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Kofola ČeskoSlovensko, a.s., financial analysis

Diploma's thesis

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Declaration

Hereby, I declare in lieu of oath that this diploma thesis focused on the topic Kofola ČeskoSlovensko, a.s, financial analysis was written by myself under the professional supervision of Mgr. Ondřej Kročil, Ph.D. All information derived from the work of others has been acknowledged in the text and the list of references is given.

Olomouc, 5th April, 2021 ……………………………………………..

Signature

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Zásady pro vypracování

The aim of the thesis is to perform a financial analysis of the company Kofola ČeskoSlovensko a.s. and based on the results of the evaluation the financial health and stability of the company will be assessed. The thesis will be divided into theoretical and practical part, where in the theoretical part the goals and procedure of the financial analysis will be defined.

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Abstrakt

Hlavním cílem této práce je vyhodnotit finanční situaci společnosti za období 2015/2016 – 2018/2019, predikovat její možný budoucí vývoj a posoudit, jak společnost přistupuje k otázce společenské odpovědnosti. V teoretické části se autor zabývá definicí finanční analýzy, jejím účelem, druhy finanční analýzy, SWOT analýzou, absolutními ukazateli, diferenciálními ukazateli, analýzou finančních poměrů a souhrnnými indexy hodnocení podniku. Dále jsou v práci představeny dokumenty používané ve finanční analýze, koncept společenské odpovědnosti podniků a také metoda scénárií. V praktické části jsou jednotlivé metody finanční analýzy aplikovány na vybranou společnost, kterou je KofolaČeskoslovensko, a.s. Nejprve jsou uvedeny základní informace o společnosti, poté je představena její krátká historie následovaná finanční analýzou této společnosti na základě finančních výkazů z let 2015/2016 - 2018/2019. V závěru práce je uveden souhrn výsledků předchozí analýzy, který ukazuje, že společnost může být ve finančních potížích zejména v oblastech likvidity, NWC a dluhu. V metodě scénárií jsou prezentovány 3 možné vývoje, pozitivní, negativní a neutrální. CSR má firma nastaveno jasně a zřetelně s vytyčenými reálnými cíli, což se může pozitivně projevit ve valuaci podniku.

Klíčová slova: finanční analýza, finanční stabilita, CSR (společenská odpovědnost podniků), SWOT analýza, absolutní ukazatele, diferenciální ukazatele, finanční ukazatele, souhrnné indexy hodnocení podnikání, scénária, Kofola ČeskoSlovensko, a.s.

Abstract

The aim of this work is to evaluate the financial situation of the company in the period 2015/2016 - 2018/2019, predict its possible future development and assess how the company approaches the issue of social responsibility. In the theoretical part, the author deals with the definition of financial analysis, its purpose, types of financial analysis, SWOT analysis, absolute indicators, differential indicators, analysis of financial conditions and summary indices of company evaluation. Furthermore, the work presents documents used in financial analysis, the concept of corporate social responsibility and the method of scenarios. In the practical part, individual methods of financial analysis are applied to a selected company, which is KofolaČeskoslovensko, a.s. First, basic information and a brief history about the company is given, followed by the financial analysis of the company on the basis of financial statements from the years 2015/2016 - 2018/2019. At the end of the work the previous analysis is presented in a summary, which shows that the company may be in financial difficulties, especially in the areas of liquidity, NWC and debt. The scenario method presents 3 possible developments, positive, negative and neutral. The company's CSR is set clearly and distinctly with realistic objectives, which can have a positive effect on the company's valuation.

Key words: financial analysis, financial stability, CSR (corporate social responsibility), SWOT analysis, absolute indicators, differential indicators, financial ratios, summary indices of business evaluation, scenarios, Kofola ČeskoSlovensko, a.s.

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Acronyms and abbreviations

BCG	Boston Consulting group
BSC	Balanced scorecard
BV	Book value
CEO	Chief executive officer
CNG	Compressed natural gas
CR	Commercial Register
CSR	Corporate Social Responsibility
CSR	Corporate Social Responsibilty
DPS	Dividend per share
EAT	Earning after tax
EBIT	Earning before interest and tax
EBT	Earning before tax
EPS	Earning per share
G	Sustainable Growth rate
IPO	Initial Public Offering
NWC	Net working capital
P/E	Price to earnings ratio
PET	Polyethylene terephthalate
PSE	Prague Stock Exchange
ROA	Return on assets
ROE	Return on equity
ROS	Return on sales
rPET	Recycled polyethylene terephthalate

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Introduction

“With the ever-changing economic environment, the companies that are part of this environment are also changing. A successful company can no longer exist without an analysis of its financial situation.” (Růčková, 2019, p.10).

The current coronavirus crisis in 2020 and the associated market downturn have led predominantly young people, in some cases for the first time, to start investing. The proof is the large increase in new accounts with online brokers, when new investors saw an opportunity in the market decline and not a path to "escape" from the market. Major online brokers (Charles Schwab, Td Ameritrade, Etrade and Robinhood) saw a 170 percent increase in new account opening in the first quarter of 2020, when stocks fell the fastest in history. Some of these new investors are inexperienced, however, simple applications and almost no fees attract them to invest and thus investing becomes almost speculation and fun (Fitzgerald, 2020). In order for the investor to become more sophisticated and not just speculate, it is possible to use the financial analysis that this work deals with.

Financial analysis is a reliable tool not only for the above mentioned investors, but it can be used in many other sectors, which is discussed in the chapter The purpose of financial analysis.

This work is divided into 2 parts, practical and theoretical. In the theoretical part, the author deals with defining financial analysis, its purpose, types of financial analysis, SWOT analysis, absolute indicators, differential indicators, financial ratios analysis and summary indices of business evaluation. Furthermore, the work is supplemented by the topic of documents used in financial analysis, corporate social responsibility of a company and also by the method of scenarios.

In the practical part, individual methods of financial analysis are applied to a selected company, which is KofolaČeskoslovensko, a.s. First, basic information and a brief history about the company is given, followed by the financial analysis of the company on the basis of financial statements from the years 2015/2016 - 2018/2019. At the end of the work, the previous analysis is presented in a summary, which shows simplified results.

The author has chosen the topic because he invests himself and has always been tempted to try to work out a financial analysis, however, he never found enough will to perform full analysis, and therefore the diploma thesis seemed like an excellent opportunity. Furthermore, the author believes that current information available on companies' finances 'is never enough', either for potential investors or for other purposes.

Objectives and Methodology

The aim of this work is to evaluate the financial situation of the company in the period 2015/2016 - 2018/2019, predict its possible future development and assess how the company approaches the issue of social responsibility.

The work uses methods of basic financial analysis, creditworthiness and bankruptcy models (summary indicators of business evaluation), SWOT analysis, technical analysis, analysis of absolute and differential indicators, financial ratios analysis and scenario method.

The first part of the work is on purely theoretical basis, as the basis for the second, practical part, where it is mostly worked with the financial results of the company and calculations. In the theoretical part, both Czech and English literature is used, it is drawn mainly from textbooks, quality diploma theses and other, e.g. internet sources. The work is also drawn from Czech sources, which are translated by the author into English.

To read the text, it is worth noting that whenever Kofola / Group / company / firm is mentioned in the text, the whole company KofolaČeskoslovensko, a.s is meant, the same applies with indicators and ratios. It is also worth noting that the profit and loss statements, balance sheets and cash flow statement marked 2015/2016 are for the period 31.12. 2015 - 31.12. 2016 and the given methodology is applied also for the following years. The above-mentioned statements, from which the author draws in the analysis, are listed chronologically in Appendix.

Research limits

Since certain areas (in this work chapters and indicators) were selected by the author, the work does not have to give a completely comprehensive view of the issue, because the topic can be examined from completely different views. Financial analysis is much more comprehensive, there are a lot of methods, in the final figure there is a considerable simplification. It is always up to the author which indicators to include and which not to include, there are many of them. Also, for the completeness of the analysis, a complete fundamental and psychological analysis must be performed.

1 Financial analysis

Methods of evaluating the financial health of the company are offered by financial analysis, while the indicators of this financial analysis very often form part of the evaluation of the company in obtaining bank loans and other financial resources for the operation of the company. Financial analysis allows one's own judgment on each situation that occurs in the company's management. Every opinion can be correct, but it is essential that it is always based on the correct argument. For this very reason, it is extremely important that the individual relationships are well understood, because only then can they be used well. Financial analysis can be used, for example, in incorporating the results into decision-making on the financing of other projects and into financial planning (Růčková, 2019).

There are a number of ways how to define the term "financial analysis". The most concise definition is that which states that “financial analysis is a systematic analysis of the data obtained, which are contained primarily in the financial statements.” (Růčková, 2019, p.10) Financial analysis deals with the evaluation of data not only from the past and present, but also brings recommended solutions to situations in the company for the future. (Holečková, 2008; Růčková, 2019; Virgil, 2011). Another definition according to Sedláček (2007, p. 3) could be that “financial analysis is a method of evaluating the financial management of a company, at which data are obtained and then sorted, compared with each other, causal context is searched for and its development is determined.”

Financial analysis can be applied in various situations to inform, for example, business management when making decisions. For every business manager, the ability to understand the financial data is very important. Finance is the language of business. Business goals, objectives, and their outcomes are set in financial terms. To understand financial data, one need the ability to read and understand this financial data in the language of finance and as well as to present information in the form of financial statements (Virgil, 2011).

1.1 The purpose of financial analysis

Financial analysis is used to comprehensively assess the financial situation of the company. It tries to reveal the profitability of the company, the suitability of the capital structure, the effective use of its assets, whether the company can repay its liabilities on time and other facts. Managers use financial analysis to decide on the acquisition of financial resources, in providing business loans, in distributing profits, etc. Financial management is an integral part of financial analysis, as it can indicate where the company in each area went, what it managed to meet and where, on the contrary, a situation arose which he wanted to prevent or did not expect. Financial analysis serves not only for the owners and managers of the company, but also for external users who are financially, economically, etc. connected with the company e.g. investors, business partners, state institutions, foreign institutions, employees, auditors, competitors, stockbrokers and, last but not least, the professional public. Because each group prefers different information, it is important to consider for whom the financial analysis is being done. Business owners will be mainly interested in the return of their funds, i.e. profitability of invested capital, while creditors will be interested in the liquidity of their business partners and their ability to repay liabilities. State institutions will be interested in whether and how much the company generates a profit, due to the payment of taxes to the state budget. The competition seeks to obtain financial information from successful companies so that they can be inspired and apply good practices. Investors are interested in the financial health of the company and especially in the development of the company's financial situation in the future. Employees may be interested in information on liquidity and profitability, as these indicators may indicate how the company will operate in the long run (Knápková et al., 2013).

1.2 Types of financial analysis

Financial analysis is primarily divided into external and internal. It varies according to the type of data obtained.

External analysis obtains data from external environment of the company and is based on publicly available resources, mostly financial and accounting resources. According to these data, external users assess the financial credibility of the company (Knápková et al., 2013; Mrkvička and Kolář, 2006).

On the other hand, internal analysis uses data from internal part of a company, to which public can't have access to. In this case, there are all internal materials of the company available, not only from financial accounting, which is most times for public, but also from management accounting, company calculations, plans, statistics etc. (Holečková, 2008).

It is easier for an internal analyst to prepare a financial analysis because he has better access to information about the company. In contrast, an external analyst may find himself in a more difficult situation, as he is not affiliated with the company and has to settle for publicly available data that may be of poor quality. It often happens that the external analyst does not have enough data for quality financial analysis (Knápková et al., 2013).

We can divide the financial analysis also in terms of time. Ex post analysis evaluates the state of the company in connection with past events. While ex ante focuses on the future development of the company in the range of several years (Sedláček, 2009).

1.2.1 Fundamental analysis

Financial analysis can also be divided into **fundamental** (qualitative) and **technical** (quantitative). **Fundamental analysis** is based on extensive knowledge and interrelationships between economic and non-economic phenomena, on the experience of experts, on their subjective estimates and on the feeling for situations and their trends. Fundamental analysis processes a large amount of data qualitatively, if it uses quantitative information, it draws conclusions mainly without the use of algorithmic procedures. The main starting point for fundamental analysis is usually the identification of the environment in which the company is located. It is mainly an analysis of the impact of:

- internal and external economic environment of the company,
- the current phase of the company's life,
- the nature of the business objectives.

The method of this analysis is a verbally evaluated comparative analysis, which includes, for example, SWOT analysis, the method of critical success factors, the method of analysis of a twodimensional portfolio, the Argenti model, the BCG matrix or the BSC method (balanced scorecard). The content of the fundamental analysis is the assessment and evaluation of the influence of the following factors:

a) The macroeconomic environment, where the emphasis is on the government's fiscal and monetary policy, their effects on money supply and demand, employment, exchange rates, interest rates and inflation. This also includes the tax burden on businesses and financial infrastructure.
b) Microeconomic environment, which is otherwise called sectoral, i.e. where the company operates and where its market position is. This also includes the government's immediate economic policy pursued on the supply side, the policy towards monopolies and oligopolies, labor and capital market policies, etc.
c) The phase of life of the company from growth through stabilization to the phase of decline. The decline does not necessarily mean the demise of the company if appropriate business management tools are used that can further "resurrect" the company. These instruments may take the form of restructuring, acquisitions, product innovation, penetration of a new market segment, etc.
d) There is not only the main, financial goal, which is to increase the market value and thus increase the wealth of its owners. There are also goals and influences of other stakeholders[1] on the process of economic activity. Owners care more about long-term success, on the other hand, there are managers who may be particularly interested in short-term results, according to which their fitness is assessed. This can lead to conflicts of interest. Management would probably prefer the company's solvency, employees would prefer to redistribute surpluses to their wages, which would mean that owners would not want to maximize their benefits. These influences of various stakeholders are reflected in the so-called non-financial objectives such as business growth, diversification, survival, maintaining employment, taking and maintaining a leading position in research and development, providing quality services and respect for the environment. It should also be

[1] A stakeholder is a party that has an interest in a company and can either affect or be affected by the business. (Chen, 2020)

in the interest of the company to fulfill social responsibility towards the entities with which it comes into contact as a result of its existence or through its activities:

- to shareholders - pay dividends, strive to increase the share price, hold annual general meetings and act in accordance with the company's statute,
- to creditors - repay debts within agreed deadlines, pay interest on loans and avoid excessive risk in this area,
- to employees - pay agreed wages, ensure occupational safety and health protection of employees and bear co-responsibility in decision-making processes,
- to customers - adhere to the quality of goods and services, delivery dates,
- to suppliers - pay for deliveries within agreed deadlines, do not abuse your purchasing power to disrupt deliveries,
- to the public - to take responsibility for damaging the environment and for abusing its monopoly position,
- to the state - to pay taxes on time and to follow the law conscientiously (Sedláček, 2011).

This fundamental (qualitative) analysis is the basis for the technical (quantitative) analysis.

1.2.2 Technical analysis

Mathematical, statistical and other algorithmic methods are used in the technical analysis for the quantitative processing of economic data, which are then qualitatively assessed. The procedure for this analysis usually involves the steps of:

1) Characteristics of the environment and data sources:
    a. Selection of comparable companies - the similarity of companies in the field of business, inputs to production, production processes, products, customers, the environment in which the company is located (political, geographical, historical, ecological, legal, social, cultural, etc.)
    b. Preparation of data and indicators - input data are mostly large, so it is very difficult to describe them. Primary sources include inputs from fundamental analysis, corporate accounting (financial statements), financial market data and non-

financial data. Furthermore, indicators are compiled that characterize the economic activity of the company. These indicators can be absolute numbers, or also relative, ratio indicators.

   c. Data collection and verification of usability of indicators. The indicators can be compared over time, as companies have to use the same (accounting) methods all the time, unless there is a non-standard situation where changes in accounting bring a more accurate and truthful representation of reality (Sedláček, 2011).

2) "Method selection and basic data processing
   a. Selection of a suitable method of analysis and selection of indicators.
   b. Calculation of indicators.
   c. Evaluation of the relative position of the company.
3) Advanced data processing
   a. Identification of the dynamics model - analysis of the development of indicators over time.
   b. Causal analysis evaluating the relationships between indicators.
   c. Correction and detection of deviations.
4) Suggestions for achieving the target state
   a. Variant proposals for measures.
   b. Risk estimates of alternative solutions.
   c. Selection of the recommended variant.

According to the purpose for which the analysis is used and according to the data used, it is distinguished:

1) Analysis of absolute data (state and flow)
   a. Horizontal analysis (trend analysis)
   b. Vertical analysis (percentage analysis)
2) Analysis of difference indicators
3) Analysis of ratios
   a. Profitability
   b. Liquidity
   c. Leverage

    d. Activity
    e. Market value
4) Analysis of systems of indicators
    a. Pyramid decompositions
    b. Comparative analytical methods
    c. Mathematical-statistical methods
    d. Combination of methods" (Sedláček, 2011, p. 9-10)

Technical and fundamental analysis are close and complementary, so it is usually advisable to combine both types of analysis (Růčková, 2019, p. 159; Sedláček, 2011).

2 Kofola and CSR

2.1 History and evolution of CSR

In some sources data could be found that CSR (Corporate Social Responsibility) has such a long tradition as the company itself. The roots of CSR can be traced back 5 000 years, when measures were issued to protect forests from commercial timber companies. Furthermore, in ancient Rome, for example, entrepreneurs refused to support military campaigns, or later around the 17th century, there was a group of Quakers who operated for many years on ethical principles and directly despised doing business for profit only. In the 19th century, an ideological movement developed - the social market economy, which stated that business has a clear goal, profit and government, private units and charity should solve "diseases in society". There were "Methodists" in America who did not support the arms industry, and companies were encouraged to participate in public projects such as building bridges and opening schools. These ideas were born both abroad and in the Czech Republic, where an important figure was Tomáš Baťa, who promoted health care, quality livelihood of employees, support for community life and political involvement. These steps could be perceived as CSR and are often a common standard in today's society (Petrášová, 2010).

“In the 1950s, author Howard R. Bowen focused primarily on the individual entrepreneur, stating that: it is about entrepreneur's obligations to carry out such procedures, to make such decisions, or to follow a course of action that is non-existent in terms of the goals and values of our society." (Prskavcová, 2008, p. 9)

The concept of CSR did not become established until the 1990s. Then so-called Green Paper, which is an internationally recognized, most cited document defining CSR as an important strategic component of a company, writes that being socially responsible does not mean fulfilling only legal expectations, but go beyond those expectations and investing more in human resources capital, the environment and stakeholder relations. CSR should not replace established regulations or state legislation, it is also not possible to enforce CSR in organizations (Petrášová, 2010). It is mainly a voluntary activity of companies, which represents the so-called supra-legal activity of company managers, which is aimed, for example, at improvement (Prskavcová, 2008).

The Global Compact initiative, announced by the UN Secretary-General in 2000, is considered to be one of the greatest achievements at the global level. This network brings together UN agencies, non-profit organizations and representatives of more than a thousand companies and other international organizations nine principles in three basic pillars:

1) **Human rights**

Principle number 1	Businesses should promote and respect the protection of fundamental human rights;
Principle number 2	ensure that they do not participate in any way in their violation.

2) **Labour standards**

Principle number 3	Firms should respect freedom of association and recognize work on collective bargaining;
Principle number 4	eliminate any forced labour
Principle number 5	not allow child labour;
Principle number 6	eliminate discrimination in employment.

3) **Environmental issues**

Principle number 7	Businesses should promote environmental protection;
Principle number 8	encourage initiatives to promote a responsible approach to the environment;
Principle number 9	support the development and dissemination of environmentally friendly technologies (Jirků, 2009).

In the Czech conditions, it is expected that companies are in the very beginning in the field of CSR. In 2008, a survey was conducted which shows that 47% of all organizations contacted know the concept of CSR, of which 65% are based in Prague and 42% are based outside Prague (Prskavcová, 2008).

2.2 Three pillars of CSR

At present, the division into 3 basic pillars, economic, social and environmental, is generally accepted.

2.2.1 Economical

This pillar focuses on transparency and good relationships with all involved groups (e.g. shareholders). The company's impacts on the economy are also monitored in terms of local, national and global. It is also possible to include a code of ethics, in which one can find, for example, the rejection of corruption or the protection of intellectual property (Prskavcová, 2008).

2.2.2 Social

This pillar should also be divided into internal and external parts. The internal part can also be called the company's social policy, which classifies employee satisfaction. The main share here is contributed by HR professionals, in whose hands it is to organize and encourage compulsory, contractual and voluntary social policy. The external part focuses on philanthropy and cooperation with communities (Prskavcová, 2008). The following activities may be included: corporate philanthropy, stakeholder dialogue, employee health and safety, human capital development, compliance with labour standards, prohibition of child labour, work-life balance, equal opportunities, diversity in the workplace, retraining of redundant workers employees for their further employment, job security and human rights (Dytrt et al., 2008).

2.2.3 Environmental

The basis of the environmental pillar is sustainable development[2]. This area has been significantly observed in recent years. Businesses are expected to carry out their activities in such a way as to adequately protect natural resources and minimize the burden on the environment. This can include ecological production, careful consumption of natural resources or environmental protection. This concept can be divided into two areas, external, which includes communities, human rights, business partners, global interest in the environment, and internal,

[2] Sustainable development can be defined as "development that meets the needs of the current generation without compromising the ability to meet the needs of the future generation". (Nováček, 2011, p.217)

where human resource management, occupational safety and health can be assigned. This area is suitably measurable by standards such as ISO or EMAS (Dytrt et al., 2008).

3 Absolute indicators

These indicators are based primarily directly on the assessment of the values of individual items in the financial statements. The analysis of absolute indicators is applied mainly to the analysis of development trends, such as horizontal analysis (comparison of developments in time frame) and to the percentage analysis of elements, which can be a vertical analysis (individual items are expressed as percentages of these components) (Knápková, 2010). This approach is not suitable, as it only processes methods of a non-mathematical nature (Růčková, 2008).

