

# Kofola Group results in 1Q2012

## Investor's Presentation



15 May 2012



- **Kofola Group in 1Q2012**

- Summary of results and market conditions in 1Q2012
- Markets, trends and strategy
- Profile and history of Kofola Group
- Shares and shares' price
- Contact



Segment revenues	mIn PLN	%
Carbonated beverages	133.4	48%
Non-carbonated beverages	21.7	8%
Waters	39.6	14%
Syrups	39.0	14%
Low alcohol beverages	40.0	14%
Other	5.1	2%

**Total revenues**                      **278.8**    **100%**

**EBITDA**                                      **25.7**

Total assets                                1 348.6

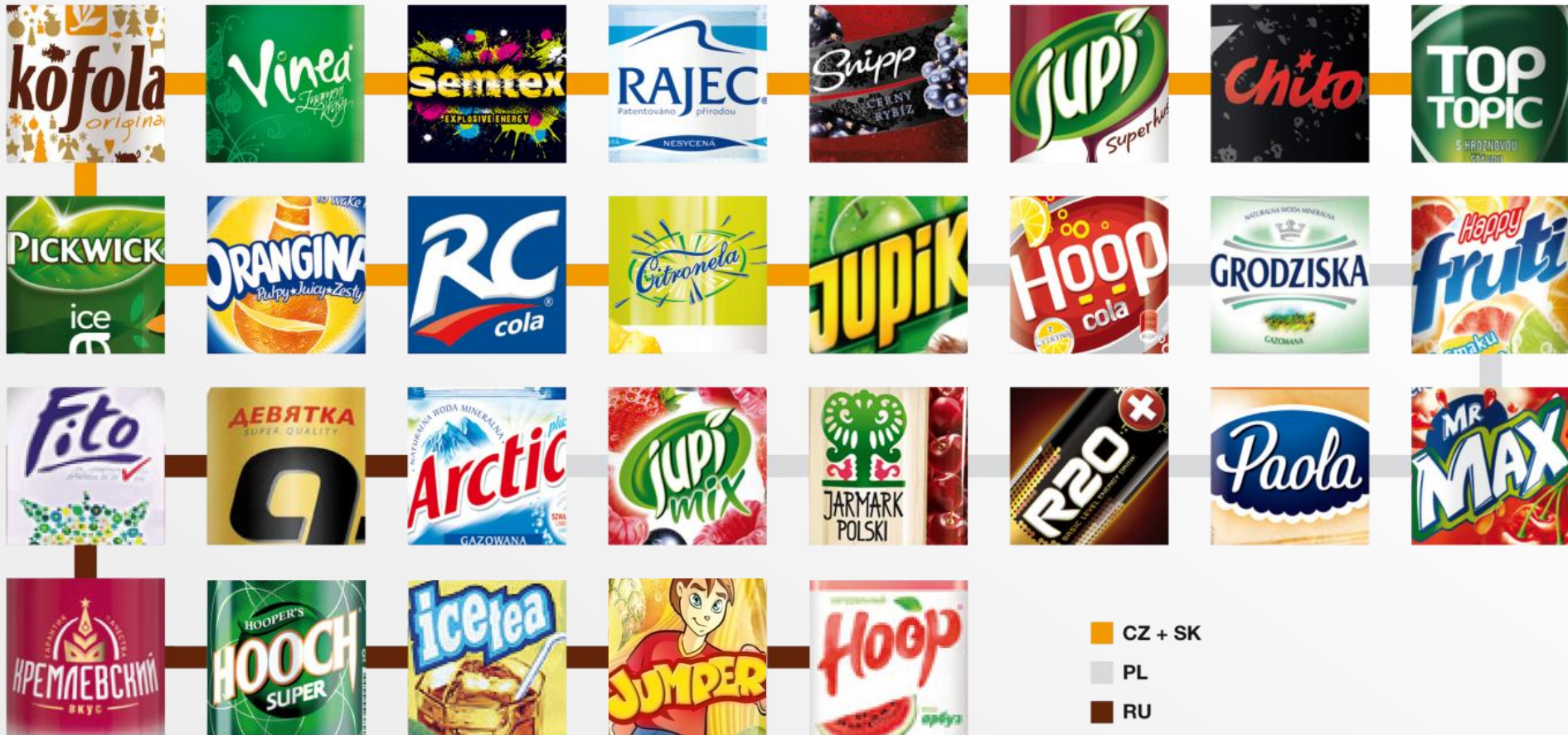
Equity                                         531.6

Net debt                                      318.8

- CZ** 1 KRNOV
- 2 OSTRAVA
- 3 MNICHOVO HRADIŠTĚ
- SK** 4 RAJECKÁ LESNÁ
- PL** 5 KUTNO
- 6 WARSZAWA
- 7 BIELSK PODLASKI
- 8 GRODZISK WIELKOPOLSKI
- RU** 9 MOSKWA



# OUR BRANDS IN 1Q2012



Event	Effects
<b>Launches of new products</b>	<p>During 1Q2012 we have introduced a number of innovations:</p> <p><b>Czech Republic and Slovakia:</b> Chito „Ginger Beer” (ginger beer without alcohol) and Chito „Cloudy lemon”, Kofola bez cukru with stevia, Rajec infant water, Jupik Aqua sport, Vinea and Pickwick Ice Tea in cans 0.25l.</p> <p><b>Poland:</b> Hoop Cola in cans 0.25l, new brand of syrups Jarmark Polski and Jupik Aqua sport. On the polish market Pickwick Ice Tea and Vinea were introduced.</p>
<b>Issue of bonds by KOFOLA S.A.</b>	<p>On 20 February 2012 KOFOLA S.A. has issued bonds (series A3) in total value of PLN16.85 million.</p>
<b>Bonds KOFOLA S.A. traded on Catalyst and BondSpot S.A.</b>	<p>On 30 March 2012, KOFOLA SA bonds (ie, series A1, A2 and A3) were introduced to the Alternative Trading System (Catalyst) and the wholesale market BondSpot S.A.</p>
<b>Signing of loan agreements by Hoop</b>	<p>On 28 March 2012 agreement amending and consolidating Term Loan Agreement (due on 22 March 2014) in the amount of PLN 57 million and the contract agreement amending and consolidating the overdraft in the amount of PLN 57 million (due on 28 March 2013) was signed between Hoop Polska Sp. z o.o. and a bank consortium.</p>
<b>Establishment of the foundation "Paproc"</b>	<p>On 22 February 2012 the board of Hoop Polska Sp. z o.o. passed a resolution to set up a foundation for life, "Paproc" for purpose of preservation of the nature and the environment. Besides education, the foundation wants to gain entrepreneurs and people in support of environmental measures in the fight to protect the natural heritage.</p>
<b>Purchase of Steel Invest</b>	<p>On 28 March 2012 KOFOLA S.A. acquired 100% of the share capital of STEEL INVEST Sp. z o.o. This company does not perform any operations.</p>
<b>Increase of the presence in the retail segment in Russia</b>	<p>In the first quarter Megapack has signed agreements to sell its own products under the brands Hoop, Hooper's Hooch, Arctic and Jumper with several leading retail chains in Russia. This movement aims to increase the share of own product's revenue of the Megapack Group.</p>

### Markets



### Kofola Bez Cukru (Sugar free)

The new version Kofola bez Cukru with altered sugar-free recipe that tastes better to customers. The product has lower volume of calories thanks to usage of a new natural sweetener that does not contain calories - Stevia. This is the first product with Stevia in the portfolio of the Group. The product is sold in bottles with a capacity of 0.5l, 1.0l and 2.0l on the Czech and Slovak market.



