amortised cost – other liabilities.

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

FINANCIAL ASSETS

Financial assets are initially recorded at fair value. Their initial valuation is increased by transaction costs, with the exception of financial assets stated at fair value through profit or loss. The transaction costs of a possible asset disposal are not considered in the subsequent valuation of financial assets. The asset is listed in the balance sheet when the Group becomes a party to the agreement (contract), out of which the financial asset arises.

FINANCIAL ASSETS STATED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

At the Group, this category includes primarily derivative instruments, as well as debt and equity instruments acquired in order to be resold within a short time.

Assets classified as financial assets stated at fair value through profit or loss are stated as at each reporting date at fair value, and all gains or losses are charged to financial income or costs. Derivative financial instruments are stated at fair value as at the balance sheet date and as at the end of each reporting period based on valuations performed by the banks realising the transactions. Other financial assets stated at fair value through profit or loss are valued using stock exchange prices, and in their absence, using appropriate valuation techniques, such as: the use of the prices of recent transactions or listings, comparisons with similar instruments, option valuation models. The fair value of debt instruments consists primarily of future cash flows discounted at the current market interest rate applicable to similar instruments.

LOANS AND RECEIVABLES

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

FINANCIAL LIABILITIES

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

FINANCIAL LIABILITIES STATED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The Group's financial liabilities stated at fair value through profit or loss include primarily derivative instruments with a negative fair value. Liabilities classified as financial liabilities stated at fair value are stated at fair value as at each reporting date, and all gains or losses are charged to financial revenue and costs. Derivative instruments are stated at fair value as at each balance sheet date as well as at the end of each reporting period based on valuations performed by the banks realising the transactions. The fair value of debt instruments consists of future cash flows discounted at the current market interest rate applicable to similar instruments.

FINANCIAL LIABILITIES STATED AT AMORTISED COST

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

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. However, the offsetting is not possible if it cannot be legally enforced in the normal course of business, in the event of default or in the event of insolvency or bankruptcy of the entity or any of the counterparties.

4.5.8 Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Inventory is stated at net amount (less revaluation write downs). Inventory write downs are performed to bring the value of inventory to the net realisable value. Inventory write downs are recognised in the income statement under the “cost of goods sold” item. Whereas reversals of inventory, write downs are recorded as a decrease of the cost of goods sold. The value of a write down decreases the balance sheet value of the written down inventory.

4.5.9 Trade receivables and other receivables

Trade and other financial receivables are stated as at the balance sheet date at amortised cost (i.e. discounted using the effective interest rate) less impairment write downs.

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

Receivables that are not financial assets are initially recognised at nominal value and stated as at the balance sheet date at lower of carrying amount and their recoverable value.

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

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

Impairment is recognized when the carrying amount of the receivable is higher than its recoverable value.

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

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

Provisions for doubtful receivables are created for 50% of the following receivables:

- receivables that are overdue by more than 180 but less than 360 days as at the balance sheet date.

4.5.10 Cash and cash equivalents

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

The balance of cash and cash equivalents presented in the consolidated cash flow statement consists of cash at bank and in hand, as well as short-term deposits for period up to 3 months.

4.5.11 Assets (group of assets) held for sale

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

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

Fixed assets (or groups of assets) whose value was determined as above are subject to being reclassified to assets held for resale.

At their reclassification the assets are stated at the lower of the following two values: the balance sheet value or the fair value less cost to sell. The difference on valuation to fair value is recognised in other operating costs. At a later valuation, any reversal of fair value is recognised in other operating revenue. If an entity no longer meets the criteria for classifying an asset as held-for-sale, the asset is recognised under the balance sheet item from which it had been previously reclassified and stated at the lower of the following two amounts:

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

In the case of an agreed loss of control (even if there is no sale of share) the transaction is considered as deemed sale and accounted for as an asset held-for-sale based on IFRS 5.

4.5.12 Equity

Equity is recognised by type in accounting books and in accordance with binding legal regulations and the Company’s Statute.

Share capital is listed at the amount disclosed in the Statute and in the National Court Register.

Declared but unpaid capital contributions are recorded as unpaid share capital. Treasury shares and unpaid share capital reduce the value of the Company’s equity.

Other elements of equity are: supplementary capital, currency translation difference, other capital and own shares. Balance of currency translation difference is adjusted for exchange differences arising from the conversion of financial statements of foreign subsidiaries.

Own shares acquired for cancellation, in accordance with the provisions of the Code of Commercial Companies, are recorded at cost as a negative amount as a separate component of equity.

Retained earnings/Accumulated losses consist of: accumulated profit or uncovered loss from previous years (accumulated profit/loss from previous years) and the financial result for the year.

Dividends are recognised as liabilities in the period in which they were approved.

NON-CONTROLLING INTEREST

Non-controlling interest is calculated as

- initially either at fair value or as its share on the acquired net asset; and
- subsequently increase/decrease by their share on profit, dividends paid to them and changes in ownership.

4.5.13 Interest-bearing bank credits, loans and debt securities

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

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

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

4.5.14 Trade liabilities and other liabilities

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

Financial liabilities other than financial liabilities stated at fair value through profit or loss are valued as at the balance sheet date at amortised cost (i.e. discounted using the effective interest rate).

Exchange rate differences resulting from the balance sheet valuation of liabilities from goods and services are recognised in cost of sales.

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

4.5.15 Provisions

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

4.5.16 Employee benefits

PENSION OBLIGATIONS AND JUBILEE BONUSES

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans driven by Group define an amount of one-off pension benefit that an employee will receive on retirement, dependent on years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

For defined contribution plans, the Group pays contributions to state or privately basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates:

(a) when the group can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

4.5.17 Revenue

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

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

Foreign exchange rate differences resulting from the realisation or the valuation of trade receivables are recognised in the income statement.

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

4.5.17.1 Sale of goods and products

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

4.5.17.2 Provision of services

Revenue from the provision of services is recognised at the end of the month in which the service was performed.

4.5.17.3 Interest

Interest income is recognised gradually using the effective interest method.

4.5.17.4 Dividends

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

4.5.18 Government subsidies

The Group recognises government subsidies and subsidies from funds of the European Union once there is virtual certainty that the subsidy will be received and that all of the related required criteria will be complied with. Both of the above conditions must be met for a government subsidy to be recognised.

The Group may receive non-refundable government grants, mostly in the form of direct or indirect subsidies to investment projects. Subsidies reduce the value of assets and are recognised in the income statement as a reduction of depreciation over the expected useful life of the assets.

4.5.19 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.5.20 Discontinued operations

A discontinued operation is a significant component of the Group that either has been disposed of, or that is classified as held-for-sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being restated.

4.5.21 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of ordinary shares with dilutive potential: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company’s shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Earnings per share are presented separately for continuing operations and discontinued consolidation.

4.6 Significant estimates

Since some of the information contained in the consolidated financial information cannot be measured precisely, the Group´s Board of Directors must perform estimates to prepare the consolidated financial information. The Board of Directors verifies the estimates based on changes in the factors taken into account at their calculation, new information or past experiences. For this reason the estimates performed as at 31 December 2014 may be changed in the future. The main estimates pertain to the following matters:

Estimates	Type of information	Note
Impairment of goodwill and individual tangible and intangible assets	Key assumptions used to determine the recoverable amount: evidence for impairment, models, discount rates, growth rates.	5.13, 5.14
Impairment of investment in associated undertaking	Key assumptions used to determine the recoverable amount: evidence for impairment, models, discount rates, growth rates.	5.15
Useful life of trade marks	The history of the trade mark on the market, market position, useful life of similar products, the stability of the market segment, competition.	4.5.5
Income tax	Assumptions used to recognise deferred income tax assets.	5.10

4.7 New accounting policy

There is no new accounting policy.

4.8 Approval of consolidated financial statements

The Board of Directors approved the present consolidated financial information for publication on 17 March 2015.

5.1 Operating segments

An operating segment is a component of an entity:

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

B) which 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 Board of Directors of KOFOLA S.A. is the chief operating decision maker responsible for operational decision-making and uses these results to decide on the allocation of resources to the segment and to assess segments performance.

The Group operates in the following segments managed by the chief operating decision maker:

- Poland
- Czech Republic
- Slovakia
- Export

The Group applies the same accounting methods for all of the segments which are also in line with the accounting methods used in the preparation of these consolidated financial statements. Transactions between segments are eliminated in the consolidation process. The segment Export represents an aggregation of few other countries mainly in Europe with similar economic characteristics.

Within the presented segments, the Group identified one customer, who generated more than 10% of the Group's consolidated revenues from continuing operations. The Group's revenues from that customer in 2014 amounted PLN 251 473 thousand (2013 PLN 295 511 thousand).

Total revenues and costs of all operating segments correspond to information presented in the income statement for the reporting and comparative period. Reporting segment results for the 12-month period ended 31 December 2014 and the 12-month period ended 31 December 2013 are presented below:

1.1.2014 - 31.12.2014	Poland	Czech Republic	Slovakia	Export	Subtotal	Eliminations (consolidation adjustments)	Russia *	Total
Revenues	403 586	373 797	263 692	8 112	1 049 187	(95 770)	-	953 417
Sales to external customers	388 188	344 035	213 082	8 112	953 417	-	-	953 417
Inter-segment sales	15 398	29 762	50 610	-	95 770	(95 770)	-	-
Operating expenses	(395 074)	(353 325)	(225 680)	(7 830)	(981 909)	95 770	-	(886 139)
Related to external customers sales	(379 676)	(323 563)	(175 070)	(7 830)	(886 139)	-	-	(886 139)
Related to inter-segment sales	(15 398)	(29 762)	(50 610)	-	(95 770)	95 770	-	-
Adjusted operating result	**8 512**	**20 472**	**38 012**	**282**	**67 278**	**-**	**-**	**67 278**
Impairment	(6 747)	-	-	-	(6 747)	-	-	(6 747)
Operating result	**1 765**	**20 472**	**38 012**	**282**	**60 531**	**-**	**-**	**60 531**
Result from financial activity	16 160	7 751	(1 083)	(11)	22 817	(35 786)	1 814	(11 155)
with third parties	(8 140)	(3 735)	(1 083)	(11)	(12 969)	-	-	(12 969)
between segments	24 300	11 486	-	-	35 786	(35 786)	-	-
Share in associates' result	-	-	-	-	-	-	1 814	1 814
Profit /(loss) before tax	24 672	28 223	36 929	271	83 348	(35 786)	1 814	56 123
Income tax	-	(3 322)	(8 393)	-	(11 715)	(329)	-	(12 044)
Net profit /(loss)	**17 925**	**24 901**	**28 536**	**271**	**71 633**	**(36 115)**	**1 814**	**37 332**
Assets and liabilities								
Segment assets	356 211	400 577	205 751	3 605	966 144	(76 052)	43 393	933 585
Total assets	**356 211**	**400 577**	**205 751**	**3 605**	**966 144**	**(76 052)**	**43 493**	**933 585**
Segment liabilities	185 751	316 771	103 838	3 515	609 875	(88 767)	-	521 108
Equity					412 477	-	-	412 477
Total liabilities and equity					**933 585**	-	**-**	**933 585**
Other information concerning segment								
Tangible and intangible fixed assets – paid	7 962	16 870	20 389	-	45 221	-	-	45 221
Tangible and intangible fixed assets – additions	12 841	27 594	17 817	-	58 252	-	-	58 252
Depreciation and amortization	21 324	37 415	12 971	-	71 710	-	-	71 710