3.1 Horizontal analysis

Horizontal analysis works with data that can be found in the vast majority of cases in financial statements, such as the balance sheet, profit and loss statement or annual reports. This analysis deals with the analysis of absolute (usually with a retrospective of 3 to 10 years) and relative (percentage) data. The data is monitored horizontally in rows, so it is also called horizontal analysis of absolute data (Sedláček, 2011). Could be calculated as:

Absolute change = (indicator) – (indicator t-1)

Relative change = (absolute change) / (indicator t-1 x 100)

3.2 Vertical analysis

Vertical analysis is used to assess the individual components of assets and capital, i.e. the structure of assets and liabilities of the company. The ability to maintain and create a balanced state of assets and capital is important for the economic stability of the company. The vertical analysis is performed in individual years from top to bottom in columns, where the individual components are expressed as a percentage and not across individual years. The basis from the profit and loss statement is usually the size of sales (= 100%) and from the balance sheet the value of the company's total assets. The undeniable advantage of vertical analysis is that it does not depend on year-on-year inflation, thus enabling comparability of analyses from different years. Therefore, it is used for comparison over time (time development trends in the company over several years) and in space (comparison of companies with each other) (Sedláček, 2011).

4 Differential indicators

Differential indicators are used to analyze and manage the financial situation of a company, especially its liquidity, which may also be referred to as financial funds. These funds are understood as aggregations, summaries, stock indicators expressing assets or liabilities, i.e. as the difference between the sum of certain items of current assets and certain items of current liabilities (Sedláček, 2011; Mrkvička and Kolář, 2006). In other words, they are calculated as the difference of two absolute indicators (Kohoutková, 2012).

4.1 Net Working Capital, NWC

This is the most commonly used differential indicator. It is characterized as: “current assets, adjusted for those liabilities of the company that will have to be paid in the near future (within one year); current assets will therefore be reduced by the part that will be used to repay short-term liabilities and short-term bank loans and advances. ” (Mrkvička and Kolář, 2006, p. 60) Net Working Capital is a “financial cushion” of the company, which will allow the company to continue its activities even in the adverse event that would require a high expenditure of funds (Sedláček, 2011). "The higher its value, the higher the company's ability to pay liabilities on time." (Kohoutková, 2012, p. 16) With a positive Net Working Capital, it is a conservative financing of the company, in which current assets are also financed by long-term capital. While such financing is secure when the company has sufficient long-term resources that reduce the risk of lack of financial resources, on the other hand, it is relatively expensive, when long-term resources are more expensive than short-term resources. With a negative NWC, this is an aggressive strategy, where the company finances mainly from short-term sources of funding, where long-term sources are relatively lacking. Although this strategy is risky, as a possible shortage of short-term resources may jeopardize the stability of the company, on the other hand, short-term resources are cheaper than long-term resources, which results in a low price of these resources. For NWC = 0, a neutral strategy is possible, but it seems less interesting, as it stands in the extreme state of both basic financing strategies (Kalouda, 2006).

This indicator is calculated as the difference between current assets and current liabilities, i.e.:

NWC = Current Assets / Current Liabilities

5 Financial ratios analysis

Financial ratios show the relationship between two or more absolute indicators using their share. The profit and loss statement and balance sheet are the most used in the financial analysis of ratios. Equilibrium data are state economic amounts, they show the current state. The data obtained from the profit and loss statement characterize the results of activities for a certain period, they are flow indicators. State indicators can approach flow rates when calculating their diameters. For example, from states 1.1. and 31.12, or as an average of monthly values. Ratios are among the most popular and common methods of financial analysis, as they show the basic financial characteristics quickly and inexpensively. They serve as an aid to the analysis and interpretation of phenomena, the analysis rather begins with their calculation, they capture information that can be disseminated for deeper analysis. They can be calculated as shares, when the ratio of a part of the whole is given, for example the share of equity to total capital, or as ratios, when they put a separate quantity into the ratio, for example the ratio of profit to total assets (Sedláček, 2011).

Ratios are widely used because they allow analysis of the time development of the financial situation of the company (trend analysis), they can compare more companies with each other (comparative analysis) and data based on these indicators can also be used as basic data of mathematical models to describe dependencies between phenomena, classify states, assess risks and predict future developments. On the other hand, their disadvantage is that they have a low ability to explain phenomena (Sedláček, 2011).

The basic financial indicators are indicators of profitability, liquidity, activity, leverage (debt) and market value (Kalouda, 2016; Scholleová, 2012).

5.1 Rentability / Profitability indicators

“Rentability indicators are one of the most important characteristics of business success. Rentability or return on invested capital is a measure of a company's ability to create new resources and make a profit using the capital invested. It is a form of expressing the rate of rentability, which in a market economy serves as the main criterion for the allocation of capital." (Kyselá, 2019, p. 15)

This is most often the relationship between profit and invested capital, where profit data are obtained primarily from the profit and loss statement and invested capital data are obtained from the balance sheet. The analysis therefore compares the data for the entire accounting period with the data for a certain date. These discrepancies can be partially resolved by the analyst replacing the balance sheet data with averages, most often arithmetic of the initial and final states. However, even these, most often arithmetic, averages are not perfect, as they are based on the assumption of a uniform development of quantities during the period, which is usually not the case (Mrkvička and Kolář, 2006). Růčková (2007) states that these indicators should be increasing over time but does not state other specifics.

In the formulas we often see these abbreviations:

EBIT = Earnings before interest and tax

EBT = Earnings before tax

EAT = Earnings after tax

a) Return on equity, ROE

In the financial analysis, great attention is paid to this indicator, because ROE monitors how effective the capital invested by the owners was and indicates how much net profit per crown invested by the owners of the company. The value of the indicator is primarily of interest to shareholders, but also to the company's management, which is responsible for the effective management of shareholders' assets (Kyselá, 2019). It is most often calculated as follows:

ROE = EAT / Equity

b) Return on assets, ROA

ROA is a key measure of profitability. It measures the company's profit with the total invested funds, regardless of whether it was financed from equity or debt. It is desirable that the indicator increases over time." (Scholleová, 2012, p. 176) "ROA can be encountered in several forms, but the form with EBIT seems to be the most suitable, as it is not affected by changes in tax and interest rates or changes in the structure of financial resources." (Kyselá, 2019, p. 15) It could be calculated as:

ROA = EBIT / Assets

c) Return on sales, ROS

It is one of the common indicators of financial analysis. It expresses how many crowns of profit the company generates from one crown of sales. The low value indicates incorrect management of the company, from which it can be concluded that the situation in the company will not be good in other indicators either. On the contrary, medium and high values show good management and above-average performance of a company. The indicator is mainly used for comparisons between companies (Scholleová, 2012; Kyselá 2019) and is calculated as:

ROS = EAT or EBIT / Sales

5.2 Liquidity ratios

Liquidity is usually understood as the company's ability to pay its current accounts and expenses, i.e. liabilities. Liquidity covers liabilities, short-term receivables and other liabilities mainly with available cash. All companies need to have a certain degree of liquidity in order to pay their liabilities on time, younger companies tend to be less liquid. Low levels of liquidity in larger companies may mean that the company is not properly managed or the need for additional resources. The liquidity of companies may be different, depending on seasonal fluctuations, the timing of sales and the state of management. For example, in 2008 and 2009, during the recession, many predominantly smaller companies were forced to reduce liquidity. Many companies tend to face liquidity problems because the cash outflow is not flexible, while the income is often irregular. Creditors expect their money and employees expect their regular payouts. On the other hand, the money coming into the company is often irregular, as sales volumes are always different. It is precisely because of this difference between cash generation and cash payments that an enterprise should maintain a certain ratio of current assets to current liabilities in order to ensure adequate liquidity (Virgil, 2011).

a) Current ratio

This indicator shows how many times current assets are higher than current liabilities. This means how many times a company is able to satisfy its creditors if it turns all its current assets into cash (Scholleová, 2012). A reasonable amount is indicated by Dluhošová (2010), which should be from 1.5 to 2.5. It is also important to compare between companies with a similar scope of the industry, or with the average per industry (Kyselá, 2019).

Current Ratio = Current assets / Current liabilities

b) Quick asset ratio

In the indicator of quick asset ratio, the influence of the least liquid part of the assets is removed, which are inventories and thus only the so-called ready current assets are taken into account (Mrkvička and Kolář, 2006). The optimal amount is indicated again by Dluhošová (2010), which is an interval from 1.0 to 1.5. It is calculated as:

Quick asset ratio = (Current assets – Inventory) / Current liabilities

c) Cash position ratio

This indicator is calculated as the ratio of financial assets to current liabilities. Financial assets mean not only cash in hand and in accounts, but also other short-term tradable securities such as bills, etc. The indicator is relatively unstable, so it is mainly used to illustrate the level of liquidity (Scholleová, 2012; Kyselá, 2019). Calculated as:

Cash position ratio = Cash and cash equivalents / Current liabilities

5.3 Leverage / Debt ratio / Financial stability ratios

The debt ratio indicates the extent to which a company is dependent on lending to finance its operations. The debt ratio is an important indicator of financial analysis and is in the interest of both investors and bankers. A company with a high share of debt to equity is considered highly indebted and vice versa. A high level of debt can expose a company to various risks, on the other hand, with the higher risk comes the potential for higher profits (Virgil, 2011).

a) Debt ratio / Total debt to total Assets

A high result means logically high indebtedness, however, it is not possible to set precise criteria for its amount. According to the "golden rule", the indicator should reach 50 %, it should also be assessed in the context of the return on total invested capital and the structure of liabilities. However, it cannot always be said that a high level of the indicator is always disadvantageous for the company. It depends on the company's ability to generate a return on total invested capital compared to interest paid on the use of debt. If this return is higher than interest, a high level of the indicator is even a favorable phenomenon for owners or shareholders. Conversely, if the interest on foreign capital is higher than the return on the total invested capital, this is not a favorable phenomenon for owners or shareholders. From the point of view of the company's creditors, the level of the indicator should be as low as possible (Mrkvička and Kolář, 2006). Can be calculated as:

Debt ratio = Liabilities / Assets

b) Equity ratio

This indicator serves as a supplement to the previous one, their total sum is 100%. It expresses the share in which the total assets of the company are financed from the resources of its owners. According to Mrkvička and Kolář (2006), the above-mentioned 2 indicators are among the most important in assessing the company's financial situation. Calculated as:

Equity ratio = Equity / Assets

c) Financial gearing / Financial leverage

This indicator describes the inverse of the Equity ratio. The higher the share of liabilities of financing, the higher the indicator (Mrkvička and Kolář, 2006). Can be calculated as:

Financial leverage = Assets / Equity

d) Debt-equity ratio, D/E

"The D/E ratio is an important metric used in corporate finance. It is a measure of the degree to which a company is financing its operations through debt versus wholly-owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn." (Hayes, 2020) Could be calculated as:

D/E = Liabilities / Equity

e) Degree of financial independence

This indicator shows the inverse of the debt-to-equity ratio. Calculated as:

Degree of financial independence = Equity / Liabilities

For the above indicators, it is very difficult to determine optimal or recommended values. More important information for creditors or shareholders is those that indicate how the company will cope with its obligations, i.e. adequacy of its indebtedness. Even with a lower indicator of credit risk, a company may find itself in a situation where it does not have sufficient profit or cash flow to cover interest on its debts, let alone on the loan itself, where this situation may result in the bankruptcy of the company. On the other hand, if a company achieves stable sales and profits, it can afford higher indebtedness because it will be able to repay the resulting liabilities. Ratios compiled from the balance sheet and the profit and loss account are used to determine the adequacy of debt. The main task is to find out to what extent the company covers the costs associated with external sources of financing with its operating profit (Mrkvička and Kolář, 2006).

a) Interest coverage / Times interest earned

This indicator indicates how many times a company is able to cover interest on liabilities after all costs related to the productive activity of the company have been paid (Scholleová, 2012). This indicator, which is especially popular in the US, informs the company's shareholders whether the company is able to repay interest obligations and creditors as to whether and how their claims are secured in the event of the company's bankruptcy. The higher the value, the better. In the USA, the value of 3 is considered a limit value, below which the company could already be in very serious problems. A value of around 8 is considered optimal (Mrkvička and Kolář, 2006). If the indicator is equal to 1, then the entire profit is needed to pay interest and there is nothing left for the shareholders (Sedláček, 2011). Calculated as:

Interest coverage = EBIT / (cost) Interests

5.4 Activity ratios

Activity indicators show how efficiently a company manages its assets. They indicate whether the company has excess capacity or, conversely, a lack of productive assets and will not be able to realize growth opportunities in the future. We can see mainly two types of activity indicators. The first is the number of turnovers, which informs about how many turnovers the company generates over a period of time, i.e. how many times the annual sales exceed the value of the item whose turnover we calculate. The higher their number, the shorter the time the assets are tied up and usually the profit increases. The second common indicator of activity deals with turnover time. It expresses the average duration of one turnover of property. The company tries to shorten this time of one turn as much as possible and thus increase their number, i.e. maximize turnover and minimize turnaround times (Scholleová, 2012). It is important to note, that some authors (Scholleová, 2012) and (Mrkvička and Kolář, 20016) use inventory turnover ratio, inventory turnover, accounts receivable turnover and accounts receivable conversely.

a) Total assets turnover ratio

Complex ratio, which indicates how many times the total assets turnover over an year. Its minimum rate should be at least one (Scholleová, 2012). Calculated as:

Total assets turnover ratio = Revenues / Assets

b) Inventory turnover ratio

This indicator shows the number of turnovers of the relevant asset for the observed period, which is most often one year, i.e. how many times inventories are converted into other forms of current assets during the observed period up to the sale of products and repurchase of inventories. It is appropriate to use the average stock for the period (Mrkvička and Kolář, 2006). Calculated as:

Inventory turnover ratio = Revenues / Inventory

This indicator can also be expressed in time units as:

c) Inventory turnover

Calculated as:

Inventory turnover = 365 / Inventory turnover ratio

The indicator shows how many days current assets are tied up in the form of inventories. It is also possible to meet with the variant of 360 days, which is an economic year. It is also possible to calculate the indicator not from calendar days, but from working days. It is desirable that the inventory turnover, i.e. the number of turnovers for the observed period, be as high as possible and, conversely, the inventory turnover time as short as possible. Both of the above indicators are considered to be signals of the intensity of inventory utilization. It should be noted that the rapid turnover of inventories may not only mean the intensive use of inventories, but also their too low level in terms of ensuring continuous production and meeting customer needs, in other words, the undercapitalization of the company. Ensuring the size of inventories and the speed of their turnover is a key task in the financial management of the company (Mrkvička and Kolář, 2006).

d) Accounts receivable turnover ratio

This indicator again expresses how quickly receivables are transformed into cash. The faster the turnover of receivables, the higher the value of the indicator, the faster the company collects its receivables and can use the cash obtained for further purchases or investments (Mrkvička and Kolář, 2006)

Could be calculated as:

Accounts receivable turnover = Revenues / Receivables

This indicator can also be expressed in time units as:

e) Accounts receivable turnover

The accounts receivable turnover indicator shows how long the company's assets have been in the form of receivables on average per year, or how long the company's receivables have been collected on average. Better use of this indicator is recorded in "monocultural" companies compared to companies with a wide range and large range of customers, due to the averaging of input data. Nor can the indicative value of this indicator be overestimated, as a decrease in receivables turnover does not necessarily mean that receivables are settled faster in the company as sales oscillate, but customers' payment behavior may not change. Wrong conclusions can be prevented by switching to shorter intervals for monitoring the development of sales and receivables (Mrkvička and Kolář, 2006). The ideal result of this indicator is zero (Kalouda, 2016).

Could be calculated as:

Accounts receivable turnover = 365 / Accounts receivable turnover ratio

5.5 Market value ratios

These indicators provide information on how the market evaluates the company's past activity and its future outlook. They are important for investors who have invested in the share capital of a company, potential investors and all those who trade on the capital market, because they are interested in the return on their investment. They are important for a company when it wants to obtain sources of financing on the capital market (Scholleová, 2012; Sedláček, 2011).

a) Book value, BV

It is appropriate to compare this value with the market value of the company determined on the capital market (stock exchange) (Sedláček 2011). Calculated as:

BV = Equity / Number of Emitted Shares

b) Earnings per share, EPS

"This indicator shows the degree of the company's ability to generate profit." (Scholleová, 2012, p. 182) This is also a key indication of the company's financial situation and reflects the results and achievements of the competition in the trend analysis. In the calculations, net profit means the total profit after tax and after the payment of primary dividends. It is not possible to infer the amount of dividends from this indicator, as the profit can be used for the payment of dividends only in part, the rest will be left in equity. Nor can it be inferred into the future, as yields and stock prices behave randomly. Profit can also be influenced by the company's accounting strategy, i.e. methods of valuing assets, creating reserves and provisions, methods of depreciation, accrual of costs and revenues, etc. (Sedláček, 2011). Calculated as:

EPS = Net profit / Number of emitted shares

c) Price to earnings ratio, P/E

"It shows how much investors are willing to pay for one crown of reported earnings per share, or it also estimates the number of years needed to repay the share price by its yield. It is an indicator of the overall market valuation of the company. A relatively high P / E may mean that investors expect high dividend growth in the future or that the stock is less risky, and therefore investors will be satisfied with a lower return. Conversely, if the P / E ratio within the industry is too low, it may signal greater risk or low growth potential of the company or both. The expectation factor plays an important role in the calculation of the P / E indicator (especially for the numerator). A low indicator with a relatively high profit may then mean that investors estimate a downward trend in the company's profits (and now even expected revenues) in the future. " (Sedláček, 2011, p. 70) Calculated as:

P/E = Market price of share / Net earning per share

d) Dividend per share, DPS

It is generally known that the company's management strives to maintain or slightly increase dividends. However, some companies deliberately pay little or no dividends and keep retained earnings as they prepare for possible expansion. Other companies, on the other hand, pay dividends and capital needs mainly finance by loans. Therefore, the dividend policy is inextricably linked to the company's investment policy and is defined as a compromise between holding a profit to meet the company's needs and between releasing cash for owners together with the issue of new shares (Sedláček, 2011). Could be calculated as:

DPS = Dividends per year / Number of shares

e) Payout ratio

It says how much of the generated profit is distributed among the owners in the form of dividends. This indicator generally indicates the company's dividend policy. (Scholleová, 2012; Sedláček 2011). Calculated as:

Payout ratio = Dividend per share (DPS) / Earnings per share (EPS)

f) Plowback ratio

Profit that was not distributed in dividends remains available as retained earnings for business activities in the company. The indicator indicates the proportion of profit reinvested back into the company (Sedláček, 2011; Scholleová, 2012). Calculated as:

Plowback ratio = 1 – Payout ratio

g) Sustainable growth rate, Growth rate, g

Indicator g tries to estimate the potential for future growth (dividends) (Sedláček, 2011; Scholleová, 2012). Calculated as:

G = ROE x Plowback ratio

h) Dividend yield

The primary motivation for holding shares is dividend income and capital gains. If a company maintains a profit and thus increases the share price, there is no direct benefit for the shareholders and such shares are less attractive. The value of yield dividends may decrease over time, which is due to the growth of the market price of the share, even if the dividend paid per share does not change. However, the investor may accept a lower dividend yield provided that this decline is offset in the future (Sedláček, 2011). Calculated as:

Dividend yield = Dividend per share / Market price of share

6 Summary indices of business evaluation

Financial analysis can be performed with the help of a large number of differential and ratio indicators. However, these indicators do not in themselves have complete information about the company, as they characterize only a part of the company's activities. In general, systems of indicators (samples), often referred to as analytical systems or models of financial analysis, are used to assess a company's financial situation. The more indicators in the file (model), the more it is possible to show the financial situation in the company in detail. On the other hand, a large number of indicators make it difficult to orientate and especially make the final evaluation of the company more difficult. For these reasons, there are different types of models, models based on a larger number of indicators (20-200) and models expressed by a single number (evaluation coefficient, synthetic indicator) (Sedláček, 2011).

According to Sedláček (2011, p. 81), when creating systems of indicators, we distinguish:

a) **"Systems of hierarchically arranged indicators** - a typical example are pyramid systems, which are used to identify logical and economic links between indicators by their decomposition
b) **Purpose selections of indicators** - compiled on the basis of comparative-analytical or mathematical-statistical methods. The aim is to compile such selections of indicators that would be able to diagnose the financial situation of the company (financial health) or predict its crisis development (financial distress). It is divided according to the purpose into:
    1. **Creditworthiness (diagnostic) models** - try on the basis of one synthetic indicator (selection of a few indicators), which replaces individual analytical indicators of various informative abilities, to express the financial situation of the company." (Sedláček, 2011, p.81) They also answer the question of whether a company is good or bad (Mrkvička and Kolář, 2006).
    2. **Bankruptcy (predictive) models** - indicate whether the company will go bankrupt at some time or not. These are early warning systems, which, according to indicators, indicate a possible threat to

the company's financial health (Mrkvička and Kolář, 2006; Sedláček, 2011).

Both groups of these models are based on the assumption that in the company, several years before the bankruptcy, there are differences in the development, which are attributed to companies at risk of bankruptcy. They also have a common feature in that they assign a certain rating coefficient to a company. One of the basic differences between bankruptcy and creditworthiness models is that bankruptcy models are based on real data, while creditworthiness models are partly based on theoretical knowledge, partly o pragmatic knowledge obtained by generalizing partial data (Mrkvička and Kolář, 2006).

6.1 Index IN05

It is one of the types of indices created by Inka and Ivan Neumaier, it takes into account the specifics of the Czech Republic. It is based on the synthesis of models IN95, IN99 and IN01, where the closest connection is to the latter model. The current IN05 arose from the results of the verification of IN models of industrial enterprises from 2004 (Kalouda, 2016). Calculated as:

IN05 = 0,13 x A + 0,04 x B + 3,97 x C + 0,21 x D + 0,09 x E

A = Assets / Liabilities

B = EBIT / Costs Interest

C = EBIT / Assets

D = Revenues / Assets

E = Current Assets / Current Liabilities

According to the value of the IN05 index, the situation of the analyzed company can be characterized as follows:

If IN05 > 1,6 the company can be described as financially stable and creates value with probability of 67 %, a value in the range 0,9 < IN05 ≤ 1, 6 indicates a “gray zone” and finally the value

IN05 ≤ 0,9 indicates a threat to the company by serious financial problems with probability 86 % (Kalouda, 2016; Scholleová, 2012).