### Rajec Infant water

Water for the youngest (can be drunk without boiling) thanks to very stable composition and very low content of nitrogen ions (<10mg/l). Water comes from a special borehole located in RajECKA Dolina. With this water Kofola Group has entered for the first time the category of infant waters. Water is available on Czech and Slovak market in 0.75l and 1.5l bottles.



### Ice tea Pickwick and Vinea in cans

We have extended our portfolio of Ice teas and Vinea by the can version (0.25l). This size is ideal for those who are on the move and they want a small, tasty drink. Cans available on Czech and Slovak market

### Chito Ginger beer and Chito Cloudy lemon

We have extended family of Chito drinks: non-alcoholic Ginger beer and lemonade Cloudy Lemon. Both products are available in glass bottles (0.33l) and are distributed in the gastronomic channel. Products available on the Czech and Slovak market.



## Markets



### Jupik Aqua Sport

New product in the portfolio of tasted waters for children. New Jupik Aqua Sport contains vitamin B.

Product is available in bottles of 0.5l, with sport closure protecting our little ones from flooding. Available on the Polish market. Since 2Q2012 available also on the Czech and Slovak market.



### Hoop Cola in can

For the first time Hoop Cola is offered in cans in the modern capacity of 0.25l. Ideal for those for whom previous capacity of 0.5l was too large.

Product available only in Poland.



### Jarmark Polski – new brand in portfolio

New family of syrups offered by Hoop in the economy segment. Jarmark Polski should be competition for lower-cost syrups offered by our customers.

Syrup available in glass bottles with a capacity of 0.43l and offered only in Poland.



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## Macro-economics

- Still high commodity prices (e.g. petrol, paper, sugar, pre-forms for PET bottles, bottle tops, foils, packaging materials, fruit concentrates)
- Consumers are still cost sensitive
- High unemployment rate is limiting the consumer's baskets in the countries where Kofola Group is active
- Continuing trend when the home consumption of consumers increasing and substituting the consumption in the restaurants

## Market / competition

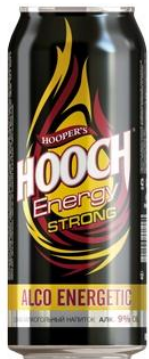
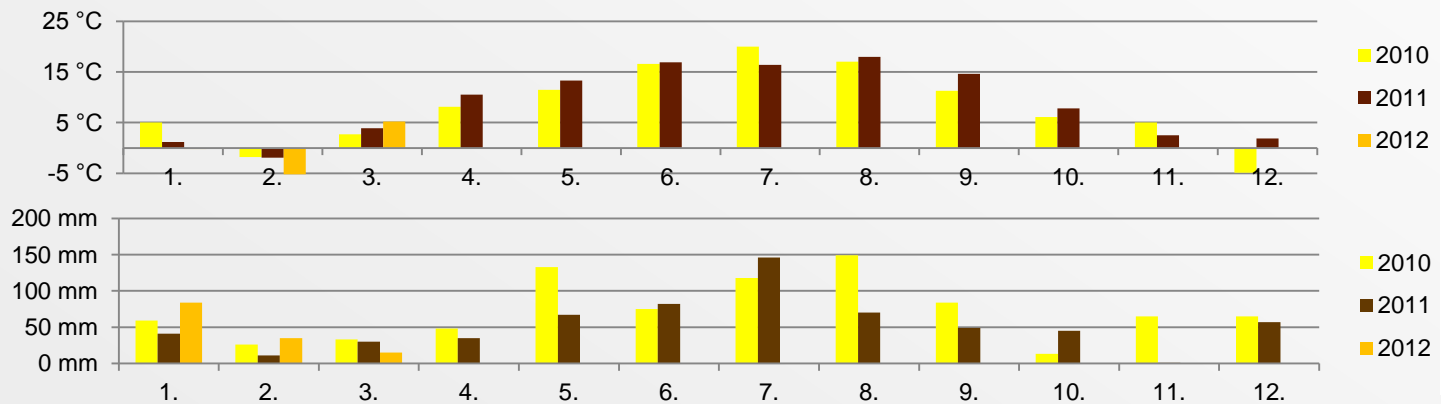
- Due to a decrease of consumers demand, the beverage producers started price war to defense their market shares
- Increasing power of retail chains due to a market consolidation
- Faster increase of turnover in discount chains

## Regulation

- Increase of VAT in Czech Republic by 4 p.p. from January 2012
- Increase of excise duties from alcoholic beverages in Russia from January 2012.
- Change in the size of the packing of alcopops (decrease from 0,5l to 0,33l)
- Since January 2012 obligation to put excise tax stamps on each low alcohol drink in Russia

## Weather

- **Comparison of temperatures and precipitation in the Central Europe**



# FINANCIAL RESULTS OF KOFOLA GROUP IN 1Q2012 [TPLN]

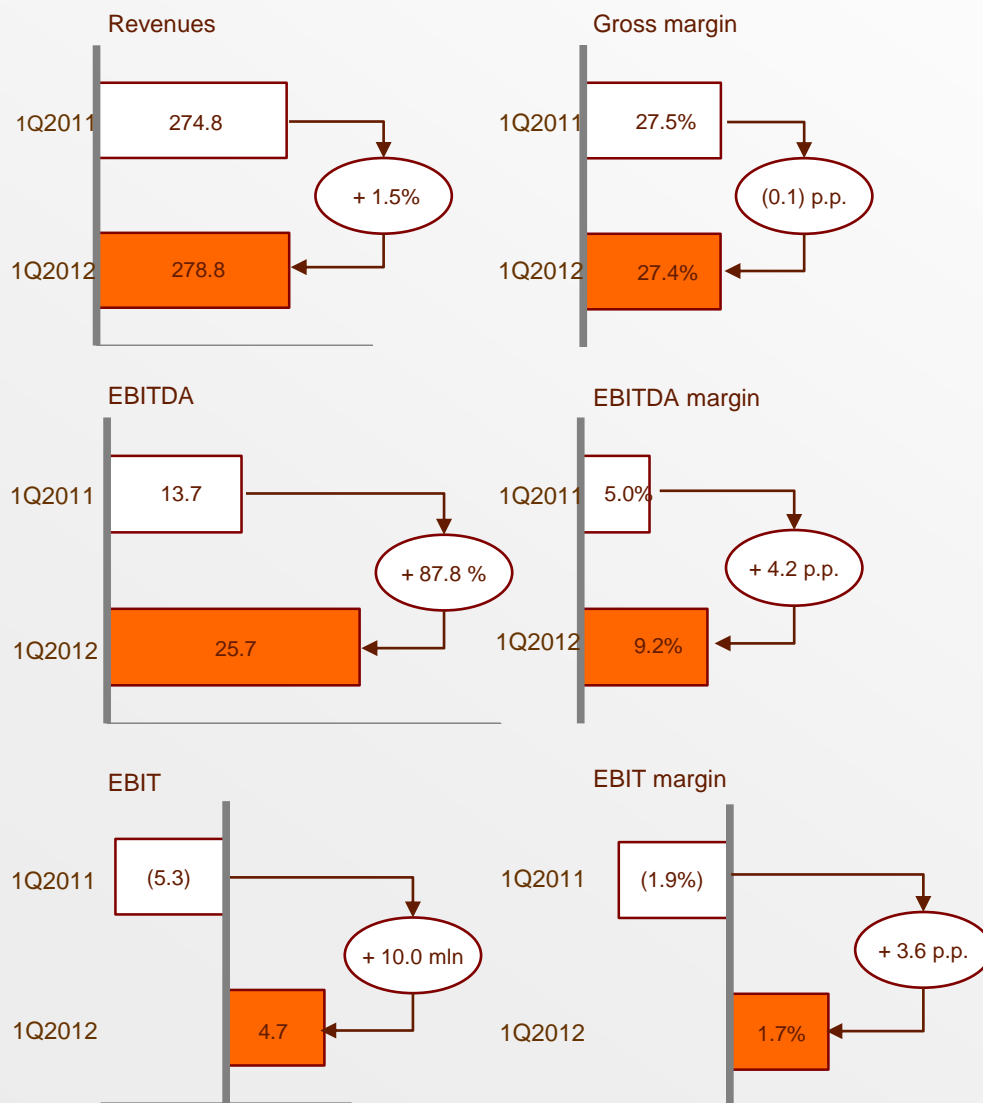
Selected financial highlights	1Q2012	1Q2011
Revenues	278,838	274,788
Cost of sales	(202,388)	(199,106)
<b>Gross profit</b>	<b>76,450</b>	<b>75,682</b>
Selling, marketing and distribution costs	(58,662)	(64,767)
Administrative costs	(14,427)	(18,995)
Other operating revenues/(costs) – net	1,332	2,794
<b>Operating result (EBIT)</b>	<b>4,693</b>	<b>(5,286)</b>
<b>EBITDA</b>	<b>25,670</b>	<b>13,670</b>
Financial result – net	(5,442)	(5,603)
Income tax	(1,235)	160
<b>Net profit for the period</b>	<b>(1,984)</b>	<b>(10,729)</b>
Attributable to shareholders of the parent	768	(9,738)