1.1.2013 - 31.12.2013	Poland	Czech Republic	Slovakia	Export	Subtotal	Eliminations (consolidation adjustments)	Russia *	Total
Revenues	462 374	379 281	265 892	3 365	1 110 912	(94 933)	-	1 015 979
Sales to external customers	449 290	353 312	210 012	3 365	1 015 979	-	-	1 015 979
Inter-segment sales	13 084	25 969	55 880	-	94 933	(94 933)	-	-
Adjusted operating expenses	(459 740)	(340 767)	(247 600)	(3 389)	(1 051 496)	94 933	-	(956 563)
Related to external customers sales	(446 656)	(314 798)	(191 720)	(3 389)	(956 563)	-	-	(956 563)
Related to inter-segment sales	(13 084)	(25 969)	(55 880)	-	(94 933)	94 933	-	-
Adjusted operating result	**2 634**	**38 514**	**18 292**	**(24)**	**59 416**	-	**-**	**59 416**
Impairment	(141 948)	-	-	-	(141 948)	-	-	(141 948)
Operating result	**(139 314)**	**38 514**	**18 292**	**(24)**	**(82 532)**	-	**-**	**(82 532)**
Result from financial activity	5 583	1 410	(1 213)	-	5 780	(15 063)	1 823	(7 460)
with third parties	(6 238)	(1 787)	(1 213)	-	(9 238)	-	-	(9 238)
between segments	11 866	3 197	-	-	15 063	(15 063)	-	-
Share in associates' result	(45)	-	-	-	(45)	-	1 823	1 778
Profit /(loss) before tax	(133 731)	39 924	17 079	(24)	(76 752)	(15 063)	1 823	(89 992)
Income tax	(5 304)	(23 889)	(3 855)	-	(33 048)	190	-	(32 858)
Loss on discontinued consolidation of the Megapack Group	-	-	-	-	-	-	(849)	(849)
Net profit /(loss)	**(139 035)**	**16 035**	**13 224**	**(24)**	**(109 800)**	(14 873)	**974**	**(123 699)**
Assets and liabilities								
Segment assets	373 830	393 781	181 069	4	948 684	(106 100)	51 841	894 425
Total assets	**373 830**	**393 781**	**181 069**	**4**	**948 684**	(106 100)	**51 841**	**894 425**
Segment liabilities	209 181	315 554	101 848	3	626 586	(119 714)	-	506 872
Equity					387 553	-	-	387 553
Total liabilities and equity					**894 425**	-	**-**	**894 425**
Other information concerning segment								
Tangible and intangible fixed assets – paid	5 790	13 376	8 242	-	27 408	-	-	27 408
Tangible and intangible fixed assets – additions	7 114	16 109	12 184	-	35 407	-	-	35 407
Depreciation and amortization	26 509	31 943	14 561	-	73 013	-	-	73 013

* Discontinued consolidation (Megapack Group)

REVENUES BY PRODUCT

1.1.2014 - 31.12.2014	Carbonated beverages	Non-carbonated beverages	Waters	Syrups	Other	Total
Sales revenue	**529 303**	**38 622**	**194 997**	**144 627**	**45 868**	**953 417**

1.1.2013 - 31.12.2013	Carbonated beverages	Non-carbonated beverages	Waters	Syrups	Other	Total
Sales revenue	**575 523**	**45 845**	**204 895**	**165 298**	**24 418**	**1 015 979**

SEASONAL AND CYCLICAL NATURE OF THE OPERATIONS OF THE KOFOLA S.A. GROUP

Seasonality

Seasonality is associated with periodic deviations in demand and supply, of certain significance in the shaping of the KOFOLA Group´s general sales trends. Beverage sales peak appears in the 2nd and 3rd quarter of the year. This is caused by increased drink consumption in the spring and summer months. In the year ended 31 December 2014, about 21% (21% in 2013) of revenue from the sales of finished products and services was earned in the 1st quarter, with 28% (29% in 2013), 28% (27% in 2013) and 24% (23% in 2013) of the annual consolidated revenues earned in the 2nd, 3rd and 4th quarters, respectively.

Cyclical nature

The Group's results are dependent on economic cycles, in particular on fluctuations in demand and in the prices of raw materials, so-called “commodities”.

5.2 Expenses by nature

Expenses by nature	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Depreciation of tangibles and amortization of intangibles	71 710	73 013
Employee benefit costs and retirement benefits	125 088	121 628
Consumption of materials and energy	512 886	614 645
Cost of goods and materials sold	10 742	4 258
Services	139 846	136 929
Rental costs	13 519	10 187
Taxes and fees	5 562	8 242
Property and life insurance	2 095	2 123
Other costs, including:	5 253	6 365
– change in allowance to inventory	1 333	(1 638)
– change in allowance to receivables	(741)	3 121
– other operating costs	4 661	4 882
Total expenses by nature *	**886 701**	**977 390**
Change in the balance of semi-finished products and work in progress	(4 446)	(5 995)
Depreciation and amortization included in segment costs	-	(7 894)
Reconciliation of expenses by nature to expenses by function	**882 255**	**963 501**
Selling, marketing and distribution costs	244 258	224 390
Administrative costs	48 304	44 206
Costs of products and services sold	578 951	690 647
Cost of goods and materials sold	10 742	4 258
Total costs of products sold, merchandise and materials, sales costs and administrative costs	**882 255**	**963 501**

Costs of employee benefits and retirement benefits	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Cost of salaries	96 934	92 940
Social security and other benefit costs	13 437	13 839
Retirement benefit plan expenses	14 717	14 849
Total costs of employee benefits and retirement benefits	**125 088**	**121 628**

* Does not include other operating income and expenses

5.3 Other operating income

Other operating income	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Net gain from the sale of non-financial assets	1 477	3 650
Release of tangible fixed assets' provision	5	-
Received penalties and damages	698	1 098
Tax return	48	-
Cash received from written-off receivables	-	3 155
Other	29	865
Total other operating income	**2 257**	**8 768**

5.4 Other operating expenses

Other operating expenses	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Net loss from the sale of non-financial assets	83	2
Provided donations, sponsorship	918	1 576
Paid penalties and damages	1 945	67
Other tax paid	1	-
Other	3 194	185
Total other operating expenses	**6 141**	**1 830**

5.5 Financial income

Financial income	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Financial interest income from:		
– bank deposits	244	374
– credits and loans granted	734	276
– receivables	15	11
Net financial income from realised FX differences	30	5 638
Profit on the sale of subsidiary	-	2 067
Other financial income	175	30
Total financial income	**1 198**	**8 396**

5.6 Financial expense

Financial expense	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Financial interest expense from:		
– credits, financial leases and bonds	10 535	16 022
Financial losses from realised FX differences	2 194	345
Bank costs and charges	1 435	1 197
Other financial expense	3	71
Total financial expense	**14 167**	**17 635**

5.7 Share in the result of associates

The item includes share in the profit of the Megapack Group for the current period of PLN 1 814 thousand attributable to the KOFOLA S.A. Group (1.1.2013 – 31.12.2013: PLN 1 824 thousand share in the profit of the Megapack Group and PLN 45 thousand share on loss of TSH Sulich Sp. z o.o.).

Due to the fact that at the end of December 2012, shareholders' agreement giving KOFOLA S.A. the deciding vote in choosing the General Director of the subsidiary OOO Megapack expired since 1 January 2013 KOFOLA S.A. and the Russian shareholders have equal share in the company, and thus according to IAS 28 the KOFOLA S.A. Group accounts for Megapack Group using the equity method. See also Note 5.15.

5.8 Changes in allowances

Changes in allowances	Receivables	Inventories	Financial assets
As at 1.1.2014	**18 750**	**1 151**	**800**
Currency differences from translation	129	6	-
Increase due to creation	6 253	3 439	-
Decrease due to release	-	(383)	-
Decrease due to usage	(6 994)	(1 723)	-
Transfer to other category	-	(120)	-
As at 31.12.2014	**18 138**	**2 370**	**800**

5.9 Dividends paid and declared

Dividends from ordinary shares	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Dividends from ordinary shares	17 004	23 291
Dividend per share (PLN/share)	0.6500	0.8898

5.10 Income tax

Main income tax elements for the 12-month period ended 31 December 2014 and for the 12-month period ended 31 December 2013 were as follows:

Income tax	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Income Statement		
Current income tax	**12 815**	**11 163**
Current income tax charge	12 604	11 163
Adjustments of current income tax from previous years	211	-
Deferred income tax	**(771)**	**21 695**
Related to arising and reversing of temporary differences	(771)	20 255
Related to tax losses	-	1 440
Income tax recorded in consolidated income statement	**12 044**	**32 858**
Statement of changes in equity	-	-
Current income tax	**-**	**-**
Deferred income tax	**-**	**278**
Tax recorded in equity	**-**	**278**

The income tax rate applicable to the majority of the Group's 2014 and 2013 income is 19%. The income tax rate applicable to the majority of income of continuing subsidiaries is 19% (2013: 19%). Reconciliation between the expected and the actual taxation charge is provided below.