With a small indebtedness or a total non-indebtedness of the company, a problem arises, because the cost coverage indicator is a huge number. Therefore, it is recommended to limit the value of the EBIT / Costs Interest indicator to 9 when calculating IN05. Also, if foreign capital acquires very low values, it is necessary to limit the value of A to 2,78 (Kubíčková, 2015). On the one hand, this model is very beneficial, as it simply applies and removes the subjective selection of indicators and their significance. The disadvantage is that when summarizing the state of the company into one number, information about the causes of business problems and thus the possibility of their elimination is completely lost, however, it is easy to use to quickly determine the financial health of the supplier or purchaser (Scholleová, 2012).

6.2 Quick test (Kralicky quick test)

This model can be classified as bankruptcy models according to Kalouda (2011), as well as among creditworthy models (Mrkvička and Kolář, 2006), so it stands on their border. Usually, the official date of origin is given as 1990. Its construction uses indicators that must not be subject to interference and, in addition, must exhaustively represent the entire information potential of the balance sheet and profit and loss statement. Therefore, one indicator was selected from each of the four basic areas (liquidity, profitability, stability, and economic result) so as to ensure a balanced analysis of both financial stability and the revenue situation (Sedláček, 2011).

It works with the following indicators:

Equity quota (self - financing ratio) = Equity / Assets

“This indicator indicates the capital strength of the company, i.e. whether or not there is an absolute amount of debt in monetary units or as a percentage of total assets. At the same time, it characterizes long-term financial stability and independence. It indicates the extent to which the company is able to cover its needs with its own resources. A very high proportion of own funds may also be the cause of a decline in the return on equity, as it is not efficient for almost all needs to be covered by own funds." (Sedláček, 2011, pp. 105-106)

(Total debt – Short term financial assets) / Operating cashflow

"This indicator informs how long the company is able to pay its liabilities. The cash repayment period together with the equity ratio characterizes the financial stability of a certain company and its reciprocal value informs about solvency." (Sedlacek, 2011, p. 106)

Cashflow in % of sales = Cashflow / Sales

ROA = EBIT / Assets

Creditworthiness is then determined when each indicator is classified according to Figure 1 and the result is then determined as a simple arithmetic average of the marks obtained for each indicator. It is recommended to calculate separately the mark for financial stability and also for the revenue situation separately. The undeniable advantage of this test is its "high speed" of implementation and simplicity.

Indicator	Excellent (1)	Very good (2)	Good (3)	Bad (4)	Insolvency
Equity quota	> 30 %	> 20 %	> 10 %	> 0 %	negative
Time of debt	< 3 years	< 5 years	< 12 years	> 12 years	> 30 years
CF in % of S	> 10 %	> 8 %	> 5 %	> 0 %	negative
ROA	> 15 %	> 12 %	> 8 %	> 0 %	negative

Figure 1. Kralicky Quick test. Rating scale. (Sedláček, 2011, p. 107)

7 SWOT analysis

This analysis should be used to find a certain strategy and way of working of the company. The SWOT analysis monitors the company from 4 perspectives, strengths, weaknesses, opportunities and threats. Strengths characterize the advantage of the company over others, weaknesses characterize the disadvantages compared to others, opportunities indicate elements in the environment that the company could use to its advantage and threats express elements in the environment that could cause difficulties for the company. Both internal and external factors are identified in this analysis. Internal factors may include personnel, finance, manufacturing capabilities, etc. and are considered as strengths and weaknesses. External factors may include macroeconomics, technological change, legislation and sociocultural changes as well as changes in the marketplace. These are considered as threats and opportunities.

8 Scenario method

“In foresight, scenarios represent narratives of alternative futures – the emerging environments in which today´s decision play out – both with intended and unintended consequences”. (UNDP, 2018, p. 31) “To be of a high quality, scenario needs to be credible, internally consistent, interesting and inspiring so it would influence decision-making. Procedure of scenario drafting contains three stages. During the first stage, preparation, objects of study are characterised in depth. Second stage is the creation of scenarios, which is broken down into several steps. In this stage, driving forces are identified, events that shape form of a scenario are identified, then the driving forces are projected, and narrations are prepared. The third stage means the use of scenarios via documentation and formulation of the consequences of alternative scenarios.” (Římanová, 2019, p. 46) In this thesis, the three scenarios will be based mainly on the SWOT and CSR analysis as a base for driving forces and developing the scenarios for 2025.

9 Documents used in financial analysis

The processing of financial analysis requires the acquisition of data, which forms the basis for quality processing and achieving relevant results. The main sources of data for financial analysis are a company's balance sheet, income statement (profit and loss statement), cash flow statement, statement of changes in equity and notes to the financial statement. The annual report also contains a lot of valuable information. Information could be also drawn from reports of the top management of the company itself; reports of managers or auditors; the company production, demand, sales or employment statistics; official economic statistics; stock market news; comments from the professional press; independent evaluations and forecasts (Virgil, 2011; Knápková et al., 2013).

If the company's annual report is unavailable, it is sometimes possible to obtain financial statements in the Commercial Register or to try to search in the database of companies that mediate this information, for example Creditinfo ČR. Relevant information can also be obtained from the internet. The basic premise of financial analysis is knowledge of individual items of financial statements, however, in addition to individual items, it is also necessary to know the interrelationships of statements. It must also be borne in mind that financial statements are primarily prepared for accounting and tax purposes, so the data may not always accurately reflect the economic reality of the company, which is one of the weaknesses of financial analysis (Virgil, 2011; Knápková et al., 2013).

9.1.1 Balance sheet

The balance sheet shows the financial and physical resources available in the company for future business activities. These resources are listed in the balance sheet, but it is not specified how well they will be managed. Therefore, a financial analysis of balance sheet is more useful in analysing the current situation than the future one. The net worth of a business is especially sought after by investors when considering a potential investment. The example, how a simplified balance sheet could look like can be seen in Figure 2.

The main elements of the balance sheet are assets and liabilities. “Assets generally include both current assets (cash or equivalents that will be converted to cash within one year, such as accounts receivable, inventory, and prepaid expenses) and noncurrent assets (assets that are held for more than 1 year and are used in running the business, including fixed assets like property, plant, and equipment; long-term investments; and intangible assets like patents, copyrights, and goodwill). Both the total amount of assets and the makeup of asset accounts are critical to financial analysts.” (Virgil, 2011, p. 574).

“The balance sheet also includes two categories of liabilities: current liabilities (debts that will come due within 1 year, such as accounts payable, short-term loans, and taxes) and long-term debts (debts that are due more than 1 year from the date of the statement). Liabilities are important to financial analysts because businesses have the same obligation to pay their bills regularly as individuals, while business income tends to be less certain. Long-term liabilities are less important to analysts, since they lack the urgency of short-term debts, though their presence does indicate that a company is strong enough to be allowed to borrow money.” (Virgil, 2011, p. 574).

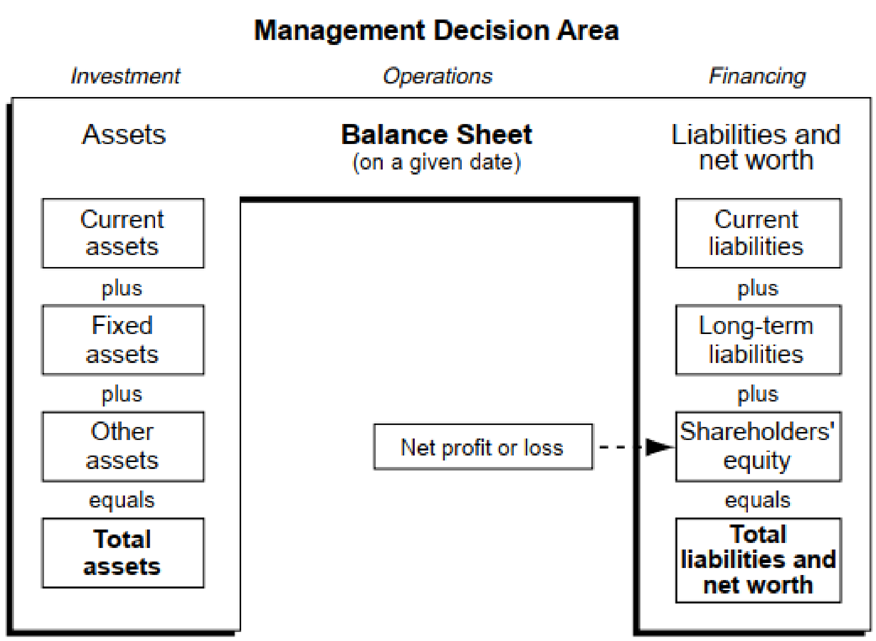

Figure 2. Balance sheet. (Helfert, 2001, p. 40)

9.1.2 Income statement

Income statement shows company's performance over certain period of time. In the income statement can be found revenues and expenses (or costs), where revenue is defined as "the amount of money that the company received from all its activities for the accounting period, regardless of whether they were collected in this period. The costs then represent the amounts of money that the enterprise has effectively spent in the period in order to generate revenue, even though they may not have been actually paid in the same period." (Knápková et al., 2013, p. 37). The simplified income statement could be seen in Figure 3.

The economic result (in form of net income or net loss) of the company is the difference between total revenues and total costs. In the balance sheet, the net gain or net loss increase or decrease owner's equity. In other words, income statement could be expressed as an earning statement, profit and loss statement or operating statement (Helfert, 2001). The income statement is considered as most important source of financial activity of a company (Virgil, 2011).

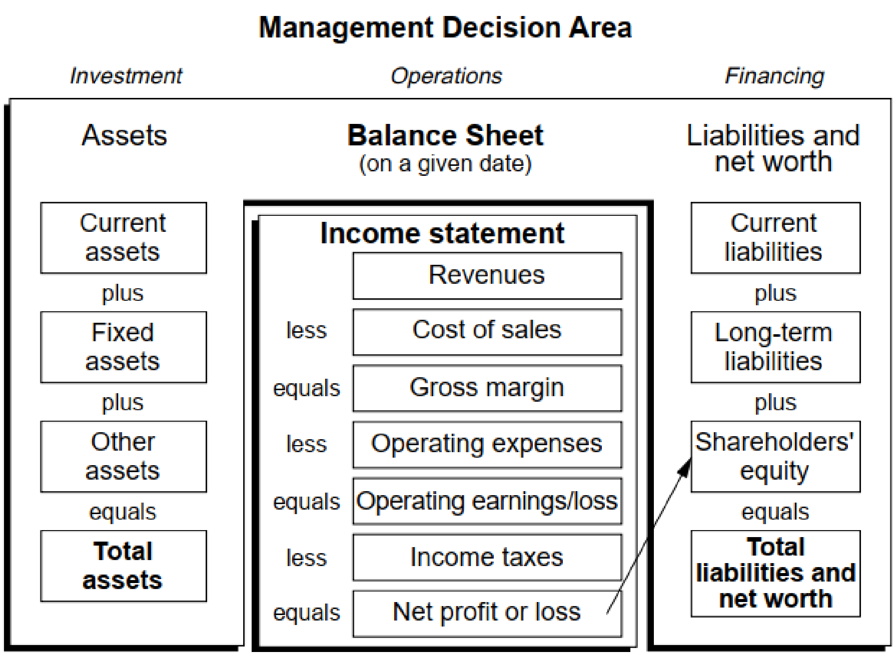

Figure 3. Balance sheet and income statement. (Helfert, 2001, p. 45)

9.1.3 Cash flow statement

The income statement does not describe whether there has actually been a change in cash. This is intended to represent in a cash flow statement, statement of cash flows or funds flow statement. The cash flow statement shows the time flow of income and expenses at the beginning and at the end of the period. If the increase in cash at the end of the time period is higher than at the beginning, this indicates higher revenues than expenditures. Conversely, lower revenues represent a decrease in cash. The company's goal is to maximize profits, however, it is not possible to say "the more, the better" for funds, as too much uninvested funds could mean a financial loss. On the other hand, if a company has "few" resources, it may not be able to simply meet its financial obligations or be prepared for unexpected revenue shortfalls, which could come from e.g. financial crisis (Kubíčková and Jindřichovská, 2015; Helfert, 2001; Knápková et al., 2013).

The cash flow statement is divided into three parts. The first part, operating cash flow, shows how the company performed in the form of income and expenses in its main activity. The second part, cash flow from investing activities, indicates cash flows focused on new investments in the form of fixed assets. The third, last part, cash flow from financing, consists of the management of long-term and short-term sources of financing, including equity. The very basic cash flow statement could be seen in Figure 4.

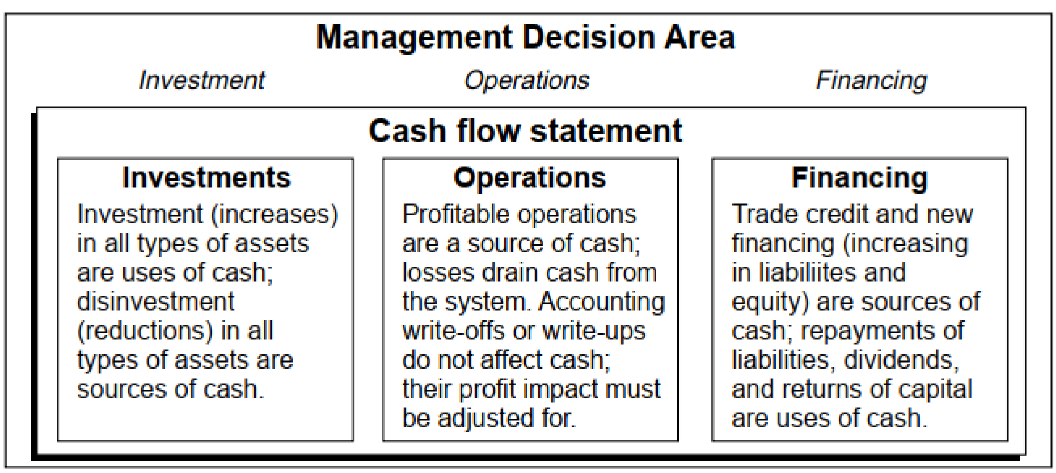

Figure 4. Cash flow statement. (Helfert, 2001, p. 45)

10 Practical part

10.1 Basic information about the company

Name of the firm:	Kofola ČeskoSlovensko a.s.
Legal form:	Join-stock company
Ident. number:	24261980
Residence:	Ostrava – Poruba, Nad Porubkou 2278/31a, 708 00
Entry in the CR:	12.9.2012
Main Activity:	Production, trade and services not listed in Annexes 1 to 3 of the Trade Licensing Act

10.2 Introduction of the company

Kofola Czechoslovakia is part of the Kofola Group, one of the leading producers and distributors of soft drinks in Central and Eastern Europe. In addition to the traditional Czechoslovak market, where Kofola is the leader, it operates in Slovenia, Croatia and Poland, where it tries to become a leader as well. The group produces beverages in ten main plants. There are 4 plants in the Czech Republic, 2 in Slovakia, 2 in Slovenia, 1 in Poland and 1 in Croatia (Kofola, 2019).

Key brands include carbonated drinks Kofola and Vinea, Radenska waters, Studenac, Rajec and Kláštorná Kalcia, Ondrášovka, Korunní, Jupí syrups, drinks for children such as Jupík, Semtex energy drink, UGO fresh juices and salads, Leros teas and Café Reserva coffee. In selected markets, the group distributes Rauch, Evian, Badoit, Vincentka or Dilmah products and produces Royal Crown Cola, Orangina, Rauch or Pepsi under license. The group also produces and distributes carbonated or non-carbonated water as well as syrups under private labels for third parties, mainly for large retail chains. Although the group's portfolio includes more than 30 brands with a large market, the main brand is Kofola. Kofola also joined the HoReCa (Hotels, Restaurants, Caffateries) segment in 2003 (Kofola, 2019).

10.3 Brief history of the company

The earliest mention of Kofola can be considered by Mr. Gustav Hell as at the end of the 19th century, who worked in Opava in the company Hell and Comp, where, in addition to pharmaceutical products and confectionery, Syrupus Colae containing liquid extract of cola seeds was produced. In 1952, the company Galena Opava was founded, which was engaged in the production of medicines, tinctures and the cultivation of plant cultures. The first Kofola also started production in this company, when after 2 years of research doc. RNDr. PfMr. Zdenek Blazek, CSc. found a recipe made from fourteen herbal and fruit substances supplemented with caffeine. This recipee is said to be used to this day. Then, in the 1960s, Kofola's popularity grew so much that herbs ran out and had to be imported from abroad. In the 1970s, annual Kofola production reached 180 million liters. Later in the 1970s, Kofola also found itself in canteens and shops (Kofola.cz, 2020).

After the Velvet Revolution, Kofola saw a slowdown in demand as foreign drinks began to become more accessible. During this period, Kofola often changed owners. In 1993, the Greek native Kostas Samars bought the soda factory of the state enterprise Nealko Olomouc in Krnov and started the production of carbonated drinks. Furthermore, in the 1990s, Kofola expanded. It entered the syrup category with the Jupí brand, bought the registered Top Topic trademark, and started producing Jupík. During this period, the company also entered the Slovak market and began construction of a plant in Rajecká Lesná. Kofola has been in the hands of the Greek Samaras family since 2002, when they bought its trademark for CZK 215 million. In the period 2004-2005, i.e. after 40 years of Kofola's existence, its first innovation, Kofola Citrus, was introduced. Rajec spring water and the traditional Chito Tonic drink also appear in Kofola's portfolio (Kofola.cz, 2020).

In the period 2006 - 2008, Kofola launched a range of 100% natural juices, Jupí fruit drinks, natural spring water with plant extracts from lemon balm - Rajec Bylinka. The company also bought the Vinea trademark and began producing Kofola without sugar. In 2010, Kofola made the largest sales in its history, and therefore invested CZK 10 billion in expanding production to Slovakia. In 2011, Kofola introduced the Semtex and Erektus energy drinks to the market, and Kofola began to be bottled into cans. In 2012, the company was renamed to Kofola

ČeskoSlovensko, a.s., in the same period the production of infant water Rajec began. The sweetening of the stevia was also newly used. That year, Kofola was involved in the purchase of Freshbars UGO, where it acquired a majority stake, and it also purchased technology for the high-pressure treatment of food, which is called pascalization. 100% fresh UGO fruit and vegetable juices treated with pascalization were launched on the market in 2013. In that year, Kofola became the exclusive distributor of premium French mineral waters Evian and Badoit (Kofola.cz, 2020).

2014 was the year of the acquisition of Mangaloo, making UGO the largest operator of the Freshbar network. The traditional Vincentka mineral water was added to the distribution network. In 2015, the apricot flavor of Kofola was introduced. That December, Kofola was also listed on the Prague Stock Exchange (PSE). Initial Public Offering (IPO) was about 1,5 million stocks and the issued price was 510 per stock. In this way, Kofola raised funds for further acquisitions. For a long time, the company did not know which market to enter. Whether on the stock exchange in Warsaw, London, Germany or Prague. In the end, the decision was made to enter PSE, because the product, which is produced in the Czech Republic and Slovakia, should also be traded on the Czechoslovak market (Jahoda, 2017).

In 2016, Kofola enters the Croatian market when it takes over the PepsiCo distribution under Radenska and buys three new traditional brands from Badel - Voćko, Nara and Inka. At the end of the year, the company decided to expand with Studenac company and bought it. In 2017, the Polish brand of natural syrups and juices Premium Rosa was welcomed, the network of Freshbars and Saleterias UGO bought the production of fresh salads from the Titbit company, and the same year the Royal Crown Cola was re-launched. In 2018, Jannis Samaras resigned from the position of CEO so that he could focus on the future and direction of the entire group, and Daniel Buryš became the new CEO. That year saw the acquisition of the producer of herbal teas and mixtures of medicinal plants LEROS and Kláštorné, mineral water. In 2019, Kláštorná Kalcia was launched on the Slovak market, and a herb purchase was opened under the LEROS banner. The company also bought Espresso, the premium coffee maker Café Reserva and the distributor of Sri Lankan teas DILMAH. In 2020, the company enters the segment of ciders and lemonades, where it buys the Czech manufacturer F.H. Prague. In the same year, Kofola acquires a 100% stake in Karlovarská Korunní and Ondrášovka, thus expanding its portfolio with traditional Czech mineral water brands (Kofola.cz, 2020).

11 Kofola and CSR

As the annual report states: "Sustainability and CSR (Corporate Social Responsibility) activities are not a new topic at Kofola. Since 2010, the company has been intensively dealing with topics such as water protection, local production, waste minimization and carbon neutrality." (Kofola, 2019)

The approach to the sustainability of the company is divided into four pillars:

- CzechoSlovakia
- Adriatic
- UGO
- LEROS

Non-financial topics that are important to the Group's business are divided into 5 parts.

1. Environmental issues
2. Social issues:
    a. Product benefits
    b. Healthy lifestyle
    c. Transparency and responsible marketing
3. Our people (employment issues)
4. Human rights and anticorruption issues
5. Respect to local tradition and environment

11.1.1 Environmental issues

As is written in the 2019 annual report, Kofola is aware that the current trend is in sustainability and considers it important to find a balance between business sustainability and environmental impacts. This means how to produce quality products that customers love while being as environmentally friendly as possible. In order not to contribute to environmental degradation, Kofola invests in modern technologies and product lines that increase efficiency and minimize the need to use energy or water. It also invests in water intakes to guarantee quality and protection against any contamination. Kofola's goal is: "to maintain what is the best, what comes straight from nature and provide all their customers with a unique natural experience". (Kofola, 2019, p. 41).