- To obtain better comparability of data, the financial statements of the foreign companies of the Group for 1Q2011 have been translated into the Polish zloty using the exchange rates from 1Q2012.

# FINANCIAL RESULTS OF KOFOLA GROUP IN 1Q2012 [MPLN]

Legend:  1Q2011  
 1Q2012

## Comments on 1Q2012 results

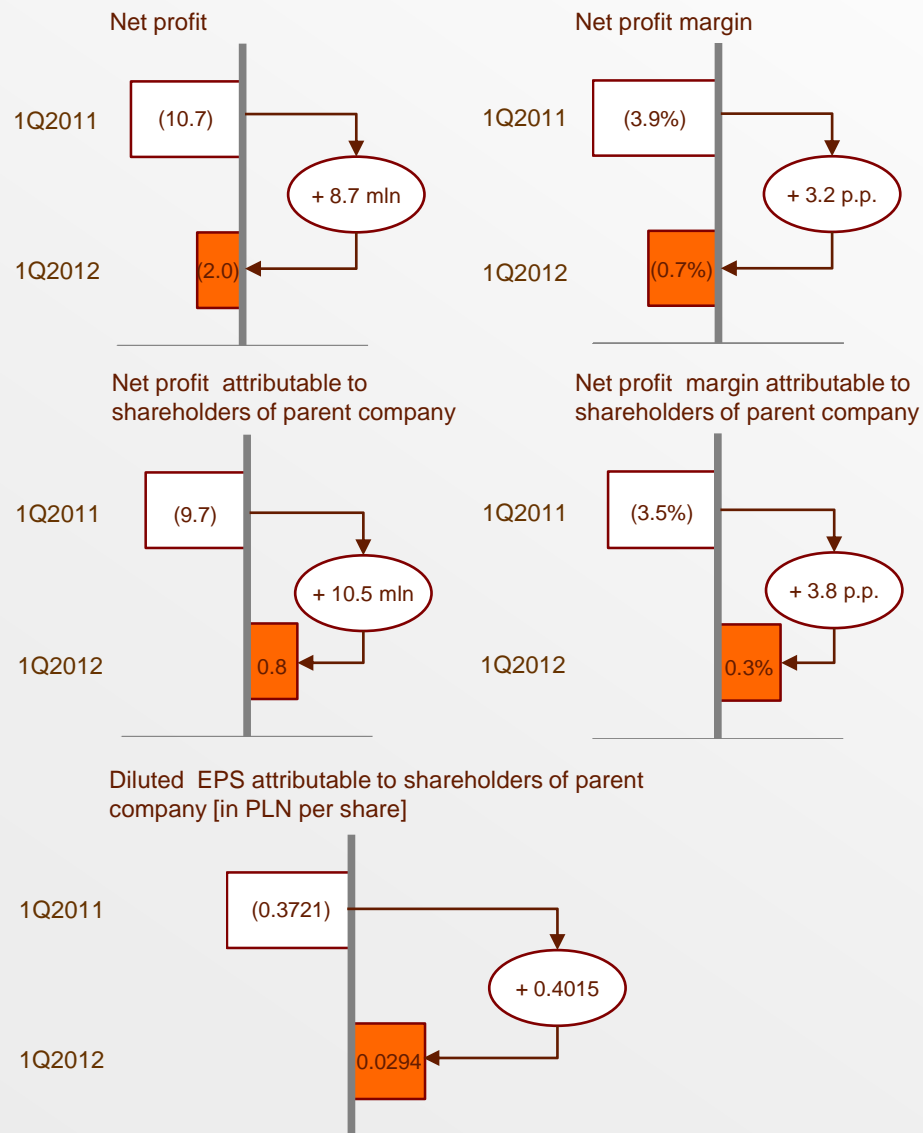


- Higher by PLN 11.9 million revenues of Kofola CZ.
- Higher by PLN 7.2 million revenues of Hoop Poland.
- Higher by PLN 4.8 million revenues of Kofola SK.
- Lower by PLN 14.0 million revenues of Megapack Group.
- Decrease of revenues at PCD by PLN 5.3 million thanks to termination of the operations of the company.
- Keeping gross margin on the same level despite higher prices of raw materials and unfavourable FX rate movement.
- Significant increase of EBITDA and EBIT due to higher revenues and the implemented cost saving program within the Group that resulted in by PLN 7.5 million lower operating costs compared to 1Q2011.
- Increase of EBITDA by PLN 12 million i.e. by 87.8%.
- Increase of EBIT by PLN 10 million.
- Increase of EBITDA margin by 4.2 p.p.
- Increase of EBIT margin by 3.6 p.p.