	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Accounting profit/(loss) before income tax	**49 376**	**(89 992)**
Tax expense at the theoretical domestic tax rates in Poland	(9 382)	17 098
Tax effect of:		
Non-deductible expenses	(3 225)	(1 071)
Unrecognised deferred tax assets related to impairment	-	(26 970)
Non-recognition of deferred tax assets	(3 169)	-
Unrealised tax losses of Group companies	-	(956)
Non-taxable income	750	460
Current tax adjustments relating to prior periods	(211)	220
Deferred tax adjustments relating to prior periods	2 472	-
Release of deferred tax assets due to changes in business projections	-	(21 400)
Change in the tax rate	-	396
Use of previously unrecognized deferred tax asset	1 876	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1 142)	(683)
Other	(13)	48
Income tax presented in profit and loss	**(12 044)**	**(32 858)**
Effective tax rate (%)	**24.39%**	**(36.51)%**

DEFERRED INCOME TAX

Deferred income tax arises out of the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES			31.12.2014
	Deferred tax assets	Deferred tax liabilities	Net amount
Tangible and intangible fixed assets	20	50 014	(49 994)
Inventories	809	-	809
Receivables	2 005	4 928	(2 923)
Tax losses	9 634	-	9 634
Trade and other liabilities and provisions	12 868	-	12 868
Investment incentives	9 489	-	9 489
Other	-	481	(481)
Deferred income tax assets / deferred tax liabilities	**34 825**	**55 423**	**(20 598)**
Presentation offsetting	(34 366)	(34 366)	-
Long-term deferred income tax assets / deferred tax liabilities	**399**	**21 057**	**(20 658)**
Short-term deferred income tax assets / deferred tax liabilities	**60**	**-**	**60**

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES			31.12.2013
	Deferred tax assets	Deferred tax liabilities	Net amount
Tangible and intangible fixed assets	20	45 570	(45 550)
Inventories	488	-	488
Receivables	3 376	6 263	(2 887)
Tax losses	12 990	-	12 990
Trade and other liabilities and provisions	6 755	-	6 755
Investment incentives	9 410	-	9 410
Other	-	443	(443)
Deferred income tax assets / deferred tax liabilities	**33 039**	**52 276**	**(19 237)**
Presentation offsetting	(32 601)	(32 601)	-
Long-term deferred income tax assets / deferred tax liabilities	**390**	**19 675**	**(19 285)**
Short-term deferred income tax assets / deferred tax liabilities	**48**	**-**	**48**

5.11 Discontinued consolidation (Megapack group)

Megapack Group, which is part of the Russia reportable segment, is presented as a discontinued consolidation following the loss of control as at 1 January 2013.

An analysis of the result of discontinued consolidation, and the result recognised on the remeasurement of assets or disposal group is as follows:

An analysis of the result of discontinued consolidation	2013
Revenues	-
Expenses	-
Loss on deconsolidation of Megapack group	(849)
Profit before tax of discontinued consolidation	**(849)**
Income tax relating to profit before tax of discontinued consolidation	-
Profit after tax of discontinued consolidation	**(849)**
Remeasurement of puttable non-controlling interest	-
Pre-tax gain/(loss) recognised on the remeasurement of net assets constituting the discontinued consolidation to the lower of carrying amount and fair value less costs to sell	-
Income tax effect of remeasurement	-
Profit/(loss) for the year from discontinued consolidation	**(849)**

Loss on deconsolidation of Megapack group	
Deconsolidation of 50% share on Megapack´s group Net assets as at 1.1.2013	(54 167)
Currency translation related to Megapack group as at 1.1.2013 recognized in Income statement	(5 558)
Recognition of Megapack group as Investment in associate as at 1.1.2013	58 876
Net loss recognized on deconsolidation of Megapack Group as at 1.1.2013	**(849)**

An analysis of the cash flows of discontinued consolidation is as follows:

Analysis of the cash flows from discontinued consolidation	2013
Operating cash flows	-
Investing cash flows	(19 970)*
Financing cash flows	-
Total cash flows	**(19 970)**

* Cash and cash equivalents deconsolidated as a result of changes in control of Megapack Group.

Based on the Russian legislation, the shareholders of OOO companies have the right to withdraw from the contract and demand the repurchase of their shares by the company based on the value attributable to their net assets in accordance with Russian accounting regulations at the subsequent balance sheet date. With respect to this, non-controlling interest has puttable option with the nil value.

5.12 Earnings per share

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

The diluted earnings 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 own shares not subject to dividends).

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

	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Net profit /(loss) from the continuing operations attributable to shareholders of the parent company	37 379	(122 811)
Loss for the period from discontinued consolidation	-	(849)
Net profit/(loss) attributable to shareholders of the parent company	**37 379**	**(123 660)**

	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Weighted average number of issued common shares used to calculate the regular earnings per share ratio	26 170 003	26 172 602
Shares buy-back	(9 624)	(2 599)
Weighted average number of issued common shares	**26 160 379**	**26 170 003**
Impact of dilution:		
Subscription warrants	-	6 099
Adjusted weighted average number of common shares used to calculate diluted earnings per share	**26 160 379**	**26 176 102**

No other transactions involving ordinary shares or potential ordinary shares, except for registration of capital reduction, took place in the period from the balance sheet date to the preparation of the financial information.

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

Basic earnings per share (PLN/share)	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Net profit / (loss) from the continuing operations attributable to shareholders of the parent company	37 379	(122 811)
Profit / (loss) for the period from discontinued consolidation	-	(849)
Net profit / (loss) attributable to shareholders of the parent company	**37 379**	**(123 660)**
Weighted average number of issued common shares	26 160 379	26 170 003
Regular earnings per share from the continuing operations attributable to shareholders of the parent company	1.4288	(4.6929)
Regular earnings per share for the period from discontinued consolidation	-	(0.0324)
Regular earnings per share attributable to shareholders of the parent company	**1.4288**	**(4.7253)**

Diluted earnings per share (PLN/share)	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Net profit / (loss) from the continuing operations attributable to shareholders of the parent company	37 379	(122 811)
Net profit / (loss) for the period from discontinued consolidation	-	(849)
Net profit / (loss) attributable to shareholders of the parent company	**37 379**	**(123 660)**
Adjusted weighted average number of common shares used to calculate diluted earnings per share	26 160 379	26 176 102
Diluted earnings per share from continuing operations attributable to shareholders of the parent company	1.4288	(4.6918)
Diluted earnings per share for the period from discontinued consolidation	-	(0.0324)
Diluted earnings per share attributable to shareholders of the parent company	**1.4288**	**(4.7242)**

5.13 Tangible fixed assets

The investment projects realised by KOFOLA S.A. Group in 2014 relate primarily to the entities Kofola a.s. (Czech Republic) - update of production line for UGO juices in bottles and gastro equipment, Kofola a.s. (Slovakia) - expenditure for gastro equipment and Hoop Polska Sp. z o.o. - new land and forklifts.

Net book value of finance lease assets in accordance with IFRS	Leased assets with purchase option	Leased assets without purchase option	Total
At the beginning of the period	8 450	5 464	13 914
At the end of the period	8 560	10 449	19 009

1.1.2014 - 31.12.2014

TABLE OF CHANGES IN TANGIBLE FIXED ASSETS	Land	Buildings and constructions	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
a) gross book value at the beginning of the period	**12 770**	**297 248**	**425 183**	**51 117**	**113 772**	**7 052**	**907 142**
b) increases	**2 254**	**10 627**	**24 116**	**16 561**	**40 511**	**1 706**	**95 775**
- purchase of fixed assets	2 254	6 626	21 418	764	9 144	7 522	47 728
- transfer from investment	-	4 001	1 696	-	119	(5 816)	-
- tangible fixed assets acquired pursuant to a financial lease agreement	-	-	-	15 497	-	-	15 497
- other increases	-	-	1 002	300	31 248	-	32 550
c) decreases	**(1 704)**	**(7 278)**	**(11 505)**	**(8 630)**	**(8 184)**	**-**	**(37 301)**
- sale	(1 704)	(7 271)	(1 438)	(3 112)	(2 622)	-	(16 147)
- liquidation	-	(7)	(9 981)	(4 521)	(5 441)	-	(19 950)
- other decreases	-	-	(86)	(997)	(121)	-	(1 204)
FX diff. from translation	**169**	**3 598**	**5 754**	**772**	**2 338**	**158**	**12 789**
d) gross book value at the end of the period	**13 489**	**304 195**	**443 548**	**59 820**	**148 437**	**8 916**	**978 405**
e) accumulated depreciation at the beginning of the period	**364**	**(54 919)**	**(296 044)**	**(39 527)**	**(83 100)**	**-**	**(473 226)**
f) depreciation charge for the period	**424**	**(5 590)**	**(22 841)**	**1 670**	**(11 723)**	**-**	**(38 060)**
- annual depreciation charge	(26)	(8 159)	(32 612)	(6 488)	(18 754)	-	(66 039)
- sale	450	2 568	772	3 033	1 570	-	8 393
- liquidation	-	1	9 769	4 377	5 464	-	19 611
- other decreases	-	-	(778)	748	(122)	-	(152)
- other increases	-	-	8	-	119	-	127
FX diff. from translation	**-**	**(675)**	**(4 390)**	**(549)**	**(1 595)**	**-**	**(7 209)**
g) accumulated depreciation at the end of the period	**788**	**(61 184)**	**(323 275)**	**(38 406)**	**(96 418)**	**-**	**(518 495)**
h) impairment charges at the beginning of the period	**(104)**	**(16 204)**	**(8 671)**	**-**	**(29)**	**-**	**(25 008)**
- reclassification to other categories	-	(5 796)	5 796	-	-	-	-
FX diff. from translation	**-**	**-**	**2**	**-**	**(1)**	**-**	**1**
i) impairment charges at the end of the period	**(104)**	**(22 000)**	**(2 873)**	**-**	**(30)**	**-**	**(25 007)**
j) net book value at the beginning of the period	**13 030**	**226 125**	**120 468**	**11 590**	**30 643**	**7 052**	**408 908**
k) net book value at the end of the period	**14 173**	**221 011**	**117 400**	**21 414**	**51 989**	**8 916**	**434 903**