Kofola's management is aware that future development is very difficult to predict, but if the action is not taken quickly and effectively, the environment will change irreversibly. Therefore, its aim is to eliminate CO_2 emissions to minimum and offset the rest, so in long term horizon being 100 % carbon neutral from its operations presumably by 2030 (Kofola, 2019).

There are 5 biggest challenges for the Kofola Group:

- Carbon footprint
- Packaging
- Waste reduction
- Water protection
- Biodiversity and conservation

Carbon footprint

As was stated before, Kofola wants to be carbon neutral by 2030. Key factors are now being analyzed and a strategy is being developed to achieve this ambitious goal (Kofola, 2019).

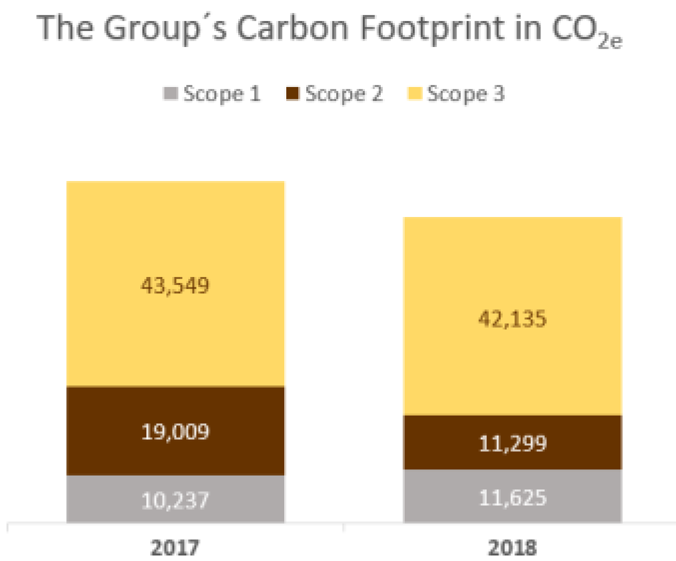

Figure 5. The Group's Carbon Footprint in CO2e. (Kofola, 2019)

In 2018, CO_{2e} reached 18 % in Scope 1 (in Figure 5), which are emissions from sources that are owned or controlled by the organization. Scope 2 (emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the organization) were 17 % and Scope 3 were 65 %, which are emissions that are a consequence of the operations of an organization, but are not directly owned or controlled by the organization (Kofola, 2019).

Because the carbon footprint area is very complex and not all factors are equally important, the company has identified the 20 most important factors that have the greatest impact and which are most effective in meeting the ratio of effort and outcome gained. These factors are monitored, analyzed and taken into account in building a Carbon Footprint Reduction Strategy (Kofola, 2019).

In its report (Kofola, 2019), Kofola presents 5 TOP CO_2 footprint factors:

1) Electric energy (25% of Group's CO_2 footprint) - In 2019 and 2020 the Group provided 100 % green energy that is used in Slovakia and 20 % green energy for the Czech Market.

2) Fuel consumption (22 % of the Group's CO_2 footprint) - Kofola has a system for monitoring the fuel consumption of cars, also has shared cars and supports a form of emission-free transport, such as trains. CNG run fleet of cars, which is the largest in Central Europe, also plays a significant part in reducing CO_2 emissions. The goal for 2020 is to further increase car fleet run on CNG.
3) Sugar supply (13 % of Group's CO_2 footprint) –In the statement it is written that Kofola will coperate with local suppliers for local sugar production and more eco-friendly transport.
4) PET preforms supply (9 % of Group's CO_2 footprint) – More eco-friendly transport with main supplier. In 2019 50 % of rPET in Kláštorná Kalcia that cut the emission significantly – it is planned to rise to 100 % rPET for Klášterná Kalcia. The focus is also on non-plastic packaging for especially drafted products such as syrups and returnable glass.
5) Natural Gas Consumption (7 % of Group's CO_2 footprint) – Monitoring system is set and Kofola invest into technologies and programmes to reduce the amount of consumption.

Packaging

In the field of packaging, Kofola wants to achieve 100% recyclability of packaging or biodegradable packaging by 2025. In 2019, this target was met by 90 %, however, a biodegradability analysis is not available. Furthermore, Kofola set a target of 20 % of products in returnable multi-use packaging by 2025. In 2019, Kofola had 16 % soft drinks in reusable packaging (Kofola, 2019).

The issue of packaging is nowadays where Kofola's attention is the most, because in today's world it is one of the most discussed themes and one key indicator for the beverage industry. Everyone in the food industry is trying to find solutions to get products to meet all hygiene standards, be sustainable and eco-friendly. According to Kofola, plastic packaging and its reuse, upcycling and downcycling are ideal. Kofola is also very confident that in 2020 the majority of products (over 90%) will be in fully recyclable packaging. Kofola also believes that the best packaging is no packaging at all when applying a policy of reduce, reuse, recycle. The greatest attention in packaging is paid to the following factors:

a) "Zero waste" packaging – Focused on drafted products, for which 75 million 0.5 l of PET bottles are saved annually.
b) Saving packaging – Focused on syrups, where 247 million bottles are saved compared to selling ready to drink beverages. The goal is to reduce the weight of PET bottles, which can reduce the use of granules.
c) Returnable bottles – The Group has over 16 % of soft drinks sold in returnable packaging and the aim is to get this number to 20 % in next 5 years (Kofola, 2019).

LEROS herbal tea mixtures, where the ratio between waste and final liquid is most favourable for Kofola Group is also important to mention. In 2019 new tea production line for non-metal ways of closing the teabags was implemented, so it saves 768 km of aluminium wire. Most of the teas are compostable (Kofola, 2019).

Waste reduction

In Slovakia, the deposits system of returning plastic bottles will be implemented in January 2022 and Kofola is an active member in building this system. At UGO Salateries and Freshbars, Kofola reduces disposable plastics by investing into multi-use glasses, porcelain plates and metal cutters for eating inside. This expects to save at least 32 tonnes of plastic waste by 2020 (cumulatively from 2018). Kofola also motivates customers to bring their own mugs or lunch-boxes and plans to launch its own range of tumblers and lunchboxes for takeaway orders in 2020. Kofola also undertook to invest 1 CZK per every cup to restoration of species in the Czech forests. In 2019, it saved 30,128 single use cups, which represents 542 kg of disposable plastics that did not have to be used. At this point, Kofola wants to reduce the use of disposable plastics in UGO production plants by 15 tons in 2020 compared to 2018 and expects to double this goal. In 2019, Kofola focused on "Zero Waste" in their office buildings. The effort was to replace all disposable items with more sustainable items and to add waste-sorting systems to all offices. This also includes a reduction in the use of batteries, for example in wireless computer mouses. In Ostrava and Prague vermicomposters were introduced (Kofola, 2019).

Water protection

Kofola's business is very dependent on water resources, therefore it is vital to monitor all operations connected to water. Kofola is monitoring the use of water per one liter of produced drink and this number is constantly decreasing. The aim is to maximally protect water resources and prevent the drying out of nature. In the following years, Kofola is looking for a relevant project to retain water in the landscape, which it could actively support. In its annual report, Kofola also states that it strives to protect water resources even more than the law requires, not only for itself, but also for others. In Rájecká dolina (Rajec water source) conditions are now being prepared for the entry of this region into the so-called "Bio-Organic" certification (Kofola, 2019).

Biodiversity and Conservation

Kofola's vision is to replace all "unknown" materials with known and local ones, i.e. to know exactly where a given raw material comes from, from which farmer and from what locality. The key goal for Kofola is therefore a quality product with ingredients that are known to come from. In the area of LEROS teas, Kofola "took the reins" and began growing their own herbs, specifically chamomile, which were then manually collected. Now Kofola is focusing on Bio-certification in Slovácká dolina for wild herbs. Cooperation with local farmers is also an important part of fresh business in UGO. You can already find where the ingredients come from on the UGO juices labels. The vision is to have a "birth certificate" for all fresh ingredients. Last but not least, care is taken in the selection of raw materials, where suppliers are strictly checked to guarantee that the raw materials have been grown in a sustainable way (Kofola, 2019).

11.1.2 Social Issues

Kofola wants to have products for all consumer groups. Kofola would like to push further into eating / drinking healthier. Kofola always has clear information about the nutritional value on products and also offers a portfolio that includes healthy choices for almost all products. Not as a competition, Kofola believes that the future does not lie in replacing sugar with another artificial sweetener to maintain sweetness. Kofola further believes that the trends will be healthier products with natural ingredients and reduced sugar content. This is one of the reasons why sugar-free Kofola exists (Kofola, 2019).

Internally, Kofola divides the socal impacts of its business into 3 categories:

a) Product benefits
b) Healthy lifestyle
c) Transparency and responsible marketing

a) Product benefits

Research from 2018 shows that sweetener used in drinks is important for more than 20% of respondents. The traditional recipe and naturalness of beverage came in first place in the given research. This is also related to the fact that the key products for Kofola are traditional drinks with a traditional recipe, which they have had for many years, and therefore the recipe is very difficult to change. Nevertheless, Kofola is trying to introduce new products, for example with a lower sugar content wherever possible. In other products, where it is not a defect in the taste profile, it tries to reduce the amount of sugar, for example in children's drinks, where it first came with water-based children drinks that have 50% les sugar than traditional drinks for children. Thanks to the use of stevia sweetener caloric value could be reduced by 40% and in 2018 it reduced the sugar content in all flavored waters Rajec by 20% (Kofola, 2019).

In its annual report (2019), Kofola identified the following areas to focus on:

- Kofola participates in the goals of the European soft drinks industry (UNESDA), of which it is not a member, however, it has committed itself to reducing the added sugar in their products by 10% by 2020 (compared to 2015).
- Preservatives – Kofola's goal is to have all products without preservatives by 2020 except for those products where it is impossible due to technological reasons. Kofola uses various preparation methods, such as "Hot Filling" technology for PET, aseptic lines for flavoured waters and, for example, pascalization, thanks to which all the nutritional values of fruits and vegetables remain in UGO juices.
- Kofola does not use aspartame in its products and is trying to improve recipes to replace all artificial colourings and aromas with those prepared on a natural basis. In 2019 Kofola launched BIO teas LEROS. Not only is organic quality important for Kofola, it is also involved in a project that is approved by the Czech State Institute for Drug Control (SUKL).
- Tradition – As the owner of many local and traditional brands, Kofola adheres to traditional recipes unchanged for future generations.
- Traceable ingredients – Kofola will strive to achieve this in the near future. It can already be seen where the ingredient comes from on UGO bottles and Kofola's vision is to have a "birth certificate" for all fresh ingredients.

b) Healthy lifestyle

Sugar in beverages is often cited as a very important factor in increasing obesity in the population. In report (2019), Kofola states that ‘there is nothing to be afraid of’ if one drinks with "balance" and regularly engages in physical activity. Therefore, Kofola supports free time activities for kids and adults, sporting events (running - Marathon of three hearts), cycling and local sports associations. For UGO sugar is not a problem, as natural sugar is part of the fresh or fruit and vegetable products. In UGO Kofola has product portfolio by professional chefs and nutritional specialist to deliver the healthy products. Kofola employees are also active in various organizations such as Food Chambers or Soft Drink Producers' associations. In 2019 started the campaign "The story of herbs", where Kofola wants to educate consumers about the natural power of herbs which contribute to healthier lifestyle.

c) **Transparency and responsible marketing**

Kofola is transparent when it provides various information about its business that exceeds the required standards. Kofola also shows all information about their products, about nutritional values and ingredients. Kofola also adheres to the non-delivery of beverages into primary and secondary schools and also does not advertise any soft drinks to children under 12 years. Kofola also decided not to sell a drink with more than 4g / l of sugar to children at schools.

11.1.3 Employment issues

Kofola's business model is based on employees. The most important areas for employment strategy are:

- Good experience with Kofola as an employer (healthy and safe working environment, good reputation of the company).
- Alignment with the mission and vision of the Group.
- Attractive product portfolio.
- Family company culture.
- Personal and professional development and education (Kofola, 2019).

According to the report (Kofola, 2019), the biggest challenges on the labour market for Kofola nowadays and in the future are:

- **Find and retain quality employees** - Kofola has a non-discriminatory and transparent reward system. Offers Christmas gifts, wedding bonuses, rewards for seniority, gifts for children, Multisport cards etc. Kofola is also involved in programs and activities. It supports blended learning, it has opened Kofola Leadership, Kofola Management, Internal Coach Education, Field Sales support Program, Team Development Program for Manufacturing and Warehouse Managers Programs and individual coaching sessions.
- **Demographic development of working population –** To ensure a sufficient number of qualified and motivated employees, Kofola focuses on cooperation with schools and thus creates potential, for example through the "Kofola Kreaton" program, where the best innovative product is sought among students of high schools and universities.

- **Multigenerational and multicultural working teams –** Kofola has and cherishess open multicultural and age diverse environment that does not discriminate on the basis of gender, age, race or any disability. It also has a special age management courses starting in 2020 in the Adriatic region.
- **Legislation and social, labour and tax policy in the countries of operation –** Kofola has a team of trained professionals that follow all legislative processes and prepare the companies for changes in advance.

Kofola has transparent HR processes. It strives to be a responsible company that treats its employees fairly and equitably. In this sector Kofola made some active steps in Adriatic region, where it increased number of employed women by 6 % from 2015. In Slovenia in 2019 it obtained Family Friendly Company Certificate, which is about socially responsible acting and balancing professional and private lives of employees. In 2017 Kofola started with the project KofoMami which aims at employees on parental leave, in survey 75% of fathers / mothers wants to be in contact with the company and 97% are satisfied with this project. There was also satisfaction survey at Kofola in 2019 in CzechoSlovak with these selected results:

1) 85 % employees are satisfied with their working environment.
2) Over 66 % are satisfied with their evaluation.
3) 97 % think that approach of Kofola to environment is important.
4) There is a growing satisfaction with experience in working at Kofola compared to 2015.
5) If the company disappear, public would miss its products.
6) Employees would miss the colleagues.
7) 5 words defining Kofola – drinks, love, emotions, traditions and people.
8) Why people work for Kofola – traditional Czech brand, good work opportunity, close to home and opportunity to learn something new.
9) Why people still work at Kofola – job description, colleagues, financial evaluation, stability and distance to work.
10) Rate of recommendation of work in Kofola Is 7,4/10.
11) 76 % of people rate Kofola as employers with the best or second-best mark (Kofola, 2019).

Nowadays Kofola wants to conduct similar surveys also in other business pillars to set the benchmark. Kofola also has some ‘hard data’. The company cut employees fluctuation by 1/3 in 2 years, has less costs for recruiting and onboarding new employees and is in the top 10 employers according to the Randstad Awards in the Czech Republic (Kofola, 2019).

There are also goals which Kofola would like to achieve. First is Employment image, where Kofola would like to have over 80 % of employees satisfied. In survey mentioned above it has 85 % satisfied with their work environment. And second is limit fluctuating to 15 %, where it cut the fluctuation in the past 2 years from 24 % to 17 % (Kofola, 2019).

11.1.4 Human rights and anticorruption issues

Kofola states in its report (2019) that human rights are integral part of their national legislation and any violation is penalized. The above is also mentioned in all job contracts. Also, in a survey 90% of employees stated that they feel confident to refer to their superiors and 95% knew whom to go when there is some problem. From 2020 it will be stated in procurement policy that everyone involved accepts principles of advanced civilizations, especially in terms of respect of human rights. Concerning corruption, Kofola contributes to the National Anticorruption Fund in the Czech Republic. Kofola also has a strong policy in regard to not accepting bribes, it also follows a pro-curement policy and has at least 2 members of staff when there is a contract to be signed. According to Kofola’s survey, 95% of employees value and respect their superior managers therefore people believe and trust them.

11.1.5 Respect to local tradition and environment

Kofola focuses on local culture and traditional brands. Kofola also believes that a close relationship (of a local supplier and Kofola) can benefit the whole community and thus make it much more resistant to macroeconomic or global excesses. In the LEROS segment Kofola aims to increase the percentage of herbs bought from local farmers and also would like to expand BIO organic line of herbal products. In Rajecká dolina Kofola would like to certify the surrounding areas as a ‘BIO region’. The vision is to have BIO beehives with BIO honey for usage in their products and for helping the grow of herbs.

Kofola wants to be ‘good neighbour’. That means that it is participating or supporting regions in which it operates, building there playgrounds, developing communications infrastructure or supporting local non-governmental organisations. In 2019 Kofola supported over 1000 regional sport, gastronomy or cultural activities that applied for support.

Kofola in 2016 also started an internal project “Give happiness” which it repeats every year since then. The principle is that everyone could suggest a project that they would like to be supported and then the jury of employees selects which project should the company support.

11.1.6 Summary of CSR and author’s opinion

Kofola has mostly clearly stated and defined goals and points that it wants to achieve in its CSR. Sometimes general and vague, almost meaningless words are used, however, a consistent clearly stated vision for the future prevails. There are no one-off events (charitable activities), the concept is long-term, strategically and systematically managed. Sustainability is ‘trendy’ almost everywhere nowadays, mostly around the young people, which Kofola is probably also targeting and this tactic could possibly bring new customers. According to the author, this policy cannot be considered as a greenwashing, although it is very difficult to measure, as not all points are always included in the reports, for example for CO_2 emissions and other sources. The author could not find anything else relevant on webpage or in public statements. On the other hand, in reports and on websites, sections dealing with these activities can be clearly and concisely found. Overall, the author evaluates CSR politics as positive for the company, as clearly defined, measured goals in this area prevail and that the amount of activities Kofola does shows that they are trying to reach the set objectives.

Also, there was a research from Smolková (2020) concerning social responsibility of Kofola. In a questionnaire survey more than half of the respondents (62 %) stated that they considered Kofola to be socially responsible. Within the remaining 38%, a large proportion of respondents who justified their answer were lacking information, so it can be assumed that the 38% only did not register that the company was engaged in CSR activities and therefore did not consider it socially responsible. These data might show, that Kofola is doing well in case of spreading the awareness about the CSR but is not regarding the CSR itself, that means how effective and beneficial the CSR really is.

The major issues about Kofola's CSR is plastic packaging and sugar intake according to Štarman (2015). He conducted a research about why Kofola should not be held socially responsible. The most mentioned reasons were the use of plastic packaging (28 % of respondents consider it as a problem) and the production of sweetened beverages contributing to obesity (60 % of respondents consider it as a problem). It is also relevant to note, that Kofola knows about these issues and it is aiming to its solution (see chapter 11.1.1 and 11.1.2).

12 Absolute indicators

12.1 Horizontal analysis of assets and liabilities

In thousands CZK / Period	2015/2016		2016/2017		2017/2018		2018/2019	
Assets / Change	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.
Assets total	**-471131**	**-5,5 %**	**-1441015**	**-18,0 %**	**-15838**	**-0,2 %**	**353408**	**5,4 %**
Non-current	**-179861**	**-3,5 %**	**-129668**	**-2,6 %**	**-437362**	**-9,1 %**	**45165**	**1 %**
Property, plant and equip.	-66369	-1,9 %	-57732	-1,7 %	-424938	-12,6 %	167064	5,6 %
Goodwill	0	0 %	0	0 %	7165	8,3 %	12039	12,9 %
Intangible assets	-12432	-1,1 %	-73902	-6,3 %	-3566	-0,3 %	-97692	-9,3 %
Investment in associate	-88139	-56,5 %	2478	3,7 %	-3366	-4,8 %	n/a	n/a
Other receivables	-5206	-9,2 %	19561	38,2 %	48256	68,3 %	44559	37,5 %
Other non financial assets	-12393	-83,6 %	-123	-5 %	-56	-2,4 %	-25	-1,1 %
Deferred tax assets	4678	4,8 %	-19950	-19,7 %	-28757	-35,3 %	-13886	-26,3 %
Current assets	**-291270**	**-8,6 %**	**-1311347**	**-42,2 %**	**421524**	**23,5 %**	**308243**	**13,9 %**
Held for sale	108209	3086,4%	-111715	-100 %	n/a	n/a	n/a	n/a
Inventories	-15653	-3,1 %	9068	1,9 %	1595	0,3 %	-10790	-2,2 %
Trade and other receivables	147228	15,8 %	-87525	-8,1 %	100880	10,1 %	151999	13,9 %
Income tax receivables	-12060	-74,3 %	10245	245,6 %	-10657	-73,9 %	11839	315 %
Cash and equivalents	-518994	-26,8 %	-1131420	-79,6 %	329706	113,9 %	155195	25,1 %

Figure 6. Horizontal analysis of assets. Own processing based on financial statements.

Within the horizontal analysis, absolute and relative changes in the balance sheet are prepared, both in assets and liabilities, see figures 6 and 7. Some items are intentionally omitted from the description because they are not given much importance. All data were calculated from the company's financial statements, which can be found in Appendix.

The value of the company's assets (balance sheet total) for the observed period 2015-2018 decreased every year, specifically in the period 2015/2016 by 5,5 %, 2016/2017 by 18 % and 2017/2018 by 0,2 %. This decrease replaced the increase in the company's assets in 2018/2019, when assets grew by 5,4 %.

Non-current assets also recorded a decrease in 2015-2018, when the largest number was contributed by 2017/2018, a decrease of 9,1 %. The most important assets in fixed assets are (financially most significant) properties, plant and equipment, which recorded the largest decrease in 2017/2018, namely by 12,6 %. On the contrary, the year 2018/2019 ended for property, plant and equipment in positive values, + 5,6 %.

Current assets for the period 2015-2017 decreased, in the first part by 8,6 % and in the second part by a considerable 42,2 %. On the contrary, in 2017 and 2019 it grew initially by 23,5 %, then by 13,9 %. The most financially significant items in current assets are inventories, trade and other receivables and cash and cash equivalents. The value of inventories fluctuated as it decreased in the first and fourth periods and increased in the second and third periods. Trade and other receivables decreased only in the period 2016/2017 by 8,1 %, on the contrary in other periods it increased by 15,8 %, 10,1 % and 13,9 %. The last item of assets analyzed, cash and cash equivalents, decreased significantly by 26,8 % and 79,6 % in the first two periods, however, there was a sharp turnaround, when the decrease was replaced by an increase of 113,9 % and 25,1 % in the following periods.