**Increase of EBIT by PLN 10 million  
and  
increase of EBITDA by PLN 12 million (i.e. 88%)**

# FINANCIAL RESULTS OF KOFOLA GROUP IN 1Q2012 [MPLN]

Legend:  1Q2011  
 1Q2012



## Comments on net profit for 1Q2012

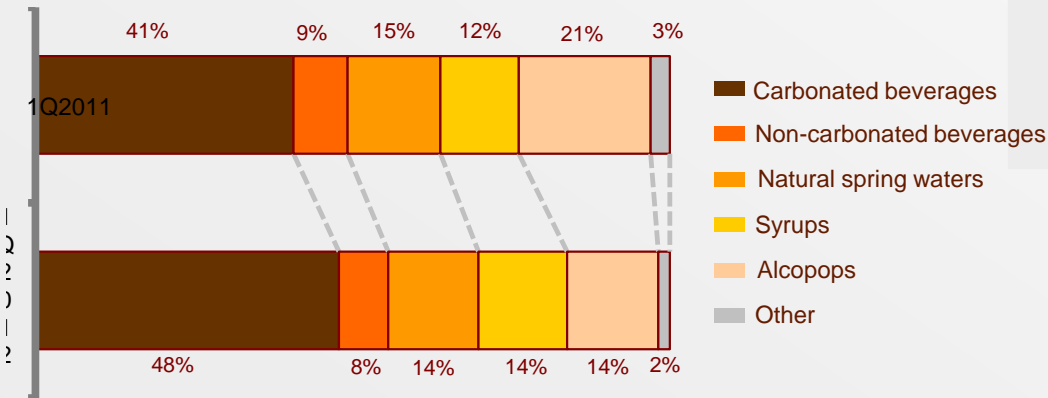
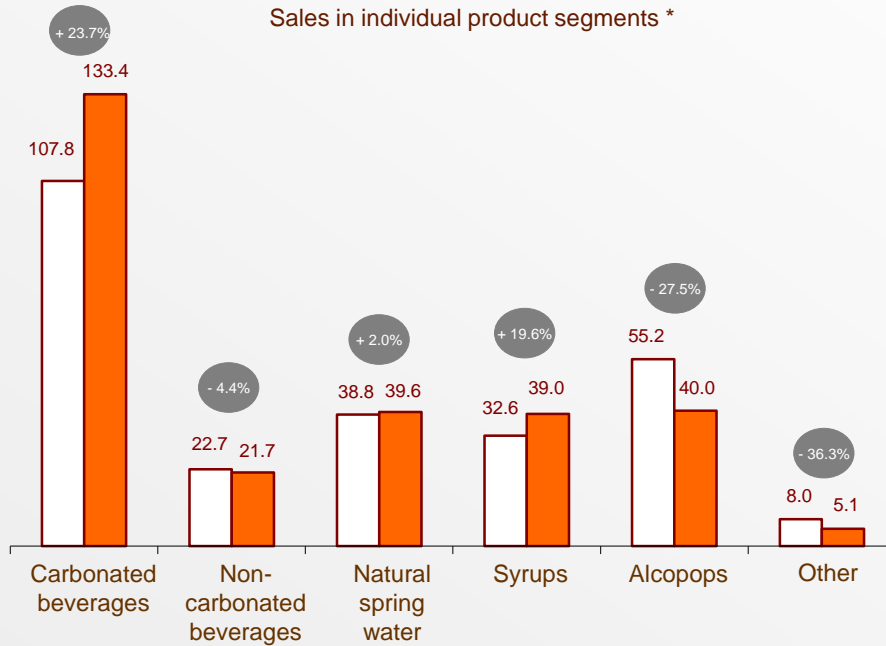
- Increase of net profit attributable to shareholders of parent company by PLN 10.5 million thanks to increase of EBIT.
- Increase of net profit margin attributable to shareholders of parent company by 3,8 p.p.
- Decrease of financial costs by 2.9% thanks to lower FX losses and lower bank charges.
- Despite the loss of PLN 5.5 million of the Megapack Group net result attributable to shareholders of parent company is positive.

**Net profit attributable to shareholders of parent company PLN 0.8 million**

# FINANCIAL RESULTS OF OPERATING SEGMENTS FOR 1Q2012 [MPLN]

Legend:  1Q2011  
 1Q2012

Sales in individual product segments \*



\*comparatives have not been translated into the Polish zloty using the exchange rates from 1Q2012.

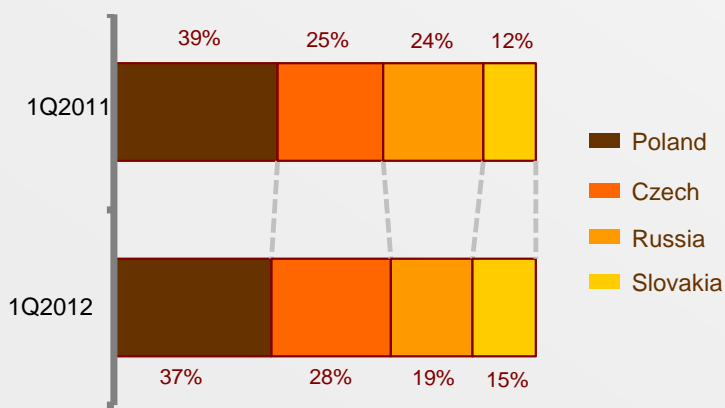
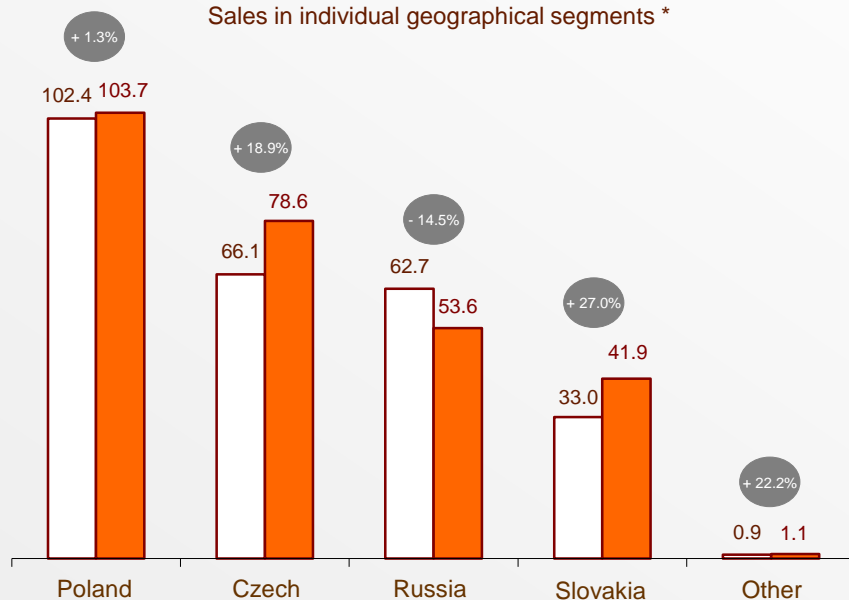
## Segment reporting by product groups

- Growth in the segment of carbonated beverages thanks to higher sales of Kofola, Hoop Cola and Vinea.
- Rajec has maintained its leading position on the Slovak market for bottled waters also thanks to introduced innovations (Rajec infant water).
- Insignificant decrease in revenues observed in non carbonated drinks segment resulting from a long time fall in this category. The speed of the fall has been slowed down by introducing Ice teas and redefinition of Jupi drinks.
- The increase in the category of syrups thanks to concentration of activities in the category, introduced innovations, customers were looking for value and promotion of products.
- Drop in revenues in the segment of alcopops thanks to two main factors:
  - Customers made safety stocks at the end of 2011 due to announced from January 2012 increase in excise duty on alcohol and reducing the volume of packaging from 0.5l to 0.33l;
  - Unavailability of excise tax stamps introduced since January 2012, making it difficult to produce low-alcohol beverages in the first two months of 2012.

# FINANCIAL RESULTS OF GEOGRAPHICAL SEGMENTS FOR 1Q2012 [MPLN]

Legend:  1Q2011  
 1Q2012

Sales in individual geographical segments \*



\* comparatives have not been translated into the Polish zloty using the exchange rates from 1Q2012.

## Geographical segments

### • Poland

Hoop has increased its revenues by 7.3% which is in line with the growing trend of the market.

Decrease of revenues at PCD by PLN 5.3 million thanks to termination of the operations of the company.

### • Czech

Increase of revenues by 18.9% in PLN.