1.1.2013 - 31.12.2013

TABLE OF CHANGES IN TANGIBLE FIXED ASSETS	Land	Buildings and constructions	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
a) gross book value at the beginning of the period	**14 869**	**334 120**	**433 546**	**67 123**	**114 764**	**4 983**	**969 405**
b) increases	**55**	**1 775**	**19 752**	**8 254**	**5 374**	**2 309**	**37 519**
- purchase of fixed assets	55	1 775	16 903	3 571	5 270	5 104	**32 678**
- transfer from investment	-	-	2 717	-	104	(2 821)	**-**
- tangible fixed assets acquired pursuant to a financial lease agreement	-	-	-	4 683	-	-	**4 683**
- other increases	-	-	132	-	-	26	**158**
c) decreases	**(1 950)**	**(33 025)**	**(12 602)**	**(20 662)**	**(3 728)**	**(19)**	**(71 986)**
- sale	(1 950)	(32 444)	(8 526)	(5 000)	(1 128)	-	**(49 048)**
- liquidation	-	(581)	(1 081)	(2 632)	(2 155)	-	**(6 449)**
- reclassification to other categories	-	-	-	-	-	-	**-**
- sale of Santa-Trans.SK s.r.o.	-	-	(10)	(10 621)	(84)	(19)	**(10 734)**
- other decreases	-	-	(2 985)	(2 409)	(361)	-	**(5 755)**
FX diff. from translation	**(204)**	**(5 622)**	**(15 513)**	**(3 598)**	**(2 638)**	**(221)**	**(27 796)**
d) gross book value at the end of the period	**12 770**	**297 248**	**425 183**	**51 117**	**113 772**	**7 052**	**907 142**
e) accumulated depreciation at the beginning of the period	**-**	**(50 227)**	**(276 427)**	**(56 509)**	**(74 450)**	**-**	**(457 613)**
f) depreciation charge for the period	**364**	**(5 835)**	**(29 921)**	**13 309**	**(10 141)**	**-**	**(32 224)**
- annual depreciation charge	(60)	(8 580)	(41 656)	(6 630)	(13 603)	-	**(70 529)**
- sale	424	2 180	7 849	4 980	939	-	**16 372**
- liquidation	-	565	1 063	2 454	2 133	-	**6 215**
- reclassification to other categories	-	-	-	(2)	2	-	**-**
- other (increases)	-	-	(114)	(119)	-	-	**(233)**
- sale of Santa-Trans.SK s.r.o.	-	-	2	10 271	76	-	**10 349**
- other increases	-	-	2 935	2 355	312	-	**5 602**
FX diff. from translation	**-**	**1 143**	**10 304**	**3 673**	**1 491**	**-**	**16 611**
g) accumulated depreciation at the end of the period	**364**	**(54 919)**	**(296 044)**	**(39 527)**	**(83 100)**	**-**	**(473 226)**
h) impairment charges at the beginning of the period	**-**	**(22 542)**	**(1 930)**	**23**	**(21)**	**-**	**(24 470)**
- increase	**(104)**	**(16 204)**	**(6 796)**	**-**	**-**	**-**	**(23 104)**
- establishment of impairment charges in the income statement	(104)	(16 204)	(6 796)	-	-	-	**(23 104)**
- decrease	**-**	**22 543**	**-**	**-**	**4**	**-**	**22 547**
- liquidation	-	-	-	-	4	-	**4**
- sale of Tychy plant	-	22 543	-	-	-	-	**22 543**
FX diff. from translation	**-**	**(1)**	**55**	**(23)**	**(12)**	**-**	**19**
i) impairment charges at the end of the period	**(104)**	**(16 204)**	**(8 671)**	**-**	**(29)**	**-**	**(25 008)**
j) net book value at the beginning of the period	**14 869**	**261 351**	**155 189**	**10 637**	**40 293**	**4 983**	**487 322**
k) net book value at the end of the period	**13 030**	**226 125**	**120 468**	**11 590**	**30 643**	**7 052**	**408 908**

5.14 Intangible fixed assets

1.1.2014 - 31.12.2014

TABLE OF CHANGES IN INTANGIBLE FIXED ASSETS	Goodwill	Patents, licenses	Computer software	Trademarks	Other fixed intangible assets	Total
a) gross book value at the beginning of the period	**13 419**	**2 547**	**20 599**	**213 766**	**20**	**250 351**
b) increases	**-**	**-**	**1 565**	**8 979**	**(20)**	**10 524**
- purchase of intangible assets	-	-	1 545	8 979	-	10 524
- transfer from investment	-	-	20	-	(20)	-
c) decreases	**-**	**-**	**(1 816)**	**-**	**-**	**(1 816)**
- sale	-	-	(7)	-	-	(7)
- liquidation	-	-	(1 809)	-	-	(1 809)
FX diff. from translation	**134**	**-**	**307**	**1 995**	**-**	**2 436**
d) gross book value at the end of the period	**13 553**	**2 547**	**20 655**	**224 740**	**-**	**261 495**
e) accumulated depreciation at the beginning of the period	**-**	**(2 498)**	**(13 705)**	**-**	**-**	**(16 203)**
f) depreciation charge for the period	**-**	**(41)**	**(656)**	**(3 159)**	**-**	**(3 856)**
- annual depreciation charge	-	(41)	(2 471)	(3 159)	-	(5 671)
- sale	-	-	5	-	-	5
- liquidation	-	-	1 810	-	-	1 810
FX diff. from translation	**-**	**-**	**(209)**	**(34)**	**-**	**(243)**
g) accumulated depreciation at the end of the period	**-**	**(2 539)**	**(14 570)**	**(3 193)**	**-**	**(20 302)**
h) impairment charges at the beginning of the period	**-**	**-**	**-**	**(63 689)**	**-**	**(63 689)**
- increase	**-**	**-**	**-**	**-**	**-**	**-**
- decrease	**-**	**-**	**-**	**-**	**-**	**-**
FX diff. from translation	**-**	**-**	**-**	**-**	**-**	**-**
i) impairment charges at the end of the period	**-**	**-**	**-**	**(63 689)**	**-**	**(63 689)**
j) net book value at the beginning of the period	**13 419**	**49**	**6 894**	**150 077**	**20**	**170 459**
k) net book value at the end of the period	**13 553**	**8**	**6 085**	**157 858**	**-**	**177 504**
including:						
Goodwill						**13 553**
Intangible assets						**163 951**

The expected useful life of software is 2 years.

Goodwill consists of the goodwill for the company Pinelli spol. s r.o. acquired in April 2011 and goodwill of acquired by Kofola a.s. (Czech Republic) in 2006, production part of the company Klimo s.r.o.

The value of trademarks includes, among others, the value of such trademarks as: Kofola, Vinea, Hoop Cola, Paola, Citrocola, Semtex, Erektus and UGO.

1.1.2013 - 31.12.2013

TABLE OF CHANGES IN INTANGIBLE FIXED ASSETS	Goodwill	Patents, licenses	Computer software	Trademarks	Other fixed intangible assets	Total
a) gross book value at the beginning of the period	**103 253**	**2 547**	**21 430**	**216 339**	**96**	**343 665**
b) increases	**-**	**-**	**1 324**	**1 465**	**(60)**	**2 729**
- purchase of intangible assets	-	-	1 243	1 465	21	**2 729**
- transfer from investment	-	-	81	-	(81)	**-**
c) decreases	**-**	**-**	**(626)**	**-**	**(13)**	**(639)**
- sale	-	-	-	-	-	**-**
- liquidation	-	-	(570)	-	(13)	**(583)**
- sale of Santa-Trans.SK s.r.o.	-	-	(56)	-	-	**(56)**
FX diff. from translation	**(651)**	**-**	**(1 529)**	**(4 038)**	**(3)**	**(6 221)**
d) gross book value at the end of the period	**102 602**	**2 547**	**20 599**	**213 766**	**20**	**339 534**
e) accumulated depreciation at the beginning of the period	**-**	**(2 425)**	**(12 922)**	**-**	**-**	**(15 347)**
f) depreciation charge for the period	**-**	**(73)**	**(1 785)**	**-**	**-**	**(1 858)**
- annual depreciation charge	-	(73)	(2 411)	-	-	**(2 484)**
- liquidation	-	-	570	-	-	**570**
- sale of Santa-Trans.SK s.r.o.	-	-	56	-	-	**56**
FX diff. from translation	**-**	**-**	**1 002**	**-**	**-**	**1 002**
g) accumulated depreciation at the end of the period	**-**	**(2 498)**	**(13 705)**	**-**	**-**	**(16 203)**
h) impairment charges at the beginning of the period	**-**	**194**	**31**	**(33 924)**	**(225)**	**(33 924)**
- increase	**(89 183)**	**-**	**-**	**(29 765)**	**-**	**(118 948)**
- impairment	(89 183)	-	-	(29 765)	-	**(118 948)**
- decrease	**-**	**-**	**-**	**-**	**-**	**-**
FX diff. from translation	**-**	**(194)**	**(31)**	**-**	**225**	**-**
i) impairment charges at the end of the period	**(89 183)**	**-**	**-**	**(63 689)**	**-**	**(152 872)**
j) net book value at the beginning of the period	**103 253**	**316**	**8 539**	**182 415**	**(129)**	**294 394**
k) net book value at the end of the period	**13 419**	**49**	**6 894**	**150 077**	**20**	**170 459**
including:						
Goodwill						**13 419**
Intangible assets						**157 040**

In testing for impairment of trademarks and goodwill, Management of the Group has decided to use fair value less costs to sell method. For the purpose of market valuation, the brand royalties' method was used. Due to the fact that the Management is not aware of comparable market transactions, the calculation of fair value less costs to sell is based on discounted free cash flow and used the estimated cash-flow projections based on financial plans approved by management of the Group on the basis of plans drawn up by the Management of the Group for the period until 2020 for trademarks and up to 2019 for goodwill. Cost to sell was adopted as 2% of the fair value of the cash generating unit.

Main assumptions used in financial plans and cash-flow projections:

THE MAIN TRADEMARKS WITH INDEFINITE USEFUL LIVE

2014	Hoop Cola	Paola	Kofola	Vinea	UGO
Country of trademark	**Poland**	**Poland**	**Czech**	**Slovakia**	**Czech**
Royalty rate	2.60%	4.50%	6.00%	6.00%	2.00%
Infinite growth rate	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate pre-tax	10.99%	9.26%	7.04%	7.90%	10.74%

2013	Hoop Cola	Paola	Kofola	Vinea	Semtex
Country of trademark	**Poland**	**Poland**	**Czech**	**Slovakia**	**Czech**
Royalty rate	2.35%	4.50%	6.00%	6.00%	6.00%
Infinite growth rate	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate pre-tax	10.70%	9.30%	6.90%	7.80%	7.70%

CARRYING VALUE OF ALL TRADEMARKS PER COUNTRY

	Poland	Czech	Slovakia	Total
2014	56 658	57 376	35 653	149 687
2013	56 658	58 731	34 688	150 077

GOODWILL

2014	Czech*
Carrying value	13 553
EBITDA margin	14.85%;14.66%
Infinite growth rate	2.00%
Discount rate pre-tax	5.80%
FX rate of PLN/EUR	4.20

* includes goodwill arose at acquisition of Pinelli spol. s r.o. and goodwill of Klimo s.r.o.