In thousands CZK / Period	2015/2016		2016/2017		2017/2018		2018/2019	
Liabilities and Eq. / Change	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.
Liabilities total and equity	**-471131**	**-5,5 %**	**-1441015**	**-18,0 %**	**-15838**	**-0,2 %**	**353408**	**5,4 %**
Eq. attributable to owners	-73616	-2,6 %	-758902	-27,7 %	-446001	-22,6 %	46628	3,1 %
Share capital	0	0 %	0	0 %	-1114903	-50 %	0	0 %
Share prem. and cap. reserve	0	0 %	0	0 %	0	0 %	0	0 %
Other reserves	-9574	-0,5 %	-27009	-1,3 %	389791	19 %	24561	1,0 %
Foreign curr. translation res.	-785	-0,5 %	-128895	-77,7 %	-8076	-21,8 %	4057	14 %
Own shares	915	n/a	-490650	53623%	1357	-0,3 %	44	0 %
Retained earnings	-62342	-21,4 %	-112348	-49,1 %	-332501	-285,2 %	636297	240,9 %
Eq attribut. to non-control int.	**-46337**	**-94,1 %**	**-6580**	**-227,2%**	**-4472**	**121,4 %**	**-8324**	**102,1 %**
Total equity	**-119953**	**-4,2 %**	**-765482**	**-27,9 %**	**-450473**	**-22,8 %**	**38 304**	**2,6 %**
Non-current liabilites	**-170312**	**-9,7 %**	**275295**	**17,4 %**	**709940**	**38,3 %**	**228644**	**8,7 %**
Bank credits and loans	-114005	-11,5 %	600170	68,2 %	827941	55,9 %	-79267	-3,4 %
Bonds issued	1187	0,4 %	-327072	-100 %	n/a	n/a	n/a	n/a
Finance lease liabilities	-32325	-16,2 %	-54428	-32,5 %	-24579	-21,8 %	226108	256,1 %
Provisions	2062	8,3 %	58481	216,6 %	-51420	-60,2 %	3537	10,4 %
Other liabilities	-31978	-66,8 %	-15925	-100 %	28470	n/a	41938	147,3 %
Deffered tax liabilities	4747	3 %	14069	8,6 %	-70472	-39,9 %	36328	23,5 %
Current liabilities	**-180866**	**-4,7 %**	**-950828**	**-25,7 %**	**-275305**	**-10 %**	**86460**	**3,5 %**
Bank credits and loans	34918	2,1 %	-990698	-59,2 %	-76730	-11,3 %	178505	29,5 %
Bonds issued	11	0,3 %	328845	8965 %	-332513	-100 %	n/a	n/a
Finance lease liabilities	3003	5,4 %	-1030	-1,8 %	-10083	-17,5 %	57905	121,9 %
Trade and other payables	-206660	-10,4 %	-148352	-8,3 %	66725	4,1 %	-200772	-11,8 %
Income tax liabilities	16163	1155,3%	-12262	-69,8 %	33636	634,6 %	20484	52,6 %
Other financial liabilities	10916	n/a	-10916	-100 %	n/a	n/a	n/a	n/a
Provisions	-39217	-20 %	-116415	-74 %	43660	107 %	30338	35,9 %
Total liabilities	**-351178**	**-6,2 %**	**-675533**	**-12,8 %**	**434635**	**9,4 %**	**315104**	**6,2 %**

Figure 7. Horizontal analysis of liabilites. Own processing based on financial statements.

Figure 7 shows horizontal analysis of liabilites[3]. According to figure 7 the **total value of liabilities** (**balance sheet total of liabilities**) in the period 2015-2018 decreased in the same way as for assets, i.e. in the period 2015/2016 by 5,5 %, in 2016/2017 by 18 % and in 2017/2018 by 0,2 %. On the contrary, an increase was recorded in 2018/2019 by 5,4 %.

[3] The values in the table highlighted in gray mean, that the calculated value is positive (that means increase in loss or increase in negativity of an item) and negative value means decrease in loss (or decrease of negativity of an item).

Total equity decreased in all periods except the last in the period 2018/2019, where it grew by 2,6 %. In previous periods, it decreased by 4,2 %, 27,9 % and 22,8 % chronologically.

Another significant item is **non-current liabilities**, which fell by 9,7 % in the first period under review, but all subsequent periods increased by 17,4 %, 38,3 % and 8,7 %. Of the non-current liabilities, which had the largest financial impact on the final result, which are bank credit and loans, where a decrease of 11,5 % was recorded in the period 2015/2016, however, in subsequent periods this decrease is followed by increases of significant 68,2 % in 2016 / 2017, and by 55,9 % in 2017/2018. In 2018/2019, the growth of bank credit and loans reached a level of calm decline of 3,4 %. The item financial lease liabilities also had a significant effect on the company's financial situation, recording 3 consecutive decreases in the periods 2015/2016 by 16,2 %, 2016/2017 by 32,5 % and 2017/2018 by 21,8 %. In the following period, however, the item finance lease liabilities increased by a respectable 256,1 %.

Current liabilities decreased by 4,7 % in 2015/2016, by 25,7 % in 2016/2017 and by 10 % in 2017/2018. In 2018/2019, the current liabilities item was already kept in a positive balance by 3,5 %. Financially significant indicators in this section also include bank credits and loans and trade and other payables. Bank credits and loans initially grew by 2,1 % in 2015/2016, followed by 2 decreases in 2016/2017 and 2017/2018 by 59,2 % and 11,3 %. In 2019, they grew by 29,5 %. Trade and other payables recorded a decrease of 10,1 % in 2015/2016, a further decrease of 8,3 % in 2016/2017, an increase in 2017/2018 by 4,1 % and a decrease of 11,8 % in 2018/2019.

12.2 Vertical analysis of assets and liabilities

In thousands CZK / Period	2015/2016		2016/2017		2017/2018		2018/2019	
Assets / Change	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.
Assets total	**8019883**	**100 %**	**6578868**	**100 %**	**6563030**	**100 %**	**6916438**	**100 %**
Non-current	**4915863**	**61,3 %**	**4786195**	**72,8 %**	**4348833**	**66,3 %**	**4393998**	**63,5 %**
Property, plant and equip.	3442624	42,9 %	3384892	51,5 %	2959954	45,1 %	3127018	45,2 %
Goodwill	86302	1,1 %	86302	1,3 %	93467	1,4 %	105506	1,5 %
Intangible assets	1164092	14,5 %	1090190	16,6 %	1054524	16,1 %	956832	13,8 %
Investment in associate	67782	0,8 %	70260	1,1 %	66894	1 %	n/a	n/a
Other receivables	51142	0,6 %	70703	1,1 %	118959	1,8 %	163518	2,4 %
Other non financial assets	2440	0 %	2317	0 %	2261	0 %	2236	0 %
Deferred tax assets	101481	1,3 %	81531	1,2 %	52774	0,8 %	38888	0,6 %
Current assets	**3104020**	**38,7 %**	**1792673**	**27,2 %**	**2214197**	**33,7 %**	**2522440**	**36,5 %**
Held for sale	111715	1,4 %	n/a	n/a	n/a	n/a	n/a	n/a
Inventories	485440	6,1 %	494508	7,5 %	496103	7,6 %	485313	7,0 %
Trade and other receiv.	1081680	13,5 %	994155	15,1 %	1095035	16,7 %	1247034	18, %
Income tax receivables	4171	0,1 %	14416	0,2 %	3759	0,1 %	15598	0,2 %
Cash and equivalents	1421014	17,7 %	289594	4,4 %	619300	9,4 %	774495	11,2 %

Figure 8. Vertical analysis of assets. Own processing based on financial statements.

Vertical analysis will monitor the ratio of assets and liabilities to the total assets or liabilities. Figure 8 shows the relationship of individual assets to total assets. The largest share in the balance sheet is represented by **non-current assets**, which gradually represented 61.3 % in 2015/2016, in 2016/2017 their volume increased to 72,8 %, then in the following years it decreased to 66,3 % until last year to 63,5 % share of total assets. The most significant item of non-current assets is property, plant and equipment, which has fluctuated steadily around 50 % of the share for all monitored periods. Another significant item of non-current assets are intangible assets, which hovered around 15 % of the share for all periods under review.

Currents assets occupied 38,7 % in 2015/2016, 27,2 % in 2016/2017, 33,7 % in 2017/2018 and 36,5 % in the last period 2018/2019. Numerically, the most significant items from current assets were trade and other receivables, which gradually grew from 13,5 % to 18 %, and the item cash and cash equivalents, which showed a share of 17,7 % in 2015/2016, in 2016/2017 decreased to a mere 4,4 % and then increased to 9,4 % and 11,2 % for the next 2 periods.

In thousands CZK / Period	2015/2016		2016/2017		2017/2018		2018/2019	
Liabilities and Eq. / Change	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.
Liabilities total and equity	**8019883**	**100%**	**6578868**	**100%**	**6563030**	**100%**	**6916438**	**100%**
Eq. attributable to owners	2736572	34,1%	1977670	30,1%	1483402	22,6%	1530030	22,1%
Share capital	2229500	27,8%	229500	3,5%	1114597	17%	1114597	16,1%
Share prem. and cap. reorg. res.	-1962871	-24,5%	-1962871	-29,8%	-1962871	-29,9%	-1962871	-28,4%
Other reserves	2075994	25,9%	2048985	31,1%	2438776	37,2%	2463337	35,6%
Foreign curr. translation res.	165925	2,1%	37030	0,6%	28954	0,4%	33011	0,5%
Own shares	915	0%	491565	7,5%	490208	7,5%	490164	7,1%
Retained earnings	228939	2,9%	116591	1,8%	264177	4%	372120	5,4%
Eq attribut. to non-control int.	2896	0%	3684	0,1%	8156	0,1%	16480	0,2%
Total equity	**2739468**	**34,2%**	**1973986**	**30%**	**1475246**	**22,5%**	**1 513 550**	**21,9%**
Non-current liabilites	**1580357**	**19,7%**	**1855652**	**28,2%**	**2613859**	**39,8%**	**2842503**	**41,1%**
Bank credits and loans	880318	11%	1480488	22,5%	2308429	35,2%	2229162	32,2%
Bonds issued	327072	4,1%	n/a	n/a	n/a	n/a	n/a	n/a
Finance lease liabilities	167295	2,1%	112867	1,7%	88288	1,3%	314396	4,5%
Provisions	27002	0,3%	85483	1,3%	34063	0,5%	37600	0,5%
Other liabilities	15925	0,2%	n/a	n/a	28470	0,4%	70408	1 %
Deffered tax liabilities	162745	2%	176814	2,7%	154609	2,4%	190937	2,8%
Current liabilities	**3700058**	**46,1%**	**2749230**	**41,8%**	**2473925**	**37,7%**	**2560385**	**37%**
Bank credits and loans	1672723	20,9%	682025	10,4%	605295	9,2%	783800	11,3%
Bonds issued	3668	0%	332513	5,1%	n/a	n/a	n/a	n/a
Finance lease liabilities	58603	0,7%	57573	0,9%	47490	0,7%	105395	1,5%
Trade and other payables	1779351	22,2%	1630999	24,8%	1697724	25,9%	1496952	21,6%
Income tax liabilities	17562	0,2%	5300	0,1%	38936	0,6%	59420	0,9%
Other financial liabilities	10916	0,1%	n/a	n/a	n/a	n/a	n/a	n/a
Provisions	157235	2%	40820	0,6%	84480	1,3%	114818	1,7%
Total liabilities	**5280415**	**65,8%**	**4604882**	**70%**	**5087784**	**77,5%**	**5402888**	**78,1%**

Figure 9. Vertical analysis of liabilities. Own processing based on financial statements.

Figure 9 shows the company's liabilities for the period 2015/2016 to 2018/2019. The largest share in liabilities and equity is accounted by **total liabilities**, which had an increasing value from 65,8 % in 2015/2016, 70 % in 2016/2017, 77,5 % in 2017/2018 to 78,1 % in 2018 / 2019. Of total liabilities, current liabilities and non-current liabilities were the most significant. **Current liabilities** accounted for a declining value from 46,1 % in the first period to 37 % in the last period. Of current liabilities, bank credits and loans and also trade and other payables were the most represented. Bank credits and loans decreased from 20,9 % to 9,2 % in the first three monitored periods, however, in the last period they increased to 11,3 %. By contrast, trade and other payables grew from 22,2 % to 25,9 % in the first three periods and fell to 21,6 % in the last period.

Non-current liabilities were also mainly represented by bank credits and loans, which, in contrast to current bank credits and loans, that gradually decreased, grew in all periods except the last one in 2015/2016 from 11 % to 22,5 % in 2016/2017 and to 35,2 % in 2017/2018. In 2018/2019, a decrease of 3 % to 32,2 % was already recorded.

Total equity had a declining trend in all periods. In 2015/2016 from 34,2 % to 30 % in 2016/2017, in 2017/2018 to 22,5 % and in 2018/2019 to 21,9 %.

12.3 Horizontal analysis of income statement

In thousands CZK / Period	2015/2016		2016/2017		2017/2018		2018/2019	
Income statement / Change	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.
Rev. fr. sale of fin. prod. and serv.	-248904	-3,7 %	-96719	-1,5 %	123011	1,9 %	198439	3,5 %
Rev. from sale of g. and mat.	91132	22,7 %	61037	12,4 %	32479	5,9 %	51849	9,8 %
Revenue	**-157772**	**-2 %**	**-35682**	**-1 %**	**155490**	**2 %**	**250288**	**4 %**
Cost of products and services sold	176407	-4 %	143961	-4 %	97649	-3 %	-21791	1 %
Cost of goods and materials sold	-56399	15,6 %	-67546	16,2 %	-20490	4,2 %	-19397	4,2 %
Cost of sales	**120008**	**-2,8 %**	**76415**	**-1,8 %**	**77159**	**-1,9 %**	**-41188**	**1,2 %**
Gross profit	**-37764**	**-1,3 %**	**40733**	**1 %**	**235649**	**8,3 %**	**209100**	**7 %**
Selling, market. and distrib. costs	-12569	0,7 %	-183730	9,6 %	-103259	4,9 %	-163632	8,5 %
Administrative costs	1898	-0,4 %	49174	-11,1 %	-73118	18,5 %	-17412	4 %
Other operating income	-50053	-37,2 %	43044	50,9 %	-54653	-42,9 %	7 709	11,3 %
Other operating expenses	124543	-68,9 %	-5847	10,4 %	-22278	35,9 %	-12288	28 %
Impairment	196837	n/a	84451	-42,9 %	-233365	-207,6 %	n/a	n/a
Operating profit	**-170782**	**-39,3 %**	**27825**	**11 %**	**-254027**	**-87,1 %**	**23477**	**4,5 %**
Finance income	-8632	-41,2 %	59378	481,6 %	-60241	-84 %	-5195	-46,1 %
Finance costs	25079	-19,3 %	-3480	3,3 %	-6878	6,3 %	-43178	41,6 %
Share of profit/loss of associate	2474	-73 %	12761	-1395 %	11117	93,8 %	n/a	n/a
Profit before income tax	**-151861**	**-47,1 %**	**96484**	**56,6 %**	**-310029**	**-116,2 %**	**-24896**	**-5,9 %**
Income tax expense	6260	-6,7 %	-27689	31,8 %	64808	-56,5 %	-61653	73 %
Profit for the period	**-145601**	**-63,6 %**	**68795**	**82,5 %**	**-245221**	**-161,1 %**	**417365**	**295 %**
Attributable to owners of Kofola	-141284	-62,1 %	72402	84 %	-247329	-156 %	421217	307,9 %
Non controlling interests	-4317	-321,2 %	-3607	121,3 %	2108	-32 %	-3852	86,1 %

Figure 10. Horizontal analysis of income statement. Own processing based on financial statements.

In Figure 10 it is shown the horizontal analysis of Income statement from period 2015/2016 – 2018/2019[4]. **Revenues** fluctuated at approximately the same values of around CZK 6,5 billion throughout the period under review, so they did not change significantly. A financially significant item also appeared to be the **cost of products and services sold**, which also remained almost unchanged over time, hovering insignificantly around CZK 3,7 billion.

Gross profit grew over time, except for the first period, where it decreased by 1,3% to CZK 2,79 billion. In the following periods, it grew by 1 %, 8,3 % and 7 %, where it finally slightly exceeded the CZK 3 billion mark. Furthermore, the item **selling, marketing and distribution costs** was

[4] Note: The values in the table highlighted in gray mean, that the calculated value is positive (that means increase in loss or increase in negativity of an item) and negative value means decrease in loss (or decrease of negativity of an item).

a numerically significant indicator, the negative value of which continued to grow in all monitored periods, namely in 2015/2016 by 0,7 %, in 2016/2017 by 9,6 %, in 2017/2018 by 4,9 % and in the last monitored period 2018/2019 by 8,5 %.

Operating profit / EBIT recorded significant fluctuations, when in the first monitored period it ended in a decrease of less than 40 %, in the following period it recorded an increase of 11 %, in the following period 2017/2018 it recorded a significant loss of 87,1 % and in the last period fluctuated around 4,5 % growth.

Profit before income tax also fluctuated very significantly, when in the first observed period it decreased by as much as 47,1 %, in the second observed period 2016/2017 it added 56,6 %, in the third period it decreased sharply by 116,2 % and in the last period also decreased, however, by 'only' 5,9 %.

The last item watched is **profit for the period**. At the end of the 2015/2016 accounting period, it amounted to CZK 83,4 million, which meant a loss of 63,6 % compared to the previous period. In the next period, i.e. 2016/2017, the profit for the period increased by 82,5 % to CZK 152,195 million. In 2017/2018, the profit of the period turned negative, specifically ending in a loss of CZK 93,026 million, a significant decrease of 161,1 %. In the last monitored years of 2018/2019, the profit of the period was back in the amount of approximately CZK 276 million, which means a 295% increase.

12.4 Vertical analysis of income statement

In thousands CZK / Period	2015/2016		2016/2017		2017/2018		2018/2019	
Income statement / Change	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.
Revenue	**6998960**	**100 %**	**6963278**	**100 %**	**7118768**	**100 %**	**6409467**	**100 %**
Rev. fr. sale of fin. prod. and serv.	6506401	93 %	6409682	92 %	6532693	91,8 %	5827066	90,9 %
Rev. from sale of g. and mat.	492559	7 %	553596	8 %	586075	8,2 %	**582401**	9,1 %
Cost of products and services sold	-3792363	-54 %	-3648402	-52,4%	-3550753	-49,9%	-2860107	-44,6%
Cost of goods and materials sold	-418133	-6 %	-485679	-7 %	-506169	-7,1 %	-484779	-7,6 %
Cost of sales	**-4210496**	**-60 %**	**-4134081**	**-59,4%**	**-4056922**	**-57,0%**	**-3344886**	**-52,2%**
Gross profit	**2788464**	**39,8 %**	**2829197**	**40,6 %**	**3061846**	**43,0 %**	**3064581**	**47,8 %**
Selling, market. and distrib. costs	-1910997	-27,3%	-2094727	-30,1%	-2197986	-30,9%	-2090502	-32,6%
Administrative costs	-444957	-6,4 %	-395783	-5,7 %	-468901	-6,6 %	-453819	-7,1 %
Other operating income	84491	1,2 %	127535	1,8 %	72882	1,0 %	75 750	1,2 %
Other operating expenses	-56267	-0,8 %	-62114	-0,9 %	-84392	-1,2 %	-56249	-0,9 %
Impairment	-196837	-2,8 %	-112386	-1,6 %	-345754	-4,9 %	n/a	n/a
Operating profit	**263897**	**3,8 %**	**291722**	**4,2 %**	**37695**	**0,5 %**	**539761**	**8,4 %**
Finance income	12329	0,2 %	71707	1 %	11466	0,2 %	6070	0,1 %
Finance costs	-104911	-1,5 %	-108391	-1,6 %	-115269	-1,6 %	-147083	-2,3 %
Share of profit/loss of associate	-915	0 %	11846	0,2 %	22963	0,3 %	n/a	n/a
Profit before income tax	**170400**	**2,4 %**	**266884**	**3,8 %**	**-43145**	**-0,6 %**	**398748**	**6,2 %**
Income tax expense	-87000	-1,2 %	-114689	-1,6 %	-49881	-0,7 %	-146053	-2,3 %
Profit for the period	**83400**	**1,2 %**	**152195**	**2,2 %**	**-93026**	**-1,3 %**	**276072**	**4,3 %**
Attributable to owners of Kofola	86373	1,2 %	158775	2,3 %	-88554	-1,2 %	284396	4,4 %
Non controlling interests	-2973	0 %	-6580	-0,1 %	-4472	-0,1 %	-8324	-0,1 %

Figure 11. Vertical analysis of income statement. Own processing based on financial statements.

This section, Figure 11 will focus on Vertical analysis of income statement from years 2015/2016 to 2018/2019. The Figure 11 shows the percentage share of each item in the income statement in total revenue as a base.

Cost of sales has a significant share in the total revenues. Cost of sales has a share of between 50 and 60 % in all monitored periods. It consists of **Cost of products and services sold** and **Cost of goods and materials sold. Cost of products and services sold** occupies the majority of these two items, i.e. around 50 % share of revenues in all monitored periods.

The Gross profit item is characterized by a regular growth rate from a 39,8 % share of revenues in the first monitoring period 2015/2016, after an increase to 47,8 % in the last monitoring period 2018/2019.