Increase of revenues in the traditional and modern channel by 12.4% (in CZK) while the segment has dropped by 2.2%.

Revenues in the most profitable gastronomy channel increased by 8.0% (in CZK) while the segment has dropped by 2.7%.

### • Russia

Decrease of revenues by PLN 9.1 million.

The decrease is caused by two main factors. Firstly customers made safety stocks at the end of 2011 due to announced from January 2012 increase in excise duty on alcohol and reducing the volume of packaging. Secondly thanks to unavailability of excise tax stamps introduced since January 2012, it was difficult to produce low-alcohol beverages in the first two months of 2012.

### Slovakia

Increase of revenues by 27.0% in PLN.

Revenues in the most profitable gastronomy channel increased by 10% (in EUR) while the segment has dropped by 7.8%.

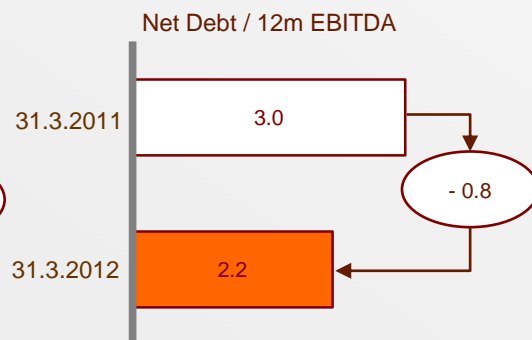
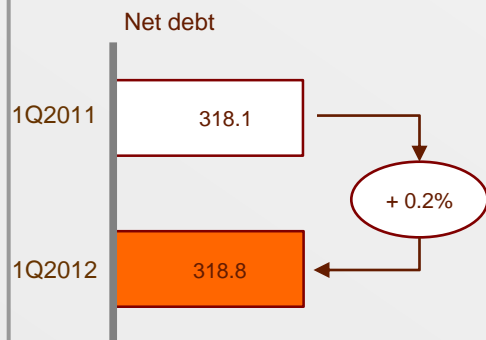
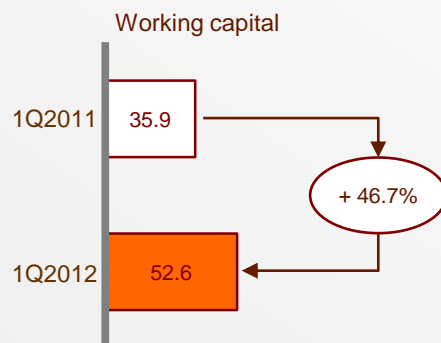
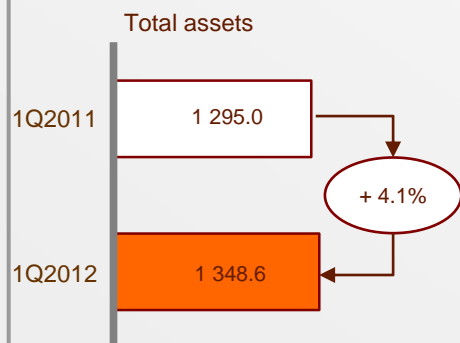
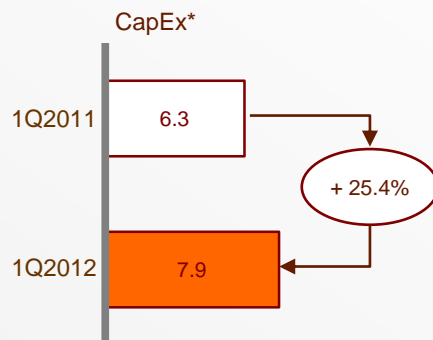
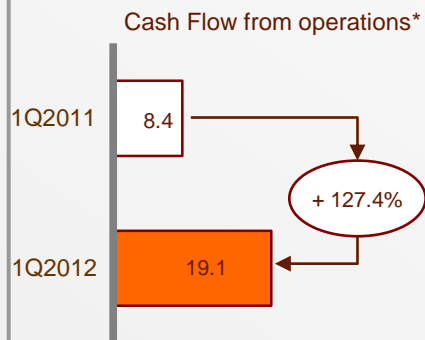
Revenues in the retail segment have increased by 18.3% (in EUR) which is above the overall growth of the market (11.9%).

# FINANCIAL RESULTS OF KOFOLA GROUP IN 1Q2012 [MPLN]

Legend:  1Q2011  
 1Q2012

## Cash flow and net debt

- Increase of operating cash flow by 127,4% thanks to higher profit before tax.
- Increase of CapEx by PLN 1.3 million thanks to investment in new production line at Megapack Group (PLN 2.5 million in 1Q 2012).
- Increase of working capital by 46.7% mainly thanks to increase of trade receivables which results from increased scale of operations and changes in the accounting for excise duty on alcohol in Russia (previous liabilities became receivables).
- Decrease of Net Debt / 12m EBITDA from 3.0 at the end of 1Q2011 to 2.2 at the end of 1Q2012.



\* comparatives have not been translated into the Polish zloty using the exchange rates from 1Q2012.

**Reducing the level of the Group's debt to a safe level of 2.2 times of annualized EBITDA.**

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## GROUP MARKET SHARE IN THE MAIN SEGMENTS

### Comment

	PL	CZ	SK	RU
<b>Cola beverages</b>	3	2	2	-
<b>Carbonated beverages</b>	7	2	2	-
<b>Non-carbonated beverages</b>	5	8	10	-
<b>Natural spring waters</b>	10	5	1	-
<b>Sirups and concentrates</b>	2	1	2	-
<b>Beverages for children</b>	5	2	2	3
<b>Energy drinks</b>	-	4	9	-
<b>Soft alcohol beverages (alcopops)</b>	-	-	-	2

- Due to a brands like Kofola, Hoop Cola or RC Cola, Kofola Group achieves very strong position in the segment for Cola beverages. (nr. 2 in Czech and Slovakia, nr. 3 in Poland). Increase of revenues in 1Q has strengthened our market positions.
- Strong position in the segment for carbonated beverages in Slovakia was achieved due to an acquisition of Vinea brand in 2008.
- Since 2008, Kofola Group is a leader in the natural spring waters in Slovakia. Position achieved thanks to changes in segment strategy and innovations.
- Leading position of Jupi syrup brand in Czech, second position in Slovakia and second position of Paola syrup brand in Poland behind HerbaPol.
- Pioneer activities in the segment of beverages for children on Czech and Slovak markets (Jupík, Jupík Aqua). On the Czech and Slovak market second position behind Kubik.
- Alco-pops products have a strong position in Russia (unfortunately, in a declining market - due to restrictions on sales and marketing of alcoholic beverages).

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

### HEALTHY FOOD AND BEVERAGES

- More healthy beverages (waters, children beverages) with lower sugar content compared to other competitors and beverages with herbs and trees extracts

### INCREASING SHARE OF OUTDOOR ACTIVITIES

- First drink with stevia (natural sweetener - without calories) - Kofola bez cukru (Sugar free)
- Introducing in 2011 hot filling line allowed us to introduce many new products without preservatives (syrups, aloe vera drinks, smoothies, ice teas)
- Promotion of healthy life style ([www.hravezijzdrave.cz](http://www.hravezijzdrave.cz))
- Entrance to „on-the-go” market (kiosks, vending machines, gyms, schools, work places etc.)
- Increasing share of small formats in the product portfolio (most of the news up to 0.5l)
- Increasing number of restaurants supplied by Kofola Group (direct distribution in Slovakia since 2009)

### CUSTOMERS LOOKS FOR THE VALUE

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

### PRICES OF RAW MATERIALS

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

### GLOBALIZATION AND GROWING INDIVIDUALISM

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

## RAW MATERIALS/ ENVIRONMENT

- Sustained high commodity prices
- Expected response of competition to high commodity prices - price increases
- Increase of demand for alcopops in Russia thanks to consumed safety stocks made at the end of 2011.
- Further grow of revenues in Russia thanks to listing of branded products in the modern channel, carried out in 4Q2011 and 1Q2012.