2013	Poland*	Czech**
Carrying value	-	13 419
EBITDA margin	5.54%	15.32%;26.27%
Infinite growth rate	2.00%	2.00%
Discount rate pre-tax	8.30%	6.00%
FX rate of PLN/EUR	4.20	4.20

* Goodwill related to Polish entities has been impaired
** includes goodwill arose at acquisition of Pinelli spol. s r.o. and goodwill of Klimo s.r.o.

Main assumptions adopted by the Management are based on past experience and expectations as for the future market development. Interest rates adopted are in line with those used when preparing Group's results assumptions. Discount rate includes taxation and risk related to relevant operating segments as well as trademarks.

The Group's Management believes that the main assumptions used in impairment tests of cash generating units as at 31 December 2014 are rational and based on the Group's experience, development strategy and on market forecasts. The Group's forecasts of future financial results are based on series of assumptions, where those relating to macroeconomic factors and actions taken by the competition, such as foreign exchange rates, prices of raw materials, interest rates, are beyond the Group's control.

THE SENSITIVITY ANALYSIS TO CHANGES IN THE KEY ASSUMPTIONS CONTAINED IN THE FINANCIAL PLANS AND CASH-FLOW PROJECTIONS

Management believes that, in relation to fair value decreased by cost to sell for trademarks: Kofola, Vinea, Ugo, Paola, HOOP Cola and Cash generating units related to Klimo s.r.o. and Pinelli spol. s r.o., no rational change in the above-adopted assumptions would result in their recoverable value being lower than the carrying value.

5.15 Investment in associates

The main activities of the Megapack Group are the provision of beverage bottling services to third parties, production of own beverages, as well as their distribution on the territory of the Russian Federation.

Statement of financial position	31.12.2014	31.12.2013
Current assets (short-trem)	60 681	109 429
Fixed assets (long-term)	27 076 *	42 588
Short-term liabilities	(49 770)	(86 629)
Long-term liabilities	(3 336)	(7 658)
Net assets	**34 651**	**57 730**

* deferred tax assets of PLN 602 thousand related to customers bonuses recognized as at 31.12.2014. The tax deductibility is subject to review of tax advisors.

Income statement	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Revenue	237 149	325 119
Total cost of sales	(203 567)	(279 448)
Administrative costs	(10 371)	(11 588)
Selling, marketing and distribution costs	(18 456)	(26 719)
Other operating expenses	(957)	(2 361)
Net financial costs	706	2 625
Profit (loss) before tax	4 504	7 538
Income tax	(876)	(3 980)
Net profit (loss) for the financial year	**3 628**	**3 648**
Share on profit atributable to KOFOLA S.A. Group	**1 814**	**1 824**

Cash flow statement	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Cash flow on operating activity	(12 407)	8 511
Cash flow on investing activity	13 016	310
Cash flow on financial activity	(8 210)	(16 420)
Total net cash flow	**(7 601)**	**(7 599)**

Investment in associate	2014	2013
At the beginning of the period	**51 841**	**58 876 ***
Share on profit atributable to KOFOLA S.A. Group	1 814	1 824
Dividens received	(3 415)	(9 021)
Impairment	(6 747)	-
Currency translation	-	162
At the end of the period	**43 493**	**51 841**

* Fair value of the investments in associates (Megapack Group) was calculated using the discounted cash flow method, based on the financial projections presented by the Management of the Megapack Group. For the purposes of valuation a weight average capital cost (WACC) on the level of 11.6% and marginal growth rate of 3.5% were adopted. Discounted cash flows method was used as shares of Megapack Group are not quoted and due to the lack of similar market transactions current period.

INVESTMENT IN ASSOCIATE IMPAIRMENT TESTING

The carrying amount of the investment in associate has been subject to impairment testing. The parameters of the impairment test model are as follows:

- WACC: 21.9 %,
- Indefinite growth rate 2.0 %.

The financial projections are in the table below:

Megapack financial projections	2016	2017	2018	2019
EBITDA	**11 320**	**14 490**	**18 547**	**23 740**
Inflation - russian food industy	15%	15%	15%	15%
Real expected growth	13%	13%	13%	13%
Total growth	**28%**	**28%**	**28%**	**28%**

Changes in these assumptions may affect the Group’s financial position, including the results of fixed asset impairment tests, and in consequence, may change the Company’s financial position and financial result in future years.

Sensitivity analysis of the impairment test

The impairment test based on above mentioned parameters gives impairment of PLN 6 747 thousand. If WACC is increased by 2 p.p. total impairment of PLN 13 803 thousand would be recorded. If the expected EBITDA growth is by 10% lower total impairment of PLN 19 691 thousand would be recorded.

5.16 Inventory

Inventory	31.12.2014	31.12.2013
Inventories which were not provided for	**65 174**	**89 955**
Materials	25 822	55 535
Merchandise (goods for resale)	6 451	2 834
Production in progress (valued at manufacturing cost)	12	1
Finished products	32 889	31 585
Inventories which were provided for	**2 361**	**1 157**
Materials	1 571	693
Merchandise (goods for resale)	393	80
Production in progress (valued at manufacturing cost)	-	-
Finished products	397	384
Inventory provision	**(2 370)**	**(1 151)**
Net inventory	**65 165**	**89 961**

Information on created, released or used inventory write downs is presented in Note 5.8 of the notes to the consolidated financial statements.

5.17 Trade receivables and other receivables

Trade receivables and other receivables	31.12.2014	31.12.2013
Financial receivables		
Trade receivables	120 748	136 054
Other financial receivables	564	4 999
Allowance to receivables	(17 084)	(17 713)
Total financial assets within trade and other receivables	**104 228**	**123 340**
Non-financial receivables		
VAT recoverable	143	452
Other receivables	12 169	12 441
Prepayments	8 525	6 740
Allowance to receivables	(1 054)	(1 037)
Total trade and other receivables	**124 011**	**141 936**

The terms of transactions with related parties are presented in Note 5.27 of the notes to the financial statements. Trade receivables are not interest bearing and are usually payable within 30-60 days.

The risks associated with trade and other receivables, as well as the Group's policy relating to managing such risks, are described in Note 5.28 of the notes to the financial statements.

Information on created, released or used allowance to receivables is presented in Note 5.8 of the notes to the consolidated financial statements. Information on liens established on receivables to secure credits and loans is presented in Note 5.21 of the notes to the consolidated financial statements.

Allowance to financial receivables	2014		2013	
	Trade receivables	Other financial assets	Trade receivables	Other financial assets
Opening balance	**12 905**	**4 808**	**11 063**	**7 945**
FX rate differences on revaluation	127	(15)	(587)	-
(Release) / creation of allowance during the year	6 248	(4 530)	4 176	(3 137)
Use of allowance for bad debts	(2 459)	-	(1 747)	-
Closing balance	**16 821**	**263**	**12 905**	**4 808**

5.18 Cash and cash equivalents

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

Cash and cash equivalents	31.12.2014	31.12.2013
Cash in bank and in hand	87 596	26 927
Short-term deposits with maturity dates up to 3 months from the contracting date	-	3 600
Other cash paid or due within three months from the date received, issued - REPO transaction, cheques, bills and other cash assets	14	15
Total cash and cash equivalents	**87 610**	**30 542**

Free funds are held at bank and invested in the form of term and overnight deposits, primarily with variable interest rates.

Split by currency	31.12.2014	31.12.2013
in PLN	25 710	6 460
in EUR	32 004	11 872
in CZK	29 894	12 208
in USD	1	1
in RUB	1	1
Total cash and cash equivalents	**87 610**	**30 542**
Credit quality of cash and cash equivalents	**31.12.2014**	**31.12.2013**
A2	39 547	22 543
A3	1 699	296
B1	1	1
Baa1	668	1 599
Ba2	19 074	62
Baa2	11 050	1 858
Baa3	5 323	-
Caa3	36	-
Not on watch	8 525	-
Cash in hand	1 673	568
Total cash in bank and in hand	**87 596**	**26 927**

5.19 Share capital and other capital

5.19.1 Share capital

31.12.2014

SHARE CAPITAL								
Series	Type of share	Type of preferred shares	Type of rights restriction to shares	Number of shares *	Par value of share series in PLN ths.	Way of covering the capital (cash/contribution in kind)	Date registered	Right to dividend (from the date)
A	ordinary	N/A	N/A	445 081	445	cash	03.10.1997/ 15.10.2013	03.10.1997
B	ordinary	N/A	N/A	100 000	100	cash	22.01.1998/ 07.02.2007	22.01.1998
C	ordinary	N/A	N/A	71 080	71	cash	05.03.1998	05.03.1998
C	ordinary	N/A	N/A	11 776	12	cash	05.03.1998/ 07.02.2007	05.03.1998
D	ordinary	N/A	N/A	9 458 040	9 458	cash	21.01.2003	01.01.2003
E	ordinary	N/A	N/A	3 000 000	3 000	cash	01.09.2003	01.01.2003
F	ordinary	N/A	N/A	13 083 342	13 083	merger	30.05.2008	30.05.2008
G	ordinary	N/A	N/A	684	1	merger	31.03.2009	01.01.2009
Total				**26 170 003**				

* including own shares

SHARE CAPITAL STRUCTURE			
Name of entity	Number of shares	% in share capital	% in voting power
KSM Investment S.A.	13 395 373	51.19%	51.19%
CED GROUP S. a r.l.	11 283 153	43.11%	43.11%
René Musila	687 709	2.63%	2.63%
Tomáš Jendřejek	687 660	2.63%	2.63%
Other	116 108	0.44%	0.44%
Total	**26 170 003**	**100.00%**	**100.00%**

Ultimate controlling party is represented by private individuals.

NOMINAL VALUE OF SHARES

All of the issued shares have a nominal value of 1 PLN and have been fully paid up.

SHAREHOLDER RIGHTS

The shares of all series are ordinary shares equally privileged with regard to dividend and return on equity.

5.19.2 Supplementary capital

Supplementary capital is created based on statutory requirements (in accordance with binding legal regulations) or voluntarily (in accordance with the entity's by-laws) using funds from the distribution of profits, share premium and contributions made by the shareholders. It is used to cover losses, refund capital contributions, and redeem shares. The main source of the capital presented in this report is the settlement of the merger with Hoop Group.

5.19.3 Currency translation difference

Currency translation difference is adjusted by the foreign exchange differences arising out of the currency translation of the financial statements of foreign subsidiaries. This capital is not distributed.