Other important indicators include **Selling, marketing and distribution costs**, which account for around 30 % of revenues in each period under review**. Operating profit / EBIT** fluctuated slightly, showing a 3,8 % share in revenues in 2015/2016, 4,2 % in 2016/2017, 0,5 % in 2017/2018 and an 8,4 % share in 2018/2019**. Profit before income tax** bore mostly positive values of around 4 % of the share, with one exception in 2017/2018, when it was negative by 0,6 %**. The profit for the period was similar**, when the only negative number was the years 2017/2018, when it ended in a negative with a 1,3 % share in revenues.

13 Differential indicators

13.1 Net working capital, NWC

Item / Period	2015/2016	2016/2017	2017/2018	2018/2019
Net working capital in thousands CZK	-596038	-956557	-259728	-37945

Figure 12. Net working capital. Own processing based on financial statements.

Figure 12 shows net working capital (NWC) for the period 2015/2016-2018/2019 in thousands of CZK. According to the table, it can be seen that NWC was negative in each period under review, which indicates an aggressive strategy where non-current assets are financed not only by long-term but also short-term sources, where long-term sources are lacking. Such a strategy is risky, but at the same time cheaper. In the monitored periods there was a significant fluctuation of NWC, when in the first period NWC reached -596 million CZK, in 2016/2017 it was in the amount of -956 million CZK, in the period 2017/2018 it was in -259 million and in the last period 2018/2019 approached -37 million. The given results show that the company may be in difficulty in repaying its liabilities and its solvency can be questioned, however in the last periods we can see reducing of the gap, which might indicate better future financial position.

14 Financial ratios analysis

14.1 Rentability / Profitability indicators

Return on equity (ROE), Return on assets (ROA) and Return on sales (ROS) for the period 2015/2016-2018/2019 are calculated from profitability indicators. These values are shown in Figure 13 and the Figure 14.

Indicator / Year	2015/2016	2016/2017	2017/2018	2018/2019
ROE	3 %	8 %	-6 %	18 %
ROA	3 %	4 %	1 %	8 %
ROS	1 %	2 %	-1 %	4 %

Figure 13. Rentability ratios. Own processing based on financial statements.

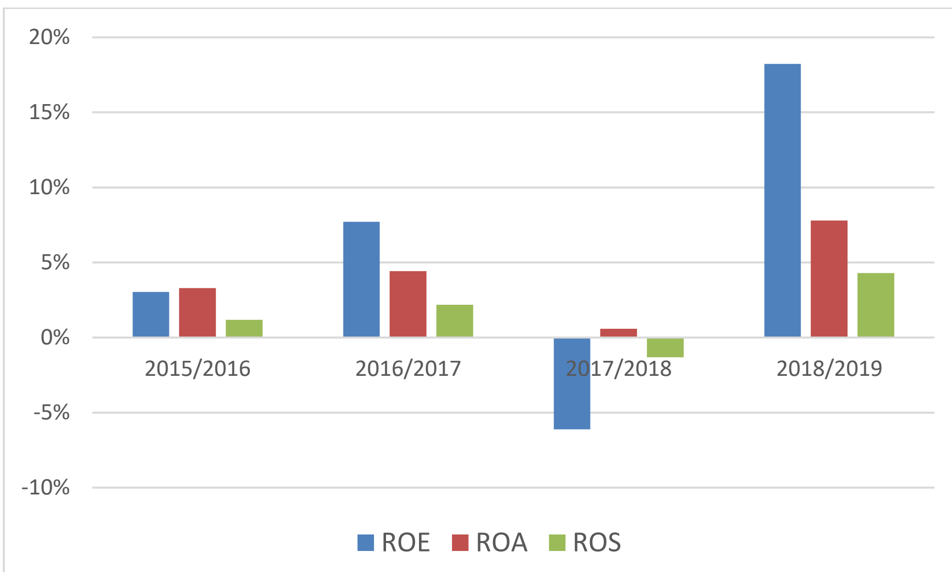

Figure 14. Rentability ratios. 2015/2016-2018/2019. Own processing.

It is appropriate for profitability indicators to show growth over time, which is fulfilled for the indicators, except for the period 2017/2018, when not all indicators showed growth.

The **ROE** indicator measures net profit after tax (EAT) with equity. ROE showed year-on-year growth in all periods, except in 2017/2018, when it ended in negative territory, namely -6 % due to a negative economic result. In other periods, it grew chronologically by 3 %, 8 % and in the last observed period by 18 %. Therefore, author evaluates ROE as neutral.

The **ROA** indicator measures the return on all resources, regardless of whether they are own or foreign. It is also appropriate for this indicator to record an increase over time, which is again the case except for the period 2017/2018. ROA grew by 3 % in 2015/2016, by 4 % in 2016/2017, by 1 % in 2017/2018 and by 8 % in 2018/2019. Therefore, author evaluates ROA as neutral.

The last monitored profitability indicator was **ROS**, Return on Sales. In the monitored periods, it achieved chronologically insignificant growth of 1 %, 2 %, a negative value of -1 % and a growth of 4 %. Therefore, author evaluates ROS as neutral.

14.2 Liquidity ratios

Indicator / Year	2015/2016	2016/2017	2017/2018	2018/2019
Current ratio	0,84	0,65	0,90	0,99
Quick Asset ratio	0,71	0,47	0,69	0,80
Cash Position ratio	0,38	0,11	0,25	0,30

Figure 15. Liquidity ratios. Own processing based on financial statements.

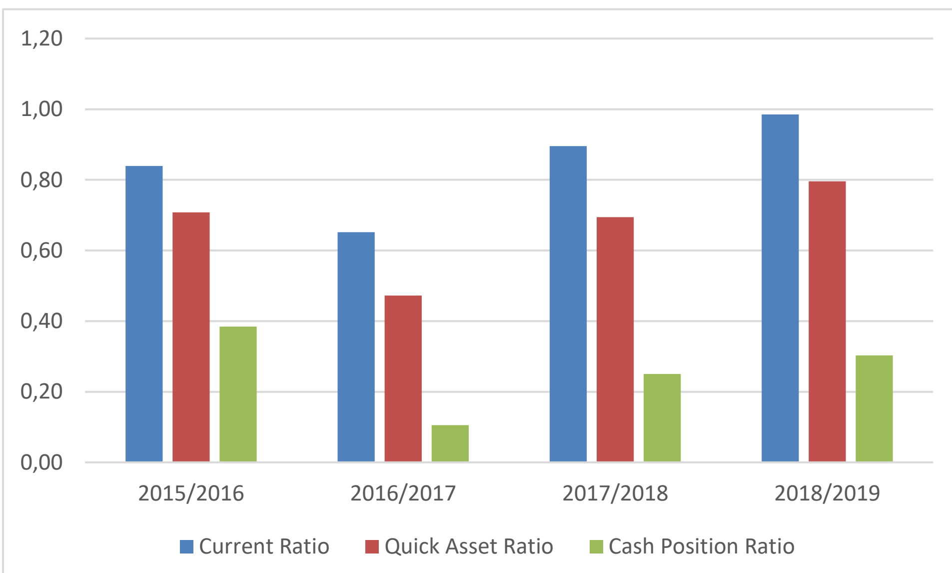

Figure 16. Liquidity ratios 2015/2016-2018/2019. Own processing.

Figures 15 and 16 show the development of selected liquidity indicators over time period 2015/2016 - 2018/2019.

Liquidity indicators characterize the company's ability to repay its liabilities. Liquidity is the ability of a company to convert its assets into cash and pay its due liabilities in a timely manner.

The **current ratio** was 0,84 in the first observed period, decreased to 0,65 in the second monitored period, increased to 0,90 in 2017/2018 and increased to 0,99 in 2018/2019. A reasonable amount is indicated by Dluhošová (2010), which should be from 1.5 to 2.5, therefore author evaluates the company's current ratio as negative.

The **quick asset ratio** was 0,71 in the first period under review, then fell to 0,47 and continued to grow until the last period, where it reached 0,80. The optimal amount is indicated again by Dluhošová (2010), which is an interval from 1,0 to 1,5, therefore author evaluates the company's quick asset ratio as negative.

The **cash position ratio** from the initial value of 0,38 in the period 2015/2016 fell to the value of 0,11 in the second monitored period. Furthermore, the values of cash position ratio developed more positively to the values of 0,25 and 0,30 in the last monitored periods. The indicator is relatively unstable, so it is mainly used to illustrate the level of liquidity. Because the final values oscillated around 0, author values company's cash position ratio as again negative and finally assets the whole liquidity ratios as negative for the company.

14.3 Leverage / Debt ratio / Financial stability ratios

Figures 17 and 18 show the Debt ratios from period 2015/2016 to period 2018/2019. The debt ratio indicates the extent to which a company is dependent on lending to finance its operations.

Indicator / Year	2015/2016	2016/2017	2017/2018	2018/2019
Debt ratio	66 %	70 %	77 %	78 %
Equity ratio	34 %	30 %	23 %	22 %
Financial leverage	293 %	333 %	431 %	457 %
Debt-equity ratio	193 %	233 %	331 %	357 %
Degree of fin. indep.	52 %	43 %	30 %	28 %
Interest coverage	2,52	2,69	0,33	3,67

Figure 17. Debt ratios. Own processing based on financial statements.

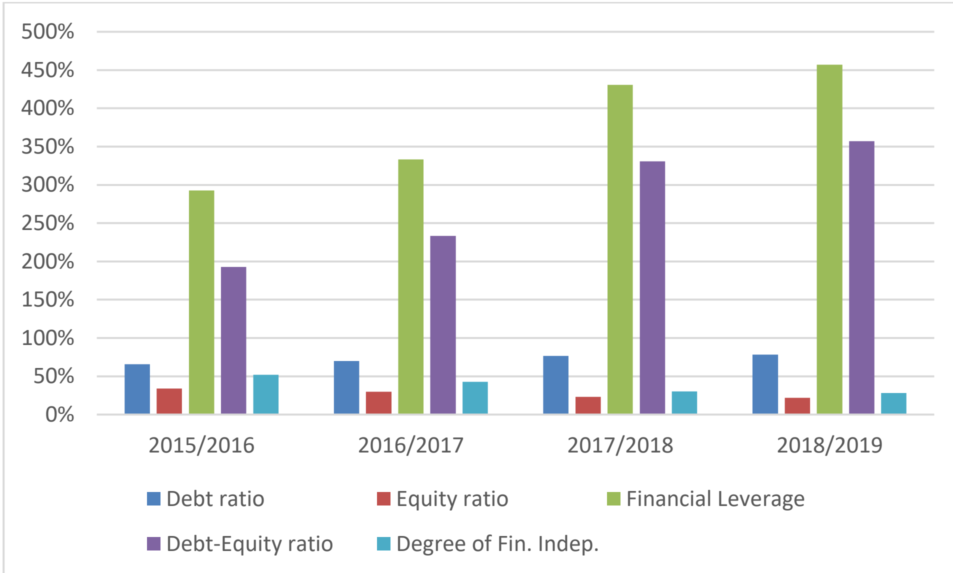

Figure 18. Debt ratios 2015/2016-2018/2019. Own processing.

The debt ratio is given by the ratio of foreign capital to total capital and thus indicates the degree of creditor risk. In figures 17 and 18 it can be observed a growth trend from 66 % in 2015/2016 to 78 % in 2018/2019. The higher the total indebtedness, the higher the risk of creditors, so creditors prefer low values of this indicator, however, owners may prefer a higher value of indebtedness, because foreign capital increases the return on equity under certain conditions (Růčková, 2010). According to Mrkvička and Kolář (2006) the 'golden rule' sets this indicator to 50 %. According to Knápková and Pavelková (2010), the total indebtedness should be in the range of 30 – 60 % with an ideally declining trend, which the given company does not meet and the author evaluates this indicator negatively for the company.

Equity ratio serves as a supplement to the previous one, their total sum is 100 %. It expresses the share in which the total assets of the company are financed from the resources of its owners. In all monitored periods, the equity ratio decreased, from the initial years 2015/2016, when it reached 34 % over the period 2016/2017 to 30 %, then to 23 % and in the last monitored period to 22 %. This indicator should increase over the years (Kyselá, 2019), however, the exact opposite is happening, and therefore the author classifies this area as negative for the company.

Financial leverage describes the inverse of the previously calculated equity ratio. In all monitored periods, this indicator grew from the initial 293 % over 333 % in the second monitored period, in 2017/2018 it grew by 431 % and in the last monitored period by 457 %. It is desirable that this indicator be stable over the years, otherwise it means that the company's indebtedness changes year-on-year, which can be confirmed for chosen company.

The **debt-equity ratio** for stable companies should be between 80 and 120 % (Dluhošová, 2010). For the monitored company, the debt-equity ratio was 193 % in 2015/2016, 233 % in the following period 2016/2017, 331 % in 2017/2018 and 357 % in the last monitored period, which the author evaluates as negative.

The **degree of financial independence** indicator is the inverse of the debt-equity ratio indicator. For all periods, a declining trend is identified, when this indicator "started" on 52 % and further decreased over 43 % to 30 % and in the last monitored period was only 28 %.

Interest coverage. This indicator indicates how many times a company is able to cover interest on liabilities after all costs related to the productive activity of the company have been paid (Scholleová, 2012). The higher the value, the better. In the USA, the value of 3 is considered a limit value, below which the company could already be in very serious problems. A value of around 8 is considered optimal (Mrkvička and Kolář, 2006). For the monitored company, it can be seen that interest coverage ranged from 0,33 to 3,67 with an increasing trend except 0,33, however, this indicator can still be assessed negatively, as it was mostly below 3.

14.4 Activity ratios

Activity indicators show how efficiently a company manages its assets. They indicate whether the company has excess capacity or, conversely, a lack of productive assets and will not be able to realize growth opportunities in the future. In Figure 19 and 20 can be seen their development for periods 2015/2016 – 2018/2019.

Indicator / Year	2015/2016	2016/2017	2017/2018	2018/2019
Total assets turnover r.	0,87	1,06	1,08	0,93
Inventory turnover r.	14,42	14,08	14,35	13,21
Inventory turnover	25,32	25,92	25,44	27,64
Acc. receivab. turnover r.	6,16	6,45	5,85	4,49
Acc. receivab. turnover	59,29	56,57	62,44	81,21

Figure 19. Activity ratios. Own processing based no financial statements.

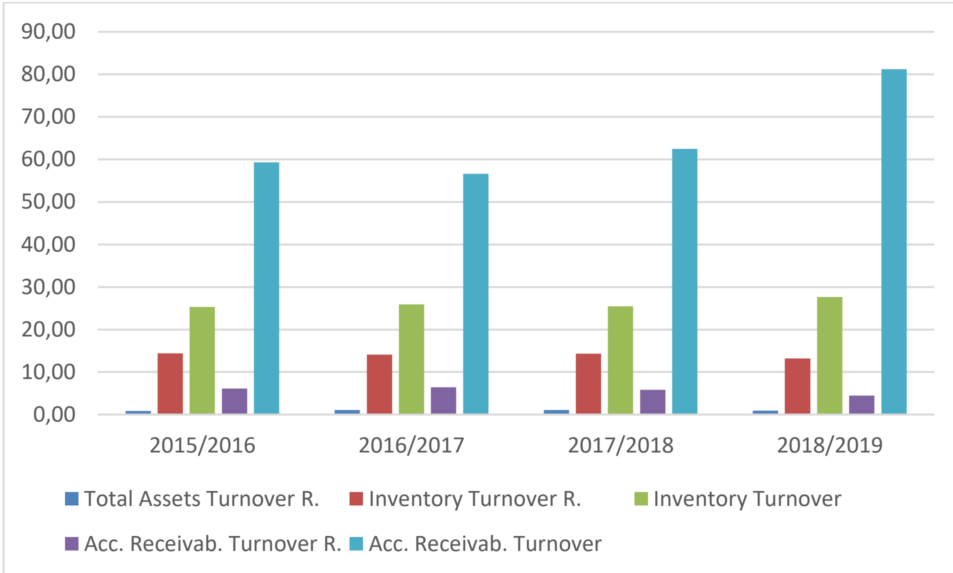

Figure 20. Activity ratios 2015/2016-2018/2019. Own processing based on financial statements

The total assets turnover ratio should reach values above level 1, which is the case in half of the cases for the company, but not in half of the cases also. The initial growth trend from the period 2015/2016 lasted the company until the last monitored period 2018/2019, where it has already fallen back to the level of 0,93. Therefore, the author evaluates this indicator neutrally.

According to (Mrkvička and Kolář, 2006) **The inventory turnover ratio** should be as low as possible, while the **inventory turnover** should be as high as possible. At inventory turnover ratio it can be seen the values of 14,42 in the first monitored period, 14,08 in 2016/2017, 14,35 in the period 2017/2018 and 13,21 in the last monitored period 2018/2019. As the values are approximately the same and the trend is not clear, the author evaluates this indicator neutrally.

Inventory turnover shows how many days current assets are tied up in the form of inventories. It can be seen that this indicator increases over time from 25 days in the first three monitored periods to 27 days in the last monitored period 2018/2019 and at the same time ideally it should be as high as possible. Therefore, the author evaluates this indicator positively.

The **accounts receivable turnover ratio** should ideally be as high as possible, as the higher the value of this indicator, the faster the company collects receivables and can use cash for other activities. For almost all monitored periods except the first one, a declining trend can be observed from the period 2016/2017 with a value of 6,45 to the last monitored period with a value of 4,49. The author evaluates this indicator negatively, as a declining trend can be seen and the indicator should be as high as possible.

Accounts receivable turnover shows how long the company's assets have been in the form of receivables on average per year in days. In 2015/2016, the value of this indicator was 59 days, then in 2016/2017 56 days, followed by a growing trend up to 81 days in the last monitored period 2018/2019. The author evaluates this indicator negatively, as the most ideal value should be 0 according to Kalouda (2016).

14.5 Market value ratios

Indicator / Year	2015/2016	2016/2017	2017/2018	2018/2019
Book value – thousands CZK	122,87	88,54	68,34	67,90
EPS in CZK	3,74	6,83	-4,17	12,38
P/E 5.8.2016/2017/2018...	114,68	60,06	-69,49	24,63
DPS in CZK	7	13,99	15,51	12,83
Payout ratio	187 %	205 %	-372 %	104 %
Plowback ratio	-87 %	-105 %	472 %	4 %
Growth rate	-3 %	-8 %	-28 %	-1 %
Dividend yield	2 %	3 %	6 %	4 %

Figure 21. Market value ratios. Own processing based on financial statements.

Calculated Market value ratios can be seen In Figure 21.

Book value. "When a stock is undervalued, it will have a higher book value per share in relation to its current stock price in the market." (Hayes, 2020) The current value of the share on the Prague Stock Exchange as of August 6, 2020 is CZK 225. The book value fluctuated at 122,87 in the first period under review, followed by a declining trend to 88,54 in 2016/2017, 68,34 in 2017/2018 and to 67,90 in 2018/2019. Given that the share price has never been below the highest Book value, its current price of 225 CZK can be assessed as overvalued.

The earnings per share (EPS) indicator showed a steadily growing trend, except in 2017/2018, when the company recorded a loss and the indicator was therefore in negative values, namely -4,17, however, the indicator in the last monitored period jumped back to 12,38, when before the 'negative period' it was 3,74 in 2015/2016 and 6,83 in 2016/2017.[5] "A higher EPS indicates more value because investors will pay more for a company with higher profits." (Chen, 2020) Due to the above-mentioned reasons, the author evaluates this indicator positively.

If the **Price earnings ratio (P/E)** is high, for example P/E = 60 or 40 or 20, the stock is overvalued, expensive and the investor should sell. Conversely, P/E = 8 or 5 means that the shares are undervalued, cheap and the investor should buy. For example, P/E = 20 means that the investor is willing to pay, for example, 20 CZK for 1 CZK of profit, so his investment will pay off in 20 years (Rejnuš, 2014; Syrový and Tyl, 2014; Kohout, 2005; Siegl, 2011). In Figure 21 the market value for each year from 5.8., i.e. 5.8. 2016, 2017, 2018 and 2019. We see that the P/E decreased with the declining market price of the stock from 114,68 in the first period to 60,06 in 2016/2017, then the indicator looked negative, when a loss was made in the given year and in the last monitored period the P/E was 24,63. As of 5.8. in 2020, the value of P/E ratio for the monitored company was 18,2. The author evaluates this indicator as neutral, although it can be seen that the company is relatively clearly following the declining P/E trend, however, the value is still closer to 20 than, for example, 8, so the stock is rather overvalued.

Dividends per share (DPS). "Increasing DPS is a great way for a company to signal strong performance to its shareholders." (Steven, 2020) As can be seen from Figure 21 DPS showed a growth trend, from the initial CZK 7 per share in the first period under review, over CZK 13,99 in 2016/2017, to CZK 15,51 in the third period under review. Only in the last monitored period 2018/2019 DPS decreased slightly to CZK 12,83 per share. The author evaluates this indicator positively, because a slight growth trend can be seen, however, the payment of 'high' dividends may not always indicate a positive development, as the profit can also be invested in expansionary practices instead of paying them in the form of dividends.

[5] Unfortunately, it was not clear from the statement whether the net profit was adjusted for primary dividends, so the author works with the net profit stated in the income statement.

“**Payout ratio,** also known as the dividend payout ratio, shows the percentage of a company's earnings paid out as dividends to shareholders. A payout ratio over 100% indicates that the company is paying out more in dividends than its earning can support, which some view as an unsustainable practice. In essence, there is no single number that defines an ideal payout ratio because the adequacy largely depends on the sector in which a given company operates. Companies in defensive industries, such as utilities, pipelines, and telecommunications, tend to boast stable earnings and cash flows that are able to support high payouts over the long haul. On the other hand, companies in cyclical industries typically make less reliable payouts, because their profits are vulnerable to macroeconomic fluctuations. In times of economic hardship, people spend less of their incomes on new cars, entertainment, and luxury goods. Consequently, companies in these sectors tend to experience earnings peaks and valleys that fall in line with economic cycles.” (Bloomenthal, 2020)

In Figure 21 it can be seen that payout ratio appeared in the range -372 % - 205 %. In all monitored periods, more was paid to shareholders than the company's net profit, specifically in 2015/2016 it was 187 % of net profit, in 2016/2017 205 % of net profit, in 2017/2018 the company reported a loss, however, it paid dividends also, even in the highest value of CZK 345 789 million so far, and in the last monitored period the payout ratio reached 104 %. From the given data it can be concluded that the dividend policy of the monitored company is more or less unsustainable, which the author evaluates negatively.