## NEW PRODUCTS

- New Kofola „Festivalova” with guave and new Kofola „Outdoor” with guarana
- New Jupik sweetened with stewia.
- New herbal flavors of Jupi syrups – Chamomile & hip, Plantain & Yarrow, Thyme & Dandelion
- New tastes of Pickwick Ice Tea – Green tea and strawberry, White Tea and lemon

## AUSTERITY MEASURES

- Optimization of logistic processes to further reduce costs (additional Cross Dock in Slovakia)
- Further bottle weight reduction
- Tunning of fixed costs

## REVENUES

- Finalizing announced price increases of products
- Continuing the positive trend of sales started in Q4 2011

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### Group Mission

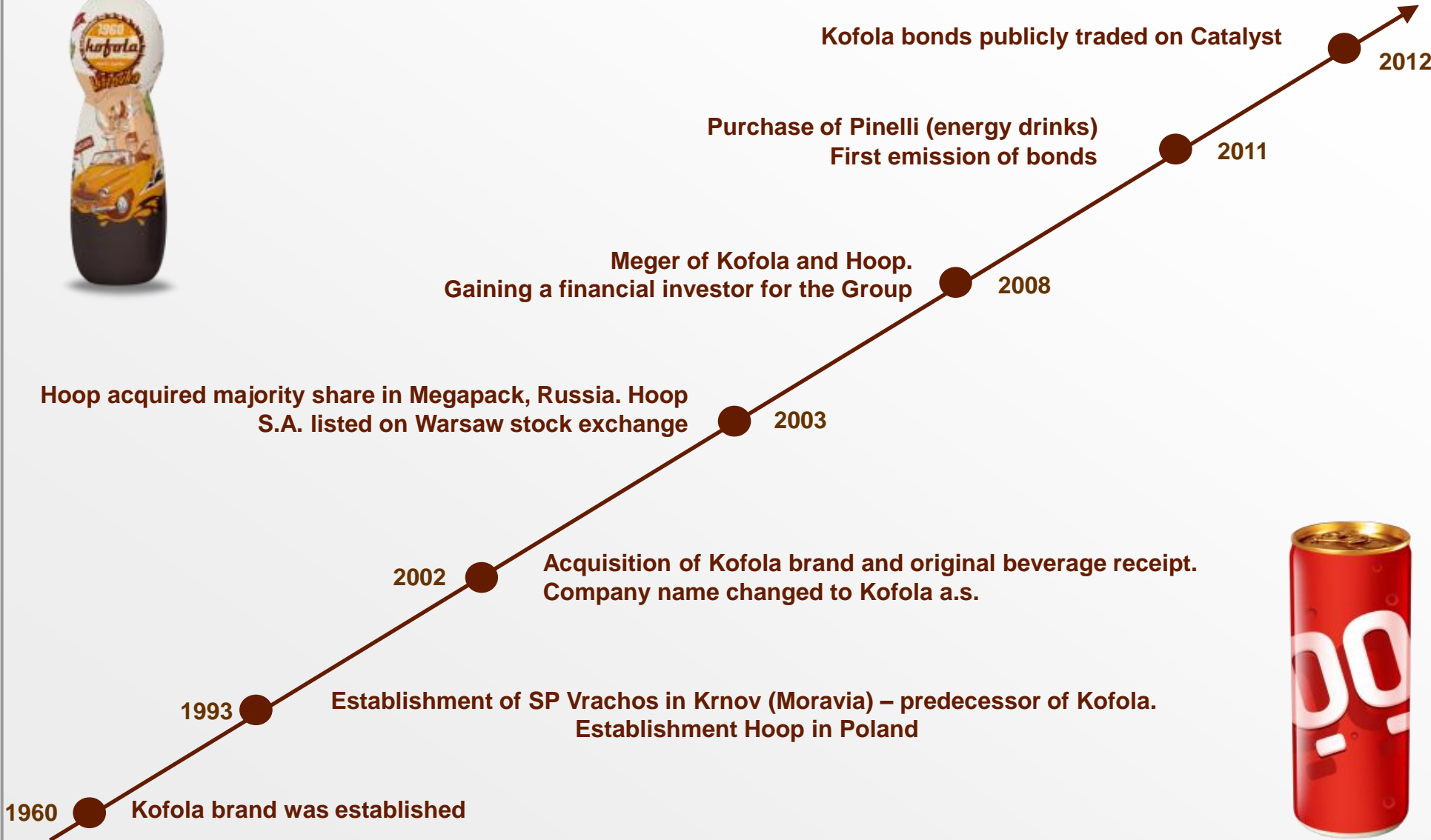
To create attractive drinks brands with passion and enthusiasm, providing consumers with unique functional and emotional values, thus becoming an important part of their lives.

### Group Vision

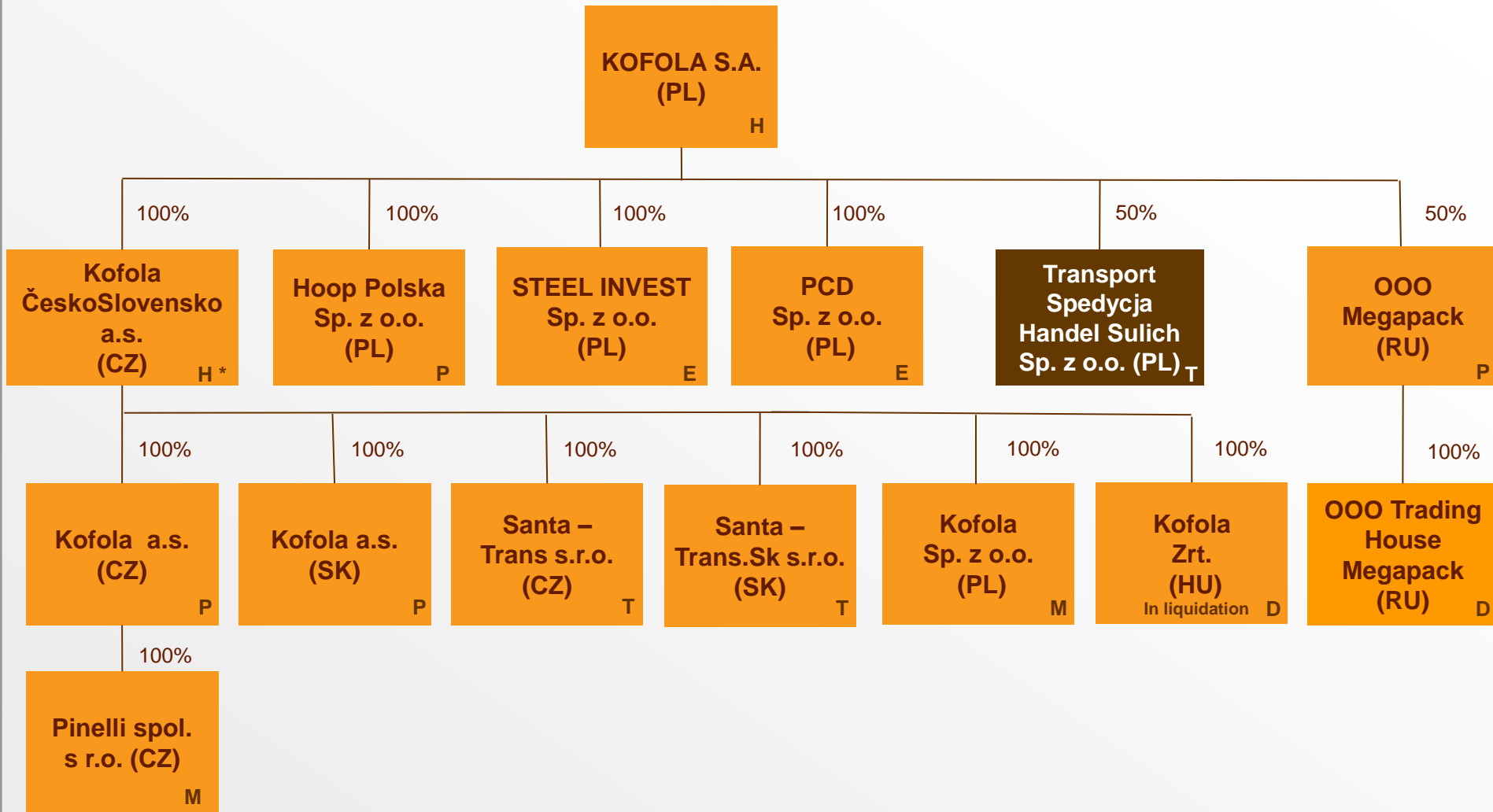
To become the second largest player in the soft drinks market in Central Europe (Czech, Slovakia, Poland).