5.19.4 Retained earnings / Accumulated losses

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

Retained earnings / Accumulated losses	31.12.2014	31.12.2013
Accumulated losses	(23 200)	(77 762)
Net profit / (loss) for the financial year	44 126	(123 660)
Total retained earnings / accumulated losses	**20 926**	**(201 422)**

5.19.5 Non-controlling interests

Non-controlling interests	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
At the beginning of the period	**752**	**498**
Updated valuation of UGO brand	-	293
Non-controlling interest participation in financial results of related parties	(47)	(39)
Currency differences from translation of foreign subsidiaries	429	-
At the end of the period	**1 134**	**752**

5.20 Provisions

Provisions	Benefits after the period of employment	Provisions for litigation, fines, court cases, damages	Provision for personal expenses (bonuses)	Other provisions	Total
As at 1.1.2013	**124**	**603**	**7 934**	**2 189**	**10 850**
Currency differences from translation	-	(47)	96	(488)	(439)
Increase due to creation	-	49	9 244	1 886	11 179
Decrease due to release	-	-	(1 265)	(1 652)	(2 917)
Decrease due to usage	-	-	(8 940)	(537)	(9 477)
As at 31.12.2013	**124**	**605**	**7 069**	**1 398**	**9 196**
As at 1.1.2014	**124**	**605**	**7 069**	**1 398**	**9 196**
Currency differences from translation	-	9	39	107	155
Increase due to creation	-	-	10 197	3 212	13 409
Decrease due to release	-	(122)	(578)	(582)	(1 282)
Decrease due to usage	-	-	(6 070)	(1 371)	(7 441)
Transfer to other category	-	-	(335)	335	-
As at 31.12.2014	**124**	**492**	**10 322**	**3 099**	**14 037**

Provisions time framework	31.12.2014	31.12.2013
Long-term	562	675
Short-term	13 475	8 521
Total provisions	**14 037**	**9 196**

5.21 Credits, loans and issued bonds

INDEBTNESS OF THE GROUP FROM THE CREDITS AND LOANS AND FROM EMITTED BONDS

As at 31 December 2014, the Group's total credit and loan debt amounted to PLN 156 039 thousand and decreased by PLN 11 073 thousand compared to the end of December 2013.

As at 31 December 2014, KOFOLA S.A. has obligations from issued bonds in the total amount of PLN 50 450 thousand. Liabilities from interests and obligations from bonds maturing in October 2018 in the amount of PLN 49 879 thousand are disclosed in long-term liabilities, and the liabilities from interests in the amount of PLN 571 thousand are presented in short-term liabilities.

CREDIT TERMS AND TERMS AND CONDITIONS OF BONDS ISSUE

Based on credit agreements and Terms and Conditions of the Bonds Issue (TCBI), the companies of the Group are required to meet specified financial ratios (so-called covenants). Credit agreements ended in the current reporting period have been extended for the next periods. In accordance with the requirements of IAS 1, a breach of credit terms that may potentially limit unconditional access to credits in the nearest year makes it necessary to classify such liabilities as short-term. As at the balance sheet date none from agreements were breached and as such the Group did not perform any change in presentation. All TCBIs were also met.

5.21.1 Own bonds issued

31.12.2014

Own bonds issued	Credit currency	Bonds value on balance sheet day	Interest terms	Maturity date
Bonds issued KOFOLA VAR/18	CZK	50 450	12M PRIBOR + margin	10/2018
Total own bonds issued		**PLN 50 450 ths.**		

5.21.2 Credit and loans

31.12.2014

Financing entity	Credit currency	Credit/ limit amount	Credit value on balance sheet day		Interests terms	Maturity date	Collaterals
			in currency	in PLN			
Oberbank Leasing spol. s r.o.	CZK	2 989	1 287	198	3M PRIBOR + margin	8/2016	fixed assets
Oberbank Leasing spol. s r.o.	CZK	5 024	2 803	431	margin	2/2017	fixed assets
Oberbank Leasing spol. s r.o.	CZK	484	280	43	margin	3/2017	fixed assets
Oberbank Leasing spol. s r.o.	CZK	1 004	622	96	margin	5/2017	fixed assets
Oberbank Leasing spol. s r.o.	CZK	1 020	673	103	margin	7/2017	fixed assets
s Autoleasing, a.s.	CZK	5 169	4 752	730	margin	7/2019	fixed assets
s Autoleasing, a.s.	CZK	3 730	3 488	536	margin	8/2019	fixed assets
s Autoleasing, a.s.	CZK	5 343	5 343	821	margin	12/2019	fixed assets
ČSOB a.s.	CZK	50 000	50 000	7 685	1M PRIBOR + margin	11/2019	buildings
ČSOB a.s.	CZK	290 000	250 000	38 425	1M PRIBOR + margin	notice of termination	inventories, receivables, bill of exchange, buldings
Česká spořitelna, a.s.	CZK	100 000	-	-	3M PRIBOR + margin	10/2015	receivables, bill of exchange
Česká spořitelna, a.s.	CZK	40 000	39 938	6 138	3M PRIBOR + margin	10/2015	receivables, bill of exchange
Česká spořitelna, a.s.	CZK	140 000	22 526	3 462	1M PRIBOR + margin	6/2016	technology, receivables, bill of exchange
Česká spořitelna, a.s.	CZK	37 000	15 235	2 342	1M PRIBOR + margin	4/2017	buildings, bill of exchange, receivables
Oberbank Leasing spol. s r.o.	CZK	3 451	1 193	183	1M PRIBOR + margin	4/2016	fixed assets-kegs
Oberbank Leasing spol. s r.o.	CZK	3 541	1 298	200	1M PRIBOR + margin	5/2016	fixed assets-kegs
Oberbank Leasing spol. s r.o.	CZK	11 542	6 469	994	margin	2/2017	fixed assets
Oberbank Leasing spol. s r.o.	CZK	5 180	2 903	446	margin	2/2017	fixed assets
Oberbank Leasing spol. s r.o.	CZK	1 286	926	142	margin	10/2017	fixed assets
ČSOB a.s.	CZK	30 000	-	-	O/N PRIBOR + margin	notice of termination	inventories, receivables, bill of exchange, buldings
Česká spořitelna, a.s.	CZK	200 000	126 667	19 468	1M PRIBOR + margin	12/2017	receivables, bill of exchange, buldings
ČSOB a.s.	CZK	20 000	12 667	1 947	1M PRIBOR + margin	2/2018	buildings, receivables, bill of exchange
Česká spořitelna, a.s.	CZK	20 000	15 439	2 373	1M PRIBOR + margin	8/2018	buildings, receivables, technology
Česká spořitelna, a.s.	CZK	50 000	43 103	6 625	1M PRIBOR + margin	2/2019	buildings, receivables, bill of exchange

Financing entity	Credit currency	Credit/ limit amount	Credit value on balance sheet day		Interests terms	Maturity date	Collaterals
			in currency	in PLN			
ČSOB a.s.	CZK	50 000	43 220	6 643	1M PRIBOR + margin	3/2019	buildings, receivables, bill of exchange
s Autoleasing, a.s.	CZK	303	303	47	margin	12/2019	fixed assets
s Autoleasing, a.s.	CZK	303	303	47	margin	12/2019	fixed assets
s Autoleasing, a.s.	CZK	303	303	47	margin	12/2019	fixed assets
Komerční banka, a. s.	CZK	20 000	20 000	3 074	1M PRIBOR + margin	notice of termination	promissory note "in blanco"
Komerční banka, a. s.	CZK	6 125	3 997	614	1M PRIBOR + margin	1/2019	promissory note "in blanco"
s Autoleasing, a. s.	CZK	574	574	88	margin	6/2019	fixed assets
s Autoleasing, a. s.	CZK	285	285	44	margin	8/2019	fixed assets
RT Torax	CZK	832	-	-	margin	8/2014	fixed assets
ČSOB leasing	CZK	138	-	-	margin	4/2014	fixed assets
Škofin 778316	CZK	173	20	3	margin	5/2015	fixed assets
Škofin 763285	CZK	10	10	2	margin	1/2015	fixed assets
Škofin 841021	CZK	221	152	23	margin	12/2016	fixed assets
sAutoleasing	CZK	1 001	1 001	154	margin	12/2019	fixed assets
sAutoleasing	CZK	397	397	61	margin	12/2019	fixed assets
UCB 331/2001_EUR	EUR	5 500	-	-	1M EURIBOR + margin	3/2015	Receivables, Real Property, Movable assets (objects of loan), Patronal declaration of Kofola Holding, a.s., Subordinated liability Kofola Holding, a.s. - KSM Investment S.A., Notarial memorandum as execution title.
VÚB 12/ZU/2007_EUR	EUR	3 000	-	-	1M EURIBOR + margin	3/2015	Blank bill of exchange Kofola, a.s., Agreement of filling of blank bill of exchange no. 301/2007/D + receivables
VÚB 04/ZF/2009 EUR	EUR	9 960	3 349	14 276	1M EURIBOR + margin	12/2017	Agreement of right of lien on plant assets; Blank bill of exchange Kofola,.a.s.,Declaration of constitutor Kofola Holding, a.s.
VÚB 19/ZF/2012 EUR	EUR	4 150	692	2 948	1M EURIBOR + margin	6/2015	Blank bill of exchange, Agreement of the right of lient on trademark no. 79/ZZ/2012 of 25th April 2012
VÚB 13/ZF/2014 EUR	EUR	4 500	3 890	16 580	1M EURIBOR + margin	3/2019	Blank bill of exchange, Agreement of the right of lient on fixed no. 52/ZZ/2014 of 26thMarch.2014
Bank Millennium S.A.	PLN	9 000	9 000	9 000	3M WIBOR + margin	6/2017	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
Bank BPH S.A.	PLN	9 000	9 000	9 000	3M WIBOR + margin	6/2017	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
Bank Millennium S.A.	PLN	20 000	-	-	1M WIBOR + margin	4/2015	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
Bank BPH S.A.	PLN	20 000	-	-	1M WIBOR + margin	4/2015	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
Total credits and loans				**PLN 156 039**	**ths.**		

PLEDGES OF THE GROUP

Pledges of the Group	31.12.2014		31.12.2013	
	Purchase price	Net book value	Purchase price	Net book value
- Tangible fixed assets	442 830	261 755	414 699	250 574
- Intangible assets (brands)	134 414	92 288	133 450	91 324
- Inventory	61 623	61 623	57 361	57 361
- Receivables	52 277	52 277	80 401	80 401
Total	**691 144**	**467 943**	**685 911**	**479 660**

5.22 Trade liabilities and other liabilities

Trade liabilities and other liabilities	31.12.2014	31.12.2013
Financial liabilities		
Trade liabilities	155 741	148 253
Liabilities for purchased property, plant and equipment	8 045	7 824
Advances for returnable packages	7 872	31 835
Accrued liabilities and other creditors	35 106	27 352
Total financial liabilities within trade and other liabilities	**206 764**	**215 264**
Non-financial liabilities		
VAT	6 130	7 249
Deferred revenues	55	635
Advance received	23 491	283
Accrued employee benefit costs	10 605	10 031
Other	4 756	4 557
Total trade liabilities and other liabilities	**251 801**	**238 019**

Trade payables are not interest bearing and are usually paid within 30-90 days.