The plowback ratio was kept negative, except for the period in which the company reported a loss, the indicator is not relevant in this period. It follows from the above that the company had difficulty using its resources to finance further development, as there were not many left. The company preferred to pay dividends from its entire profit rather than investing in its further development. Author evaluates this as negative.

Sustainable growth rate (g) shows potential for future growth (of dividends) which company can sustain without having to finance growth with additional equity or debt. In Figure 21 it can be seen that the values of g are also in negative values, as the plowback ratio is also negative, which may mean that the company must borrow more money or issue more shares or reduce dividends for further development. The author evaluates the given indicator negatively.

Dividend yield was 2 % in 2015/2016, 3 % in 2016/2017, 6 % in 2017/2018 and 4 % in 2018/2019. The price from the Prague Stock Exchange from 5 August was always used for each relevant year. At first glance, such a dividend is an attraction for investors, however, as is already known, the company does not make enough profit to cover both the entire dividend payment and use the profit to finance its own further development, so the author evaluates the indicator neutrally.

15 Summary indices of business evaluation

15.1 Index IN05

In Figure 22 can be seen values of Index IN05 and also the whole Index computed.

Indicator / Year	2015/2016	2016/2017	2017/2018	2018/2019
A	1,52	1,43	1,30	1,28
B	2,52	2,69	0,33	3,67
C	3%	4%	1%	8%
D	0,87	1,06	1,08	0,93
E	0,84	0,65	0,90	0,99
IN05	**0,69**	**0,75**	**0,51**	**0,91**

Figure 22. Index IN05. Own processing based on financial statements.

The results of the IN05 index gradually reached values 0,69; 0,75; 0,51 and 0,91 in the last monitored period. All these values, except 0.91, fall below threshold 0,9, which means that the company has and is likely to have financial difficulties with a probability of 86 %. The author evaluates the given Index negatively for the company, because mostly the values are below threshold 0,9. It was not necessary to limit any values, as Interest Coverage was well below 9 and the coefficient A, which includes liabilities, was not small. The ROA indicator had the most effect on the given results, followed by the interest coverage and the A coefficient. These latter coefficients had mostly a small value and therefore the final Index was calculated in smaller numbers.

15.2 Quick test (Kralicky quick test)

In this part of the text, the calculation of the Kralický Quick test using four indicators for the period 2015/2016 - 2018/2019 is presented. The data are shown in figures 23 and 24.

Indicator / Year	2015/2016	2016/2017	2017/2018	2018/2019
Self financing ratio	34 %	30 %	23 %	22 %
Period of repaying debt	1,11	6,41	4,14	3,67
Cashflow in % of sales	20 %	4 %	9 %	12 %
ROA	3 %	4 %	1 %	8 %

Figure 23. Values of Kralicky quick test. Own processing based on financial statements.

Indicator / Year	2015/2016	2016/2017	2017/2018	2018/2019
Self financing ratio	1	2	2	2
Period of repaying debt	1	3	2	2
Cashflow in % of sales	1	4	2	1
ROA	4	4	4	4
Final grade	1,8	3,3	2,5	2,3

Figure 24. Point evaluation of Kralicky quick test. Own processing based on financial statements.

In the overall evaluation, it can be seen that the final values of the test ranged from 1,8 in the first period, 3,3 in the second period, 2,5 in 2017/2018 and 2,3 in the last period. Overall, it can be said that in the period 2016/2017 - 2017/2018, the results were the worst, when the largest contributors were the ROA indicators (this indicator had the worst mark in all periods, i.e. four). Furthermore, the indicators period of repaying debt and cashflow in % of sales led to a poor evaluation. On the other hand, the beneficial and well-rated indicator in most cases was the self-financing ratio, which did not "look" above 2. Overall, the situation can be assessed neutrally, as the values fluctuate between two and three.

16 SWOT analysis

Figure 25 shows SWOT analysis of a Kofola company. Strengths, weaknesses, threats and opportunities are evaluated.

Strengths	Weaknesses
Positively perceived brand	„Strong“ competition
Relatively strong market position	Big pressure on margins
Experience with acquisitions and incorporation of new brands	Company operates mostly only in the Central European region compared to competition
Experienced, long term management	Declining size of the bottled water market due to the transition to tap water
Wide products portfolio	Financial difficulties in NWC, debt and liquidity
Interesting advertising	
Tradition of the brand	
CSR of high quality	
Opportunities	**Threats**
Reducing the share of sugar in products	Competitive pressure on prices
Another acquisitions	Sensitivity of profits on summer weather
New technologies	Poor macroeconomics – financial crisis
Financial crisis	COVID-19
Growth of „healthy lifestyle“ segment	Growth of prices of energy and foodstuff
	Growing price of sugar

Figure 25. SWOT analysis. Own processing.

Strengths

Kofola is generally perceived positively, as evidenced by a number of awards. It is also a relatively strong brand on the market, with 2nd place in the soft drinks market in the Czech Republic, number one in the soft drinks market in Slovakia, number one in the soft drink market in Slovenia and number 2 water brand in Croatia. The advantage of Kofola is also the experienced and long-term management under the 'wings' of Jannis Samaras, who is the leading figure of the company and participates in the vision, marketing and direction of the company, for example towards sustainability. CSR, which Kofola has carefully processed, is also related to the previously mentioned sustainability in a broader sense. Kofola also has a wide portfolio of products, so a loss of demand in one area might not be so serious for the company. Quality advertising campaigns, for which Kofola has received a number of awards, are also part of Kofola. Tradition is an important part of Kofola, when it became popular during the time of the Iron Curtain around 1960.

Weaknesses

Kofola also faces strong competition in terms of PepsiCo and Coca-Cola, so therefore there is a big pressure on margins on this market. Kofola operates mostly in the Central Europe (and Adriatic region) and compared to the competition (PepsiCo and Coca-Cola), that is a small area. When entering other markets, a traditional brand, which is known mainly in the Czech Republic and Slovakia, can be a disadvantage, as in these new markets, the company must spend large sums to acquaint consumers with the brand. The disadvantage of operating only in a limited area can be a sudden financial crisis for Kofola, where a loss of sales or failure in one of the markets could cause great financial difficulties. The financial analysis done by the author also shows that Kofola may have problems in the areas of NWC, debt and liquidity Another weakness of the company could be the possible transition from bottled water to tap water, for example for customers to save money.

Opportunities

With the growing demand for a healthy lifestyle, the reduction of sugars in products appears to be an opportunity for the company, for which Kofola has been and is most criticized. Another opportunity for Kofola is the opportunity to expand its portfolio in the area of acquisitions of other companies, when, for example, in the event of a financial crisis, interesting companies may appear at an interesting price. In the event of a financial crisis, it is also possible that companies that do not have sufficient capacity to overcome this crisis will leave the market. New technologies can be another opportunity for the company, for example in the areas of production and processing of plastic packaging.

Threats

As already mentioned, Kofola operates in highly competitive area (PepsiCo and Coca-Cola), so there is a threat of price pressure. A very important factor and a possible threat is the development of the weather in the summer, when it is the main season and also the biggest profit. 'Bad' weather can significantly affect the company's financial side. Another threat may be the COVID-19 pandemic, which is now relevant, when, for example, in spring and summer 2020, the company lost a significant part of its profits and was forced to cancel the payment of dividends for 2020. Rising energy and food prices (and sugar) may be another threat for the company, as it threatens to increase the price of inputs and increase the price of products.

17 Scenario method

17.1 Positive scenario

Kofola will go through many good things by 2025. The company will prosper in the market, which will increase its profits, and therefore the positive news for shareholders will be an increase in the payment of dividends. The company will overcome the coronavirus crisis of 2020, when the company canceled the payment of dividends and its sales fell, due to its robust capital and capable leadership, led by Jannis Samaras, who leads the company towards sustainability. The company will proceed almost to the fullest in its CSR and in 2025 it will exceed all expectations and will be the first carbon neutral company in the sector of beverages in the Czech Republic. Climate change will be reflected in weather variability, with extremely hot periods prevailing and Kofola being known to be sensitive to summer weather, which is why profits will be bigger as people buy more cold beverages. Food (sugar) and energy prices will be low and will therefore have a positive effect on input costs. Kofola will become number one in more or less all markets where it operates, as it will manage 2 very significant acquisitions of large companies. The acquisition of these companies will provide it with the opportunity to expand into new markets, where great profit potential is expected. In 2024, Kofola will start producing plastics with a new technology, where plastics will be replaced by biodegradable packaging.

17.2 Neutral scenario

Coronavirus will still be present in the world and will appear mainly seasonally in society such as influenza. That situation will also affect Kofola, which will largely adapt to that situation, adjusting its product portfolio. The company's financial situation will only slightly affect dividends, which stay plus minus the current level. Kofola will gradually approach its CSR targets, for example, its aim is to eliminate CO2 emissions to a minimum and offset the rest, so in the long term horizon being 100% carbon neutral from its operations presumably by 2030, when in 2025 will be almost halfway to "success". The senior management led by Jannis Samaras will still be a stable and visionary item of Kofola. Kofola will continue to face competition from PepsiCo and Coca-Cola, however, its traditional brand in the Central European region has a ‘strong base’ that is very stable and therefore almost untouchable by competition. The weather in the period 2020-2025 will be changeable, the summers will be mostly warmer due to climate change, which will be partly beneficial to the parts of the cold drinks segment in which Kofola operates. Primary input prices will be approximately on a constant curve at all the time, so product prices and input costs do not change, which can be beneficial for planning. All the regions in which Kofola operates remain more or less stable, on the other hand, no acquisition of other companies will take place, as Kofola is coping with the coronavirus crisis and further indebtedness could be problematic.

17.3 Negative scenario

In the period up to 2025, the world will be hit by another huge financial crisis, people will want to save and switch from Kofola products to tap water, which will reduce demand and thus Kofola's profit. The negative news for shareholders is the abolition of dividend payments, as the company's financial situation is problematic. Kofola still faces a number of problems in 2025, specifically it has not yet managed to recover from the coronavirus crisis, which began in 2020, when its sales and profitability in all sectors fell excessively. Jannis Samaras ends up in the management of the company and the company is also facing a massive departure of employees who were related to Jannis Samaras. Even due to the above-mentioned crises, the company does not have the capacity to continue its CSR policy and focuses mainly on 'survival' and 'keeping in the market', as competition in the form of Coca-Cola and PepsiCo is huge. The weather in the period 2020-2025 is not always ideal for Kofola with a relatively cold summer, which also has a negative effect on the company's income statement. Crises are also associated with higher demand for basic raw materials, which will increase their price, and thus will also be reflected in higher prices, such as sugar, which is one of the "cornerstones" for the company. Energy prices will rebound from their bottom, which will result in higher input costs and thus more expensive Kofola products. Kofola will not credit a single acquisition for the period 2020-2025, on the contrary, it will lose its stake in Poland, which seems negative for shareholders, who expected expansion.

Discussion and summary of financial analysis

In this part of thesis, the financial situation will be evaluated in Figure 26. The author gave a choice of 5 variants - positive, negative, neutral, overvalued, undervalued. The term overvalued means that a stock is overvalued by the market and is therefore traded at a higher price than its intrinsic value. Undervalued means the exact opposite. In this chapter, it is also important to take into account that the financial analysis has been greatly simplified by providing only 5 ratings, i.e. neutral, negative, positive, undervalued and overvalued. For a more detailed understanding of the text, it is appropriate to read the individual chapters separately, Figure 26 serves only as a simplified summary of individual analyses. With this table, the author attempted to simplify the data for faster orientation and faster understanding of the text. There were in total 24 areas in the companies finances to be rated as positive, negative or neutral. Results were 7 neutral, 3 positive and 14 negative. Of the 2 under/overvalued options, overvalued was selected in both cases. The conclusion of this simplified analysis is that the company is mostly negatively rated and may find itself in financial difficulties, mainly in the areas of liquidity, NWC and debt. Furthermore, it is worth noting that the perception / valuation of the company can be positively recorded in its CSR, which is carefully prepared, where there are clearly stated and defined goals that the company wants to achieve, while not only stating objectives, but taking action to achieve them.

Ratio / Indicator		Grade
NWC		negative
Rentability indicators		
	ROE	neutral
	ROA	neutral
	ROS	neutral
Liqudity ratios		
	Current ratio	negative
	Quick Asset ratio	negative
	Cash Position ratio	negative
Debt ratios		
	Debt ratio	negative
	Equity ratio	negative
	Debt-Equity ratio	negative
	Interest Coverage	negative
Activity ratios		
	Total Assets Turnover	neutral
	Inventory Turnover ratio	neutral
	Inventory Turnover	positive
	Accounts Receivable Turnover r.	negative
	Accounts Receivable Turnover	negative
Market Value ratios		
	Book value	overvalued
	EPS	positive
	P/E raio	overvalued
	DPS	positive
	Payout ratio	negative
	Plowback ratio	negative
	Sustainable Growth Rate	negative
	Dividend Yield	neutral
Summary indices		
	Index IN05	negative
	Quick test	neutral

Figure 26. Summary table. Own processing.

Conclusion

The main aim of this thesis was to look at the company KofolaČeskoslovensko, a.s. from different perspectives and find out to what extent it is financially stable in period 2015 / 2016 – 2018 / 2019, how the situation could develop in the future and how it approaches the issue of corporate social responsibility.

In the theoretical part, the author dealt with defining financial analysis, its purpose, types of financial analysis, SWOT analysis, absolute indicators, differential indicators, financial ratios analysis and summary indices of business evaluation. Furthermore, the work was supplemented by the topic of documents used in financial analysis, corporate social responsibility of a company and also by the method of scenarios.

In the practical part, individual methods of financial analysis were applied to a selected company, which was KofolaČeskoslovensko, a.s. First, basic information about the company was given, then its brief history was presented, followed by the financial analysis of the company on the basis of financial statements from the years 2015 / 2016 – 2018 / 2019. At the end of the work the part Discussion and summary of financial analysis presented a summary of the results of the previous analysis and the financial situation of the company was evaluated. In the method of scenarios, 3 possible developments of the company were presented, positive, negative and neutral.

The author presented an analysis of indicators, which he summarised in a simplified but clear figure. There was a total of 24 areas in the company's finances to be rated as positive, negative or neutral. Results were 7 neutral, 3 positive and 14 negative. Of the 2 under/overvalued options, overvalued was selected in both cases. This result means that Kofola ČeskoSlovensko may be in financial difficulties (mainly in the areas of liquidity, NWC and debt). On the contrary, Kofola's approach to CSR, which is carefully prepared, where there are clearly stated and defined goals that the company wants to achieve, while not only stating objectives, but taking actions to achieve them, could have a positive effect on the valuation of the company.

According to the SWOT analysis, Kofola benefits from its relatively strong market position, also by being a positively perceived brand with experience in acquisitions and incorporation of new brands, in addition by having experienced and long term management in the hands of Jannis Samaras and last but not least by having interesting advertising and a long tradition in the market. On the other hand, Kofola faces 'strong' competition in the form of PepsiCO and Coca-Cola, which also causes great pressure on prices and, compared to the competition, Kofola operates only in the Central European region. In terms of opportunities, the author identified reducing share of sugar in products, possible another acquisitions, use of new technologies and the growth of a healthy lifestyle segment. The threats appear to be competitive pressure on prices, sensitivity profits on summer weather, poor macroeconomics in the form of financial crisis (or crisis in 2020 related to COVID-19), growing prices of energy and foodstuff (sugar).

For completeness and comprehension it is appropriate to supplement the analysis presented in this diploma thesis with a complete psychological and fundamental analysis.

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Appendix

Profit and loss statement 2014/2015

1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the 12-month period ended 31 December 2015 and 31 December 2014 in CZK thousand.

Consolidated statement of profit or loss	Note	2015 CZK´000	2014 CZK ´000
Revenue from the sale of finished products and services	4.1	6 755 305	6 199 737
Revenue from the sale of goods and materials	4.1	401 427	75 654
Revenue		**7 156 732**	**6 275 391**
Cost of products and services sold	4.2	(3 968 770)	(3 810 655)
Cost of goods and materials sold	4.2	(361 734)	(70 704)
Cost of sales		**(4 330 504)**	**(3 881 359)**
Gross profit		**2 826 228**	**2 394 032**
Selling, marketing and distribution costs	4.2	(1 898 428)	(1 607 706)
Administrative costs	4.2	(446 855)	(317 937)
Other operating income	4.3	134 544	14 856
Other operating expenses	4.4	(180 810)	(40 420)
Operating profit		**434 679**	**442 825**
Finance income	4.5	20 961	7 885
Finance costs	4.6	(129 990)	(93 247)
Share of profit/(loss) of associate	4.11	(3 389)	11 940
Profit before income tax		**322 261**	**369 403**
Income tax expense	4.7	(93 260)	(79 274)
Profit for the period		**229 001**	**290 129**
Attributable to:			
Owners of Kofola ČeskoSlovensko a.s.		227 657	290 438
Non-controlling interests		1 344	(309)
Earnings per share for profit attributable to the ordinary equity holders of the company (in CZK)			
Basic earnings per share	4.8	10.31	13.16*
Diluted earnings per share	4.8	10.31	13.16*
** restated to show the impact of capital reorganisation in 2015*			

Balance sheet 2014/2015

1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015 and 31 December 2014 in CZK thousand.

Assets	Note	31.12.2015 CZK´000	31.12.2014 CZK ´000
Non-current assets		**5 095 724**	**4 171 985**
Property, plant and equipment	4.9	3 508 993	2 823 390
Goodwill	4.10	86 302	87 986
Intangible assets	4.10	1 176 524	1 064 370
Investment in associate	4.11	155 921	181 385
Other receivables	4.13	56 348	11 478
Other non-financial assets		14 833	396
Deferred tax assets	4.7	96 803	2 980
Current assets		**3 395 290**	**1 787 877**
Assets classified as held for sale		3 506	-
Current assets excl. Assets classified as held for sale		**3 391 784**	**1 787 877**
Inventories	4.12	501 093	423 051
Trade and other receivables	4.13	934 452	793 602
Income tax receivables		16 231	2 460
Cash and cash equivalents	4.14	1 940 008	568 764
Total assets		**8 491 014**	**5 959 862**

Liabilities and equity	Note	31.12.2015 CZK´000	31.12.2014 CZK ´000
Equity attributable to owners of Kofola ČeskoSlovensko a.s.		**2 820 969**	**2 569 449**
Share capital	1.5	2 229 500	151 499
Share premium and capital reorganisation reserve	1.5	(1 962 871)	-
Other reserves	1.5	2 085 568	2 004 024
Foreign currency translation reserve	1.5	166 710	235 031
Own shares	1.5	-	(2 811)
Retained earnings	1.5	302 062	181 706
Equity attributable to non-controlling interests	4.15.5	**49 233**	**7 380**
Total equity	1.5	**2 870 202**	**2 576 829**
Non-current liabilities		**1 750 669**	**1 029 534**
Bank credits and loans	4.18	994 323	456 297
Bonds issued	4.17	325 885	323 814
Finance lease liabilities	4.21	199 620	74 632
Provisions	4.16	24 940	3 649
Other liabilities	4.19	47 903	34 440
Deferred tax liabilities	4.7	157 998	136 702
Current liabilities		**3 870 143**	**2 353 499**
Bank credits and loans	4.18	1 637 805	556 708
Bonds issued	4.17	3 657	3 707
Finance lease liabilities	4.21	55 600	40 607
Trade and other payables	4.19	1 975 230	1 634 692
Income tax liabilities		1 399	29 980
Other financial liabilities		-	325
Provisions	4.16	196 452	87 480
Total liabilities		**5 620 812**	**3 383 033**
Total liabilities and equity		**8 491 014**	**5 959 862**

Cashflow statement 2014/2015

1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

for the 12-month period ended 31 December 2015 and 31 December 2014 in CZK thousand.

Consolidated statement of cash flows	Note	2015 CZK ´000	2014 CZK ´000
Cash flows from operating activities			
Profit before income tax	1.1	322 261	369 403
Adjustments for:			
Non-cash movements			
Depreciation and amortisation	4.1	513 201	471 995
Net interest	4.5, 4.6	74 666	62 805
Share of profit of associate	4.11	3 389	(11 940)
Change in the balance of provisions and adjustments	4.13, 4.16	40 595	30 408
Gain on sale of PPE and intangible assets		(3 770)	(9 176)
Revaluation of derivatives		11 946	-
Net exchange differences		159	(15 455)
Other		29 894	-
Cash movements			
Income taxes paid		(115 379)	(74 902)
Change in operating assets and liabilities			
Change in receivables		(68 986)	164 221
Change in inventories		(3 450)	(184 836)
Change in payables		130 715	159 903
Net cash inflow from operating activities		**935 241**	**962 426**
Cash flows from investing activities			
Sale of property, plant and equipment		14 435	51 556
Acquisition of property, plant and equipment and intangible assets	4.9, 4.10	(397 700)	(297 647)
Purchase of financial assets		(44 870)	-
Sale of investments		-	2 501
Acquisition of subsidiary, net of cash acquired	4.28	(713 305)	(47 768)
Dividends received		-	22 478
Interest received		4 665	1 606
Repayment of loans		-	25 571
Net cash outflow from investing activities		**(1 136 775)**	**(241 703)**
Cash flows from financing activities			
Finance lease payments		(59 200)	(72 051)
Proceeds from loans and bank credits		2 053 323	318 122
Gross proceeds from the issue of shares	4.15.1	140 250	-
Repayment of loans and bank credits		(425 479)	(417 760)
Dividends paid to company´s shareholders	4.15.6	(11 978)	(112 908)
Dividends paid to non-controlling interests		(2 546)	-
Interest and bank charges paid		(78 460)	(67 607)
Purchase of own shares		(38 963)	-
Other		(12 310)	-
Net cash outflow from financing activities		**1 564 637**	**(352 204)**
Net increase (decrease) in cash and cash equivalents		1 363 103	368 519
Cash and cash equivalents at the beginning of the period	4.14	568 764	201 669
Effects of exchange rate changes on cash and cash equivalents		8 141	(1 424)
Cash and cash equivalents at the end of the period	4.14	**1 940 008**	**568 764**

Profit and loss statement 2015/2016

1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the 12-month period ended 31 December 2016 and 31 December 2015 in CZK thousand.