In each country, the goal is to create a strong **cola**, **syrup** and **water** brands which would be number one or two in the individual segments of beverages. Other brands should be at least number three on the market.

To start with the construction of a basis for a similar position in Russia.



# LEGAL STRUCTURE OF KOFOLA GROUP



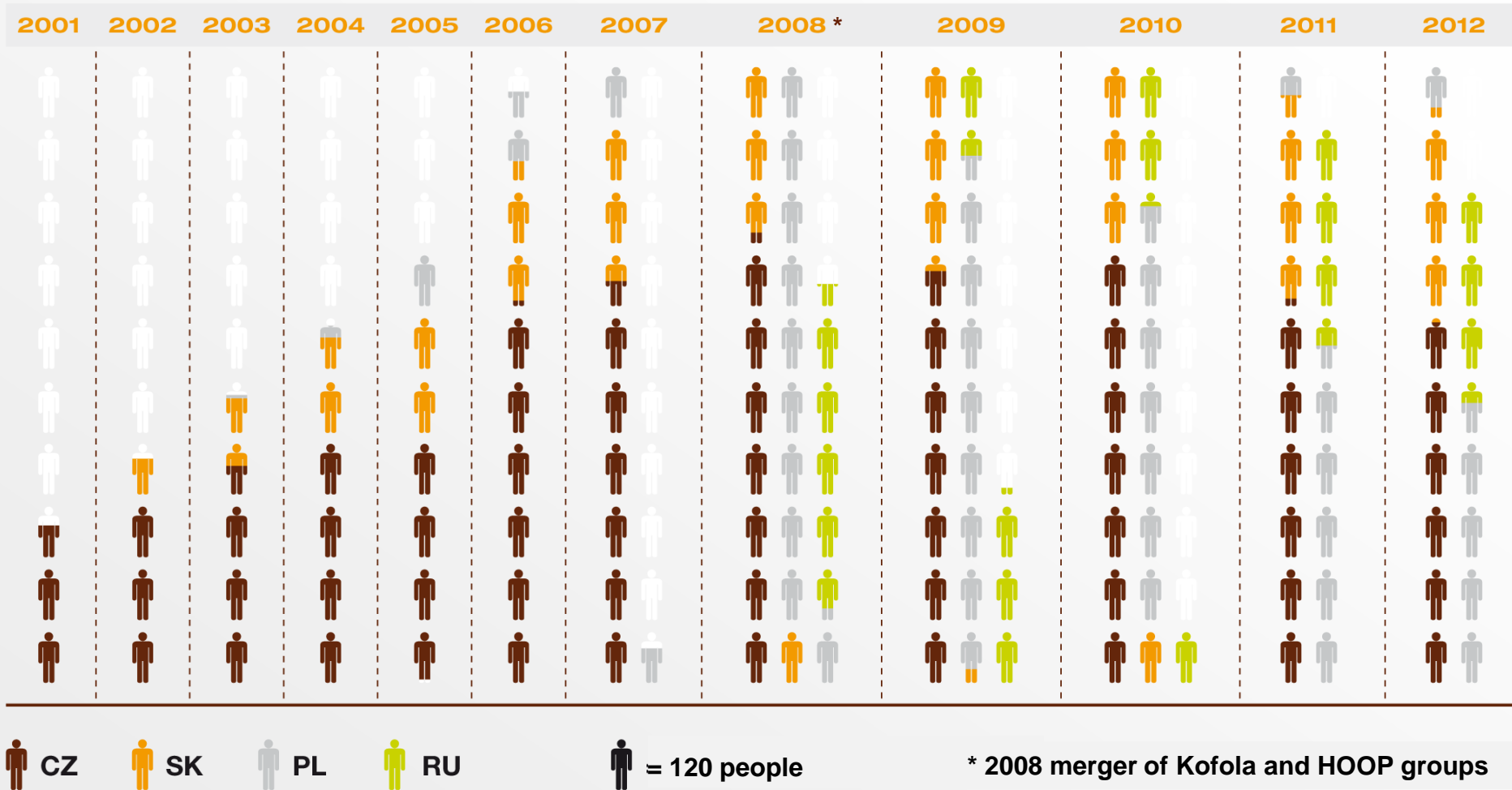
## Legenda:

- Fully consolidated entity
- Entity consolidated using equity method

- P** – sales and production
- D** – distribution
- E** – terminating operations

- T** – transportation
- M** – landlord of fixed assets
- H** – holding company
- \* – till 30.3.2012 name of the company Kofola Holding a.s.

# NUMBER OF EMPLOYEES IN INDIVIDUAL COUNTRIES IN 1Q2012





## DISTRIBUTION CHANNELS

### Comments

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

- Kofola Group has a strong position in modern channels (in both supermarkets and discount stores in all countries).
- Although, the sales activity slowly moving to modern distribution channels, traditional channels remains the second strongest channel.
- Very strong position of HoReCa channel in Czech and Slovakia where Kofola is sold from kegs.
- Segment B2B requires unique knowledge. We produce and sell private labels for our strategic partners as well as products of global beverages producers. Toll-manufacturing contract with the worldwide Top beverages manufacturer.
- Direct distribution (DD) was fully launched in Slovakia since 4Q 2009. DD allowed to increased gross profit and improved cash flows, but caused higher logistic costs on the other side. Transition to the Cross Dock model from Q4 2011.
- First 2,000 vending machines were introduced in Czech in 2010. Operation of the vending machines is outsourced to external company.

- **Jannis Samaras**, CEO of Kofola SA became **Entrepreneur of year 2011** in the Czech Republic



- **Czech TOP 100** – Kofola a.s. the fifth most admired company in the Czech Republic in 2011.