Other payables are not interest bearing and payable on average within 1 month.

Accruals relate to performed but not yet invoiced supplies of materials and services.

Other long-term liabilities	31.12.2014	31.12.2013
other financial liabilities	5 305	6 318
other non-financial liabilities	-	-
accruals for income	-	-
Total other long-term liabilities	**5 305**	**6 318**

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

5.23 Government subsidies

In the reporting period, subsidiaries Kofola a.s. (CZ) and Santa-Trans s.r.o. (CZ) received a grant from the European Training Fund in the amount of PLN 250 thousand. This grant is presented in other operating income and relates to the staff training expenses.

5.24 Future commitments, contingent assets and liabilities

As at 31 December 2014 the Group has following liabilities to third parties.

Entity providing guarantees	Entity receiving guarantees	Credit value on balance sheet day which were subject to guarantee		The period for which guarantees has been provided	The entity for which liabilities guarantees were provided	Type of relationship between the Company and the entity committed to loan
		in currency	in PLN			
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR 3 982 T	16 972	4/2015	Santa-Trans.SK s.r.o. (SR)	third party *
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR 5 301 T	22 594	12/2022	Santa-Trans.SK s.r.o. (SR)	third party *
Kofola a.s. (CZ)	Česká spořitelna, a.s.	CZK 3 840 T	590	1/2015	Societe Anonyme Des Eaux Minerales D'Evian	third party *
Kofola a.s. (CZ)	ČSOB a.s.	EUR 40 T	170	3/2015	Obala Grupa d.o.o.	third party *
Total loans and guarantees issued as at 31.12.2014			**PLN 40 326**	**thousand**		

* The fair value of the guarantees is close to zero (fair valuation in level 3).

On 19th December, 2014 subsidiary Kofola, družba za upravljanje, d.o.o. has concluded Sales and Purchase Agreement with Pivovarna Laško d.d. regarding acquisition 75.31% of share in the company Radenska d.d. Slovenia. Kofola should pay 13.59 EUR per share of Radenska and total amount to be paid by Kofola for purchased shares is EUR 51 805 thousand. For current development see note 5.32.

5.24.1 Liabilities concerning operational leasing - Group as a lessee

As at 31 December 2014, the future minimum payments arising out of non-revocable operating lease agreements (lease of equipment) are as follows:

Liabilities concerning operational leasing - Group as a lessee	31.12.2014	31.12.2013
In one year period	483	715
In period from one to five years	525	995
Over five years	-	-
Total	**1 008**	**1 710**

5.25 Finance lease

KOFOLA S.A. Group uses tangible fixed assets (mainly vehicles and various types of machines and equipment) based on finance lease agreements.

As at 31 December 2014, the balance sheet value of leased tangible assets with purchase option was PLN 8 560 thousand (in 2013 PLN 8 450 thousand).

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

	31.12.2014	31.12.2013
Nominal value of minimum lease payment		
In one year period	7 196	8 482
In period from one to five years	13 227	8 149
Over five years	-	-
Total finance lease liabilities - total minimum lease payments	**20 423**	**16 631**
Finance costs of finance lease	2 672	2 323
Present value of minimum lease payments		
In one year period	6 255	7 297
In period from one to five years	11 496	7 011
Over five years	-	-
Total present value of minimum lease payments	**17 751**	**14 308**

5.26 Court litigations

The KOFOLA S.A. Group is involved in certain legal proceedings that are incidental to the ordinary conduct of its business. The Issuer does not conduct any judicial, administrative or arbitration proceedings and has not conducted such proceedings in the period of past 12 months, which, in the Issuer's best opinion, could have/had in the past 12 months material impact on the financial situation.

FRUCTO-MAJ SP. Z O.O.

On 17 December 2014 KOFOLA S.A. has received last payment rate of debts from Fructo-Maj Sp. z o.o., a company in the state of bankruptcy amounting PLN 442 thousand.

5.27 Information on transactions with related parties

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

Receivables from related companies	31.12.2014	31.12.2013
- from associates	24	68
Total receivables from related companies	**24**	**68**

Liabilities to related companies	31.12.2014	31.12.2013
- towards shareholders of KSM Investment (loan)	5 394	5 316
Total liabilities towards related companies	**5 394**	**5 316**

For dividend received from the Megapack group see to note 5.15.

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

REMUNERATION OF THE GROUP'S SENIOR MANAGEMENT STAFF

Presented below is the structure of the remuneration paid out to members of the Board of Directors of the holding company and to members of the Board of Directors of the subsidiaries:

The remuneration of the Group's senior executives	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Short-term employee benefits (salaries and surcharges)	5 515	6 039
Pension costs or the costs of pension schemes	287	304
Total remuneration of the Group's senior executives	**5 802**	**6 343**

The remuneration paid to members of the Board of Directors and Supervisory Board of the parent company and the members of the Board of Directors and Supervisory Boards of subsidiaries was as follows:

	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Board of Directors	5 802	6 343
Supervisory Board	80	96
Total	**5 882**	**6 439**

Remuneration of the Members of the Board of Directors and the Supervisory Board of the parent company for the period from 1 January 2014 to 31 December 2014 were as follows:

- The total remuneration of the members of the Board of Directors: PLN 3 925 thousand.
- The total remuneration of the members of the Supervisory Board: PLN 80 thousand.

5.28 Objectives and methods of financial risk management

The Group's primary financial instruments consist of bank credits, bonds, lease payables, cash and cash equivalents, deposits and loans. The main goal of such financial instruments is to obtain funds for business operations, or to invest the Company's available funds. In addition, the Group has other financial instruments, such as trade receivables and payables that arise as part of its operations. The accounting methods relating to those instruments have been described above (note 4.5).

It is the Group's principle – now and throughout the reporting period – not to trade in financial instruments.

The Group's activities are exposed to several types of financial risk: market risk (including foreign exchange risk, and cash-flow risk relating to changes in interest rates), credit risk and liquidity risk. In addition, the Group monitors the market prices risk relating to all of its financial instruments. Risk is managed by the Company's Management, which recognises and assesses the above financial risks. The general risk management process is focused on the unpredictability of financial markets, and the Group tries to minimise any potential adverse effects on its financial results. The Group uses derivative financial instruments to hedge against certain types of risk, providing that the hedging instruments are considered to be cost effective. As at 31 December 2014, we had no options or forward contracts, in either dollars or euros. The Management verifies and agrees the risk management methods with regard to every type of risk. A short description of these methods is presented below.

5.28.1 Interest rate risk

Interest rate risk is a risk that the fair value or future cash flows from a financial instrument will change due to changes in interest rates. The interest bearing financial liabilities of the Group are mainly bank credits and bonds. The Group has interest-bearing financial liabilities consisting mainly of bank credits. The Group has credit payables with variable interest rates, which gives rise to a risk of an increase in those rates compared to the rates applied at contract conclusion. In addition, the Group places its free funds on variable interest rate deposits, which will bring the profits down if the interest rates fall. The Group also uses fixed interest rate instruments, with regard to which interest rate movements have no effect on interest costs or the interest receivable. Trade and other receivables and payables are not interest bearing and have due dates of up to a year.

The management of the Group monitors its exposure to interest rate risk and interest rate forecasts. At the time of this Report, the KOFOLA S.A. Group did not protect itself against changes in interest rates.

As at 31 December 2014, if interest rates at that date had been 100 basis points lower (2013: 100 basis points lower) with all other variables held constant, profit for the year would have been PLN 2 326 thousand (2013: PLN 3 238 thousand) higher, mainly as a result of lower interest expense on variable interest for financial liabilities. If interest rates had been 100 basis points higher (2013: 100 basis points higher), with all other variables held constant, profit would have been PLN 2 326 thousand (2013: PLN 3 238 thousand) lower, mainly as a result of higher interest expense on variable interest financial liabilities.

5.28.2 Currency risk

The Group is exposed to the risk of changes in foreign exchange rates due to a volume of sales of finished products in local currencies of individual entities (PLN, CZK, EUR) and the fact that more than half of the costs of purchased raw materials are incurred in foreign currencies (mainly EUR). The currency risk relates primarily to the EUR and USD exchange rates in relation to PLN and CZK. The Group's exposure associated with other, below listed currencies, is immaterial.

The effect of currency risk on the Group's position is presented in the note (sensitivity analysis) below. The sensitivity analysis is based on a reasonable change in the assumed foreign exchange rate while the other assumptions remain unchanged. In practice this is not very likely, and changes in certain assumptions may be correlated, e.g. a change in interest rate and in the foreign exchange rate. The Group manages currency risk as a whole. The sensitivity analysis prepared by the Management for currency risk illustrates after-tax profit and loss effect of changes in the exchange rate of the EUR, USD and CZK to PLN.

Currency risk impact on profit or loss	31.12.2014	31.12.2013
CZK strengthening by 3% (2013: strengthening by 3%)	(4 785)	(4 886)
CZK weakening by 3% (2013: weakening by 3%)	4 785	4 886
EUR strengthening by 3% (2013: strengthening by 3%)	(1 897)	(2 105)
EUR weakening by 3% (2013: weakening by 3%)	1 897	2 105
USD strengthening by 10% (2013: strengthening by 3%)	(22)	(5)
USD weakening by 10% (2013: weakening by 3%)	22	5

5.28.3 Credit risk

The Group is exposed to credit risk, defined as a risk that its debtors will not meet their obligations and thus cause the Group to incur losses. With regard to the Group's other financial assets, such as cash and cash equivalents, credit risk arises as a result of the other party's inability to pay, and the maximum value of the Group's exposure to this risk is equal to the balance sheet value of these instruments.

Presented below is the ageing structure of receivables:

Credit risk	31.12.2014		31.12.2013	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Neither past due nor impaired				
Large retails chains	56 149	-	65 181	124
Medium sized companies	8 826	-	4 507	-
Small companies	19 639	188	19 807	-
Total neither past due nor impaired	**84 614**	**188**	**89 495**	**124**
Past due but not impaired				
- less than 30 days overdue	13 730	-	26 388	-
- 30 to 90 days overdue	3 218	-	3 420	-
- 91 to 180 days overdue	1 419	-	2 229	-
- 181 to 360 days overdue	753	-	745	-
- over 360 days overdue	47	-	35	-
Total past due but not impaired	**19 167**	**-**	**32 817**	**-**
Individually determined to be impaired (gross)				
- less than 30 days overdue	2 651	-	230	1
- 30 to 90 days overdue	733	-	13	2
- 91 to 180 days overdue	123	-	55	3
- 181 to 360 days overdue	3 385	-	3 494	3
- over 360 days overdue	10 075	376	9 950	4 866
Total individually impaired (gross)	**16 967**	**376**	**13 742**	**4 875**
Less impairment provision (-)	**(16 821)**	**(263)**	**(12 905)**	**(4 808)**
Total	**103 927**	**301**	**123 149**	**191**

Subject to the above, the Company's Management believes that the credit risk has been accounted for in the financial statements through the creation of appropriate provisions.

The credit risk associated with bank deposits, derivative instruments and other investments is considered to be immaterial, as the Group has concluded transactions with institutions that have a sound financial position.

The Group undertakes activities aimed at limiting credit risk, consisting of: checking the creditworthiness of its customers, setting credit limits, insuring selected receivables and monitoring the customers' financial position.

5.28.4 Liquidity risks

The Group is exposed to liquidity risk, defined as a risk of losing the ability to pay its obligations as they become due. The risk arises from a potential restriction in access to financial markets or from a change in the attitude of the banks in the area of granting credits which may result in an inability to obtain new financing or refinancing of debts.

The management of the Group monitors the risk of insufficient funds by adjusting the structure of financing to prediction of future cash flows (planned investment included), diversifying of sources of financing and by keeping sufficient level of available credit lines.

It is the Group's objective to maintain a balance between financing continuity and flexibility, by using various financing sources, such as credits, bonds, loans and finance lease agreements. The Group tries to control its financial liabilities so that in each given period the amount of liabilities due within the next 12 months does not pose a threat for the Group's ability to meet its financial obligations. Despite the excess of short-term liabilities over current assets the Group's Management believes that the value of cash and cash equivalents as at the balance sheet date, the available credit lines of PLN 102 369 thousand (as at 31 December 2014) and the Group's financial position are such that the risk of losing liquidity may be assessed as moderate.

Analysis of financial liabilities within time periods is presented below. The amounts represent undiscounted cash flows, which represent the Group's maximum exposure to liquidity risk.

Future cash outflows related to financial liabilities:

31.12.2014		Cash outflows in the period:		
Cash outflows	Total	up to 90 days	from 91 to 360 days	above 360 (see note below)
Trade liabilities	**155 741**	154 785	931	**25**
Credits and loans	**156 039**	10 304	75 449	**70 286**
Interests	**23 849**	370	8 863	**14 616**
Bonds issued	**50 450**	-	571	**49 879**
Financial leasing liabilities	**17 751**	1 673	4 582	**11 496**
Advances for returnable packages	**7 872**	7 872	-	**-**
Accruals and other financial liabilities	**48 456**	41 479	1 672	**5 305**
Total	**460 158**	**216 483**	**92 068**	**151 607**

Cash outflows in the period	1–2 years	2-3 years	3-4 l years	4-5 years	above 5 years	Total
Trade liabilities	25	-	-	-	-	**25**
Credits and loans	33 811	22 108	10 780	3 587	-	**70 286**
Interests	6 828	4 462	3 183	143	-	**14 616**
Bonds issued	-	-	49 879	-	-	**49 879**
Financial leasing liabilities	4 480	3 827	2 490	699	-	**11 496**
Accruals and other financial liabilities	411	-	-	-	4 894	**5 305**
Total	**45 555**	**30 397**	**66 332**	**4 429**	**4 894**	**151 607**

31.12.2013		Cash outflows in the period:		
Cash outflows	Total liabilities	up to 90 days	from 91 to 360 days	above 360 (see note below)
Trade liabilities	**148 253**	116 543	28 736	**2 974**
Credits and loans	**167 112**	19 713	80 718	**66 681**
Interests	**25 463**	615	9 237	**15 611**
Bonds issued	**49 592**	-	587	**49 005**
Financial leasing liabilities	**14 308**	2 403	4 894	**7 011**
Advances for returnable packages	**31 835**	-	31 835	**-**
Accruals and other financial liabilities	**41 494**	31 750	3 426	**6 318**
Total	**478 057**	**171 024**	**159 433**	**147 600**

Cash outflows in the period	1–2 years	2-3 years	3-4 l years	4-5 years	above 5 years	Total
Trade liabilities	2 974	-	-	-	-	**2 974**
Credits and loans	38 550	14 105	12 487	1 538	-	**66 681**
Interests	6 980	3 270	2 865	2 496	-	**15 611**
Bonds issued	-	-	-	49 005	-	**49 005**
Financial leasing liabilities	3 666	2 018	1 079	248	-	**7 011**
Accruals and other financial liabilities	1 501	-	-	-	4 817	**6 318**
Total	**53 671**	**19 393**	**16 431**	**53 287**	**4 817**	**147 600**

5.29 Capital management

The Group manages capital by having a balanced financial policy with the objective of supplying the necessary funds to grow the business and, at the same time, secure an appropriate financing structure and financial liquidity.

In accordance with market practice, the Group monitors the net debt/adjusted EBITDA ratio.

The net debt constitute the total value of liabilities arising out of credits, loans, bonds and leases, less cash and cash equivalents, while adjusted EBITDA is operating profit plus depreciation adjusted by all one-off events (all nonrecurring or exceptional items not arising out of ordinary operations, such as impairment write downs, costs of relocation and group layoffs).

Key financial indicators	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Sales revenues from continuing operations	953 417	1 015 979
Total equity	412 477	387 553
Total assets	933 585	894 425
Net debt from continuing operations	136 630	200 471
Adjusted operating profit from continuing operations	67 278	56 313
Plus: depreciation from continuing operations	71 710	73 013
Adjusted EBITDA from continuing operations	**138 988**	**129 326**
Net debt / Adjusted EBITDA from continuing operations	**0.98**	**1.55**

5.30 Financial instruments

Fair value of Trade receivables, Other financial receivables, Cash and cash equivalents, Trade liabilities and Other financial liabilities is close to carrying amount.

The table below shows a comparison of the balance sheet values and fair values of all of the Group's financial instruments that have been listed in the financial statements at values other than fair value, by category of assets and liabilities

	Other financial liabilities at amortised cost	
	As at 31.12.2014	As at 31.12.2013
Credits and loans	156 039	167 112
Bonds issued	50 450	49 593
Financial leasing liabilities	17 751	14 307
Total	**224 240**	**231 012**

Fair value of financial assets and liabilities recognised at amortised costs	Fair value *	
	As at 31.12.2014	As at 31.12.2013
Financial liabilities at amortised costs	**224 004**	**230 849**
Bank credits and loans	156 039	167 112
- fixed interest rate	5 241	3 156
- floating interest rate	150 789	163 956
Bonds issued	50 214	49 430
Financial leasing liabilities	17 751	14 307

* the fair value is established based on market data adjusted by the specifics of KOFOLA S.A. Group (Level 2)

In the current period KOFOLA S.A. Group did not have any assets / liabilities that are measured at fair value.

5.31 Headcount

The average headcount in the company was as follows:

Average headcount	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
Management Board of the Parent entity	6	7
Management Boards of the Group entities	5	8
Administration	158	159
Sales, Marketing and Logistic department	790	788
Production division	471	512
Other	157	156
Total continuing operations	**1 587**	**1 630**

5.32 Subsequent events

REDUCTION OF THE SHARE CAPITAL

On 7 January 2015 was registered the reduction of the share capital by PLN 9 624 to PLN 26 160 379. Reduction has been made according to resolutions No. 20 and 21 from 23 June 2014 the Ordinary General Meeting of the KOFOLA S.A.

ACQUISITON OF RADENSKA D.D.

It is expected that on 17 March 2015 subsidiary Kofola, družba za upravljanje, d.o.o. closes transaction of acquisition 87.16% of share in Slovenian company Radenska d.d. Furthermore Kofola is a party to agreement for the acquisition of further 6.82% stake in Radenska, specifying further conditions precedent which must be met within the next two weeks. Enclose below please find extract from audited financial statements Radenska d.d. for 2013.

Statement of financial position	31.12.2013
Current assets (short-term)	81 409
Fixed assets (long-term)	264 088
Short-term liabilities	(57 995)
Long-term liabilities	(21 300)
Net assets	**266 202**

Income Statement	1.1.2013 - 31.12.2013
Revenue	125 924
Total cost of sales	(80 894)
Services, Labour costs	(34 558)
Depreciation	(9 424)
Other operating expenses	(5 220)
Net financial costs	(17 190)
Profit (loss) before tax	(21 362)
Income tax	5 922
Net profit (loss) for the financial year	**(15 440)**

At the date of this report release, fair values are not determined as the purchase price allocation is not yet carried out.

On 11 March 2015, the group company Kofola ČeskoSlovensko a.s. concluded a loan agreement with Česká spořitelna, a.s. and Československá obchodní banka, a. s. for maximum of EUR 69 000 thousand with an interest based on PRIBOR + margin. The purpose of the loan is to finance the acquisition of Radenska d.d. by Kofola ČeskoSlovensko a.s.´s subsidiary Kofola, družba za upravljanje, d.o.o. The loan is denominated in CZK, final repayment date was set to 31 March 2024. The loan is secured by the shares of Kofola, družba za upravljanje, d.o.o., receivables of Kofola ČeskoSlovensko a.s. from Kofola, družba za upravljanje, d.o.o. resulting from financing the Radenska d.d. acquisition and by financial guarantees granted by KOFOLA S.A., Kofola a.s. (CZ) and Kofola a.s. (SK).

No other events have occurred after the balance sheet date.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

17.3.2015	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
17.3.2015	**Martin Mateáš**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
17.3.2015	**René Musila**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
17.3.2015	**Tomáš Jendřejek**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
17.3.2015	**Daniel Buryš**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*
17.3.2015	**Marián Šefčovič**	**Member of the Board of Directors**	....
date	*name and surname*	*position/role*	*signature*

SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

17.3.2015	**Rafał Leduchowski**	**Chief Accountant**	....
date	*name and surname*	*position*	*signature*