- **Paola** syrups were selected as **Product of the year 2012** by customers and received the title “Consumer Choice”. Product of the Year. Innovation 2012.



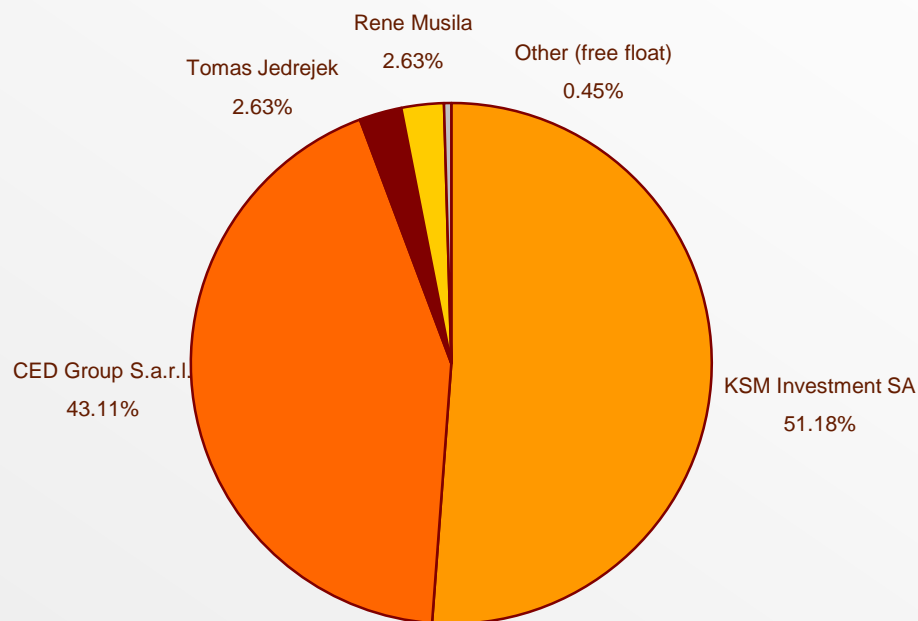
- **Marek Kmiecik**, marketing director of Hoop Polska Sp. z o.o. won the competition **Marketing director of 2011**.

- **Hoop Polska Sp. z o. o.**, was awarded the title **Responsible Employer** in 2012, taking the prestigious position among the leaders of HR.



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Share capital comprises 26,172,602 shares in following structure:

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13,088,576 shares in series A-E approved for trading

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

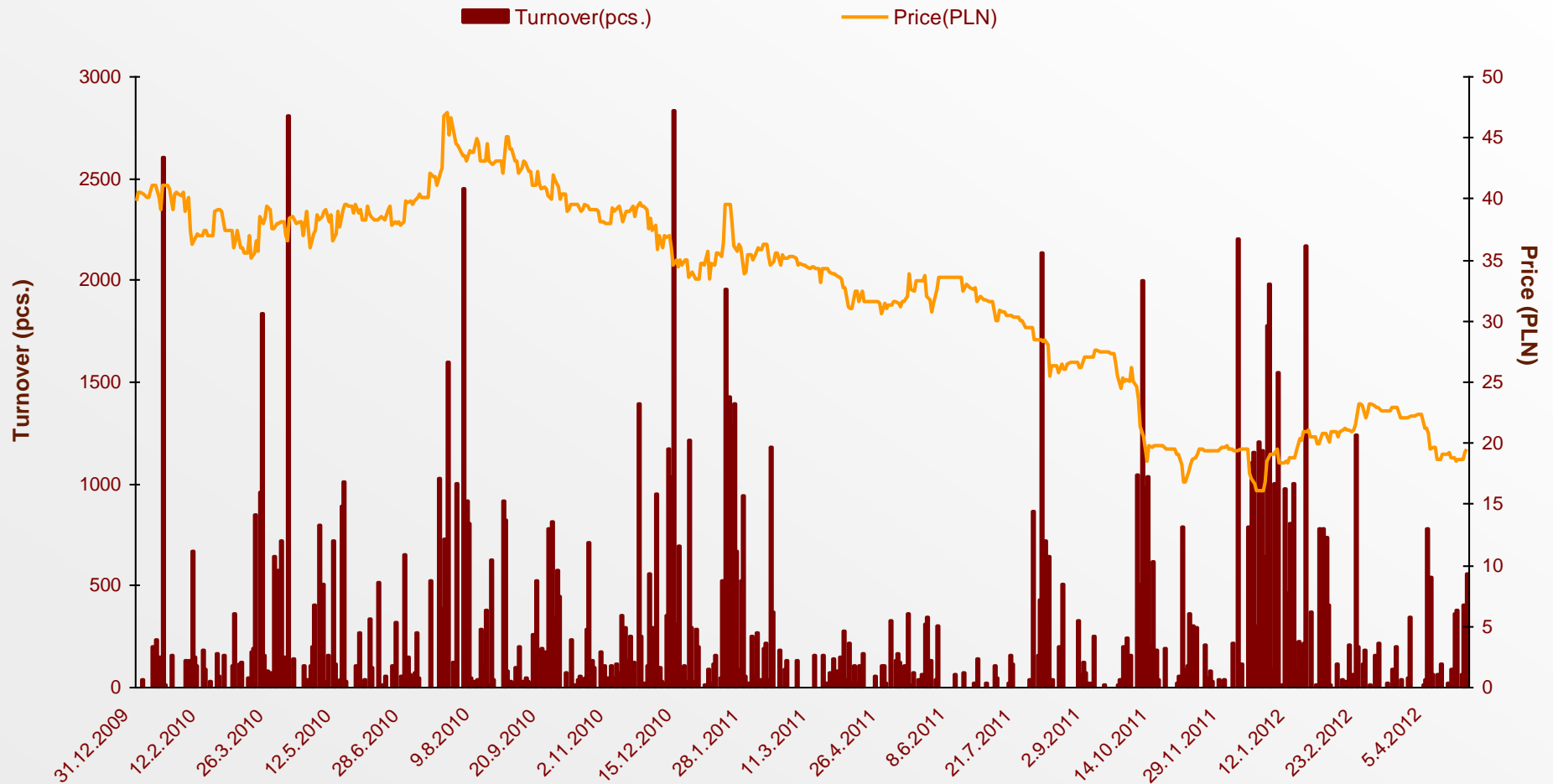
## Management motivation program

- As at 18 December 2009, Kofola Group approved rules for management motivation program. Program includes 45 key managers from the Group companies.
- On 18 August 2010, Kofola S.A. issued 26,843 inscribed A-series subscription warrants, entitling members of the Company's and subsidiaries' management staff to take up a total of 26,843 ordinary H-series bearer's shares at an issue price of 43.20 PLN per share.
- Program's goal is systematical growth of Group financial results and shares price.
- Share option program covers the period from 2009 to 2012 and guarantees the possibility to purchase the shares in case the Group financial targets (net profit, EBITDA) are met.
- In case of meeting the highest target goals in the period of share option program, maximum amount of 1,090,526 share warrants will be issued – until 4.0% of share capital.

**Support of share price growth**

# SHARE PRICE AND TURNOVER

Avg. share price in 2011	28,0 PLN	Avg. share price in 2012	20,8 PLN
Average daily transaction activity in 2011	201 pcs.	Average daily transaction activity in 2012	206 pcs.



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

**František Beneš**   

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

tel.: +420 606 668 980

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

**KOFOLA S.A.**

ul. Wschodnia 5

99-300 Kutno

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