Consolidated statement of profit or loss	Note	2016 CZK´000	2015 CZK´000
Revenue from the sale of finished products and services	4.1	6 506 401	6 755 305
Revenue from the sale of goods and materials	4.1	492 559	401 427
Revenue		**6 998 960**	**7 156 732**
Cost of products and services sold	4.2	(3 792 363)	(3 968 770)
Cost of goods and materials sold	4.2	(418 133)	(361 734)
Cost of sales		**(4 210 496)**	**(4 330 504)**
Gross profit		**2 788 464**	**2 826 228**
Selling, marketing and distribution costs	4.2	(1 910 997)	(1 898 428)
Administrative costs	4.2	(444 957)	(446 855)
Other operating income	4.3	84 491	134 544
Other operating expenses	4.4	(56 267)	(180 810)
Impairment	4.9, 4.11	(196 837)	-
Operating profit		**263 897**	**434 679**
Finance income	4.5	12 329	20 961
Finance costs	4.6	(104 911)	(129 990)
Share of profit/(loss) of associate	4.11	(915)	(3 389)
Profit before income tax		**170 400**	**322 261**
Income tax expense	4.7	(87 000)	(93 260)
Profit for the period		**83 400**	**229 001**
Attributable to:			
Owners of Kofola ČeskoSlovensko a.s.		86 373	227 657
Non-controlling interests		(2 973)	1 344
Earnings per share for profit attributable to the ordinary equity holders of the company (in CZK)			
Basic earnings per share	4.8	3.87	10.31
Diluted earnings per share	4.8	3.87	10.31

Balance sheet 2015/2016

1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016 and 31 December 2015 in CZK thousand.

Assets	Note	31.12.2016 CZK´000	31.12.2015 Restated CZK´000	31.12.2015 Reported CZK´000
Non-current assets		**4 915 863**	**5 095 724**	**5 095 724**
Property, plant and equipment	4.9	3 442 624	3 508 993	3 508 993
Goodwill	4.10	86 302	86 302	86 302
Intangible assets	4.10	1 164 092	1 176 524	1 176 524
Investment in associate	4.11	67 782	155 921	155 921
Other receivables		51 142	56 348	56 348
Other non-financial assets		2 440	14 833	14 833
Deferred tax assets	4.7	101 481	96 803	96 803
Current assets		**3 104 020**	**3 395 290**	**3 395 290**
Assets classified as held for sale	4.9	111 715	3 506	3 506
Current assets excl. Assets classified as held for sale		**2 992 305**	**3 391 784**	**3 391 784**
Inventories	4.12	485 440	501 093	501 093
Trade and other receivables	4.13	1 081 680	934 452	934 452
Income tax receivables		4 171	16 231	16 231
Cash and cash equivalents	4.14	1 421 014	1 940 008	1 940 008
Total assets		**8 019 883**	**8 491 014**	**8 491 014**

Liabilities and equity	Note	31.12.2016 CZK´000	31.12.2015 Restated CZK´000	31.12.2015 Reported CZK´000
Equity attributable to owners of Kofola ČeskoSlovensko a.s.		**2 736 572**	**2 810 188**	**2 820 969**
Share capital	1.5	2 229 500	2 229 500	2 229 500
Share premium and capital reorganisation reserve	1.5	(1 962 871)	(1 962 871)	(1 962 871)
Other reserves	1.5	2 075 994	2 085 568	2 085 568
Foreign currency translation reserve	1.5	165 925	166 710	166 710
Own shares	1.5	(915)	-	-
Retained earnings	1.5	228 939	291 281	302 062
Equity attributable to non-controlling interests	4.15.6	**2 896**	**49 233**	**49 233**
Total equity	1.5	**2 739 468**	**2 859 421**	**2 870 202**
Non-current liabilities		**1 580 357**	**1 750 669**	**1 750 669**
Bank credits and loans	4.18	880 318	994 323	994 323
Bonds issued	4.17	327 072	325 885	325 885
Finance lease liabilities	4.21	167 295	199 620	199 620
Provisions	4.16	27 002	24 940	24 940
Other liabilities	4.19	15 925	47 903	47 903
Deferred tax liabilities	4.7	162 745	157 998	157 998
Current liabilities		**3 700 058**	**3 880 924**	**3 870 143**
Bank credits and loans	4.18	1 672 723	1 637 805	1 637 805
Bonds issued	4.17	3 668	3 657	3 657
Finance lease liabilities	4.21	58 603	55 600	55 600
Trade and other payables	4.19	1 779 351	1 986 011	1 975 230
Income tax liabilities		17 562	1 399	1 399
Other financial liabilities		10 916	-	-
Provisions	4.16	157 235	196 452	196 452
Total liabilities		**5 280 415**	**5 631 593**	**5 620 812**
Total liabilities and equity		**8 019 883**	**8 491 014**	**8 491 014**

Cashflow statement 2015/2016

1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

for the 12-month period ended 31 December 2016 and 31 December 2015 in CZK thousand.

Consolidated statement of cash flows	Note	2016 CZK ´000	2015 Restated CZK ´000	2015 Reported CZK ´000
Cash flows from operating activities				
Profit before income tax	1.1	170 400	322 261	322 261
Adjustments for:				
Non-cash movements				
Depreciation and amortisation	4.1	523 003	513 201	513 201
Net interest	4.5, 4.6	75 492	74 666	74 666
Share of profit of associate	4.11	915	3 389	3 389
Change in the balance of provisions and adjustments	4.13, 4.16	(46 168)	40 595	40 595
Impairment	4.9.1, 4.11.1	196 837	-	-
Revaluation of derivatives	4.5, 4.6	2 745	11 946	11 946
Gain on sale of PPE and intangible assets	4.3, 4.4	(980)	(3 770)	(3 770)
Net exchange differences		5 039	11 873	11 873
Other		11 656	7 399	18 180
Cash movements				
Income taxes paid		(60 535)	(115 379)	(115 379)
Change in operating assets and liabilities				
Change in receivables		(135 353)	(68 986)	(68 986)
Change in inventories		48 357	(3 450)	(3 450)
Change in payables		(136 078)	141 496	130 715
Net cash inflow from operating activities		**655 330**	**935 241**	**935 241**
Cash flows from investing activities				
Sale of property, plant and equipment		11 484	14 435	14 435
Acquisition of property, plant and equipment and intangible assets		(527 612)*	(397 700)	(397 700)
Purchase of financial assets		(6 500)	(44 870)	(44 870)
Acquisition of subsidiary, net of cash acquired		(201 361)**	(713 305)	(713 305)
Loans granted		(38 089)	-	-
Interest received		1 159	4 665	4 665
Sale of other securities		12 252	-	-
Net cash outflow from investing activities		**(748 667)**	**(1 136 775)**	**(1 136 775)**
Cash flows from financing activities				
Finance lease payments		(63 379)	(59 200)	(59 200)
Proceeds from loans and bank credits		233 687	2 053 323	2 053 323
Gross proceeds from the issue of shares		-	140 250	140 250
Repayment of loans and bank credits		(347 375)	(425 479)	(425 479)
Dividends paid to company´s shareholders	4.15.7	(156 051)	(11 978)	(11 978)
Dividends paid to non-controlling interests		-	(2 546)	(2 546)
Interest and bank charges paid		(77 900)	(78 460)	(78 460)
Purchase of own shares		(3 743)	(38 963)	(38 963)
Other		(5 657)	(12 310)	(12 310)
Net cash outflow from financing activities		**(420 418)**	**1 564 637**	**1 564 637**
Net increase (decrease) in cash and cash equivalents		(513 755)	1 363 103	1 363 103
Cash and cash equivalents at the beginning of the period	4.14	**1 940 008**	**568 764**	**568 764**
Effects of exchange rate changes on cash and cash equivalents		(5 239)	8 141	8 141
Cash and cash equivalents at the end of the period	4.14	**1 421 014**	**1 940 008**	**1 940 008**

* *including the brands Inka, Nara, Voćko Studena, Studenac and Lero*

** *squeeze out of Radenska NCI and Studenac acquisition*

Profit and loss statement 2016/2017

1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the 12-month period ended 31 December 2017 and 31 December 2016 in CZK thousand.

Consolidated statement of profit or loss	Note	2017 CZK´000	2016 CZK´000
Revenue from the sale of finished products and services	4.1	6 409 682	6 506 401
Revenue from the sale of goods and materials	4.1	553 596	492 559
Revenue		**6 963 278**	**6 998 960**
Cost of products and services sold	4.2	(3 648 402)	(3 792 363)
Cost of goods and materials sold	4.2	(485 679)	(418 133)
Cost of sales		**(4 134 081)**	**(4 210 496)**
Gross profit		**2 829 197**	**2 788 464**
Selling, marketing and distribution costs	4.2	(2 094 727)	(1 910 997)
Administrative costs	4.2	(395 783)	(444 957)
Other operating income	4.3	127 535	84 491
Other operating expenses	4.4	(62 114)	(56 267)
Impairment	4.9, 4.11	(112 386)	(196 837)
Operating result		**291 722**	**263 897**
Finance income	4.5	71 707	12 329
Finance costs	4.6	(108 391)	(104 911)
Share of profit/(loss) of associate	4.11	11 846	(915)
Profit before income tax		**266 884**	**170 400**
Income tax expense	4.7	(114 689)	(87 000)
Profit for the period		**152 195**	**83 400**
Attributable to:			
Owners of Kofola ČeskoSlovensko a.s.		158 775	86 373
Non-controlling interests		(6 580)	(2 973)
Earnings per share for profit attributable to the ordinary equity holders of the company (in CZK)			
Basic earnings per share	4.8	7.12	3.87
Diluted earnings per share	4.8	7.12	3.87

Balance sheet 2016/2017

1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017 and 31 December 2016 in CZK thousand.

Assets	Note	31.12.2017 CZK´000	31.12.2016 CZK´000
Non-current assets		**4 786 195**	**4 915 863**
Property, plant and equipment	4.9	3 384 892	3 442 624
Goodwill	4.10	86 302	86 302
Intangible assets	4.10	1 090 190	1 164 092
Investment in associate	4.11	70 260	67 782
Other receivables		70 703	51 142
Other non-financial assets		2 317	2 440
Deferred tax assets	4.7	81 531	101 481
Current assets		**1 792 673**	**3 104 020**
Assets classified as held for sale	4.9	-	111 715
Current assets excl. Assets classified as held for sale		**1 792 673**	**2 992 305**
Inventories	4.12	494 508	485 440
Trade and other receivables	4.13	994 155	1 081 680
Income tax receivables		14 416	4 171
Cash and cash equivalents	4.14	289 594	1 421 014
Total assets		**6 578 868**	**8 019 883**

Liabilities and equity	Note	31.12.2017 CZK´000	31.12.2016 CZK´000
Equity attributable to owners of Kofola ČeskoSlovensko a.s.		**1 977 670**	**2 736 572**
Share capital	4.15	2 229 500	2 229 500
Share premium and capital reorganisation reserve	4.15	(1 962 871)	(1 962 871)
Other reserves	4.15	2 048 985	2 075 994
Foreign currency translation reserve	4.15	37 030	165 925
Own shares	4.15	(491 565)	(915)
Retained earnings	4.15	116 591	228 939
Equity attributable to non-controlling interests	4.15.6	**(3 684)**	**2 896**
Total equity	1.5	**1 973 986**	**2 739 468**
Non-current liabilities		**1 855 652**	**1 580 357**
Bank credits and loans	4.18	1 480 488	880 318
Bonds issued	4.17	-	327 072
Finance lease liabilities	4.21	112 867	167 295
Provisions	4.16	85 483	27 002
Other liabilities	4.19	-	15 925
Deferred tax liabilities	4.7	176 814	162 745
Current liabilities		**2 749 230**	**3 700 058**
Bank credits and loans	4.18	682 025	1 672 723
Bonds issued	4.17	332 513	3 668
Finance lease liabilities	4.21	57 573	58 603
Trade and other payables	4.19	1 630 999	1 779 351
Income tax liabilities		5 300	17 562
Other financial liabilities		-	10 916
Provisions	4.16	40 820	157 235
Total liabilities		**4 604 882**	**5 280 415**
Total liabilities and equity		**6 578 868**	**8 019 883**

Cashflow statement 2016/2017

1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

for the 12-month period ended 31 December 2017 and 31 December 2016 in CZK thousand.

Consolidated statement of cash flows	Note	2017 CZK ´000	2016 CZK ´000
Cash flows from operating activities			
Profit before income tax	1.1	266 884	170 400
Adjustments for:			
Non-cash movements			
Depreciation and amortisation	4.1	565 228	523 003
Net interest	4.5, 4.6	74 425	75 492
Share of result of associate	4.11	(11 846)	915
Change in the balance of provisions and adjustments	4.13, 4.16	(76 719)	(46 168)
Impairment	4.9.1, 4.11.1	112 386	196 837
Revaluation of derivatives	4.5, 4.6	(20 275)	2 745
Gain on sale of PPE and intangible assets	4.3, 4.4	(55 326)	(980)
Net exchange differences		(1 515)	5 039
Other		(3 087)	11 656
Cash movements			
Income taxes paid		(100 052)	(60 535)
Change in operating assets and liabilities			
Change in receivables		74 078	(135 353)
Change in inventories		4 295	48 357
Change in payables		(108 481)	(136 078)
Net cash inflow from operating activities		**719 995**	**655 330**
Cash flows from investing activities			
Sale of property, plant and equipment		78 583	11 484
Acquisition of property, plant and equipment and intangible assets		(498 916)	(527 612)*
Purchase of financial assets		-	(6 500)
Acquisition of subsidiary, net of cash acquired	4.28	(50 831)***	(201 361)**
Loans granted		-	(38 089)
Interest received		701	1 159
Proceeds from repaid loans		1 500	-
Sale of other securities		-	12 252
Net cash outflow from investing activities		**(468 963)**	**(748 667)**
Cash flows from financing activities			
Finance lease payments		(62 345)	(63 379)
Proceeds from loans and bank credits		2 664 454	233 687
Repayment of loans and bank credits		(3 078 898)	(347 375)
Dividends paid to company´s shareholders	4.15.7	(311 857)	(156 051)
Interest and bank charges paid		(73 550)	(77 900)
Purchase of own shares	4.15.4.	(490 650)	(3 743)
Other		-	(5 657)
Net cash outflow from financing activities		**(1 352 846)**	**(420 418)**
Net increase (decrease) in cash and cash equivalents		(1 101 814)	(513 755)
Cash and cash equivalents at the beginning of the period		**1 421 014**	**1 940 008**
Effects of exchange rate changes on cash and cash equivalents		(29 606)	(5 239)
Cash and cash equivalents at the end of the period		**289 594**	**1 421 014**

* *including the brands Inka, Nara, Vočko*
** *Studenac and squeeze out of Radenska NCI*
*** *Premium Rosa*

Profit and loss statement 2017/2018

1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the 12-month period ended 31 December 2018 and 31 December 2017 in CZK thousand.

Consolidated statement of profit or loss	Note	2018 CZK´000	2017 CZK´000
Revenue from the sale of finished products and services	4.1, 4.2	6 532 693	6 409 682
Revenue from the sale of goods and materials	4.1, 4.2	586 075	553 596
Revenue		**7 118 768**	**6 963 278**
Cost of products and services sold	4.3	(3 550 753)	(3 648 402)
Cost of goods and materials sold	4.3	(506 169)	(485 679)
Cost of sales		**(4 056 922)**	**(4 134 081)**
Gross profit		**3 061 846**	**2 829 197**
Selling, marketing and distribution costs	4.3	(2 197 986)	(2 094 727)
Administrative costs	4.3	(468 901)	(395 783)
Other operating income	4.4	72 882	127 535
Other operating expenses	4.5	(84 392)	(62 114)
Impairment	4.10, 4.11, 4.30	(345 754)	(112 386)
Operating profit/(loss)		**37 695**	**291 722**
Finance income	4.6	11 466	71 707
Finance costs	4.7	(115 269)	(108 391)
Share of profit/(loss) of equity accounted investee	4.12	22 963	11 846
Profit/(loss) before income tax		**(43 145)**	**266 884**
Income tax expense	4.8	(49 881)	(114 689)
Profit/(loss) for the period		**(93 026)**	**152 195**
Attributable to:			
Owners of Kofola ČeskoSlovensko a.s.		(88 554)	158 775
Non-controlling interests		(4 472)	(6 580)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company (in CZK)			
Basic earnings/(loss) per share	4.9	(3.97)	7.12

Balance sheet 2017/2018

1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018 and 31 December 2017 in CZK thousand.

Assets	Note	31.12.2018 CZK´000	31.12.2017 CZK´000
Non-current assets		**4 348 833**	**4 786 195**
Property, plant and equipment	4.10	2 959 954	3 384 892
Goodwill	4.11	93 467	86 302
Intangible assets	4.11	1 054 524	1 090 190
Investment in equity accounted investee	4.12	66 894	70 260
Other receivables	4.14	118 959	70 703
Other assets		2 261	2 317
Deferred tax assets	4.8	52 774	81 531
Current assets		**2 214 197**	**1 792 673**
Inventories	4.13	496 103	494 508
Trade and other receivables	4.14	1 095 035	994 155
Income tax receivables		3 759	14 416
Cash and cash equivalents	4.15	619 300	289 594
Total assets		**6 563 030**	**6 578 868**

Liabilities and equity	Note	31.12.2018 CZK´000	31.12.2017 CZK´000
Equity attributable to owners of Kofola ČeskoSlovensko a.s.		**1 531 669**	**1 977 670**
Share capital	4.16	1 114 597	2 229 500
Share premium and capital reorganisation reserve	4.16	(1 962 871)	(1 962 871)
Other reserves	4.16	2 438 776	2 048 985
Foreign currency translation reserve	4.16	28 954	37 030
Distribution fund	4.16	618 331	-
Own shares	4.16	(490 208)	(491 565)
Retained earnings/(Accumulated deficit)	4.16	(215 910)	116 591
Equity attributable to non-controlling interests	4.16.6	**(8 156)**	**(3 684)**
Total equity	1.5	**1 523 513**	**1 973 986**
Non-current liabilities		**2 565 592**	**1 855 652**
Bank credits and loans	4.19	2 308 429	1 480 488
Finance lease liabilities	4.22	88 288	112 867
Provisions	4.17	34 063	85 483
Other liabilities	4.20	28 470	-
Deferred tax liabilities	4.8	106 342	176 814
Current liabilities		**2 473 925**	**2 749 230**
Bank credits and loans	4.19	605 295	682 025
Bonds issued	4.18	-	332 513
Finance lease liabilities	4.22	47 490	57 573
Trade and other payables	4.20	1 697 724	1 630 999
Income tax liabilities		38 936	5 300
Provisions	4.17	84 480	40 820
Total liabilities		**5 039 517**	**4 604 882**
Total liabilities and equity		**6 563 030**	**6 578 868**

Cashflow statement 2017/2018

1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

for the 12-month period ended 31 December 2018 and 31 December 2017 in CZK thousand.

Consolidated statement of cash flows	Note	2018 CZK ´000	2017 CZK ´000
Cash flows from operating activities			
Profit/(loss) before income tax	1.1	(43 145)	266 884
Adjustments for:			
Non-cash movements			
Depreciation and amortisation	4.3	567 332	565 228
Net interest	4.6, 4.7	78 346	74 425
Share on equity accounted investee result	4.12	(22 963)	(11 846)
Impairment of non-current assets	4.10.1, 4.11.1, 4.30	214 795	112 386
Change in the balance of other impairments		(12 479)	(18 785)
Change in the balance of provisions	4.17	11 435	(57 934)
Derivatives	4.6, 4.7	4 593	(20 275)
Realised (gain)/loss on sale of PPE and intangible assets	4.4, 4.5	141 654	(55 326)
Net exchange differences		3 613	(1 515)
Other		7 376	(3 087)
Cash movements			
Income taxes paid		(71 363)	(100 052)
Change in operating assets and liabilities			
Change in receivables		(102 393)	74 078
Change in inventories		30 325	4 295
Change in payables		14 029	(108 481)
Net cash inflow/(outflow) from operating activities		**821 155**	**719 995**
Cash flows from investing activities			
Sale of property, plant and equipment		106 705	78 583
Acquisition of property, plant and equipment and intangible assets		(395 756)	(498 916)
Acquisition of subsidiary, net of cash acquired	4.29	(116 591)	(50 831)
Dividends and interest received		16 212	701
Proceeds from repaid loans		-	1 500
Net cash inflow/(outflow) from investing activities		**(389 430)**	**(468 963)**
Cash flows from financing activities			
Finance lease payments	4.26.1	(55 305)	(62 345)
Proceeds from loans and bank credits	4.26.1	1 324 462	2 664 454
Repayment of bonds	4.26.1	(330 000)	-
Repayment of loans and bank credits	4.26.1	(607 441)	(3 078 898)
Dividends paid to Company´s shareholders	4.16.7	(345 789)	(311 857)
Interest and bank charges paid		(87 619)	(73 550)
Purchase of own shares	4.16.4	-	(490 650)
Net cash inflow/(outflow) from financing activities		**(101 692)**	**(1 352 846)**
Net increase/(decrease) in cash and cash equivalents		330 033	(1 101 814)
Cash and cash equivalents at the beginning of the period	1.3	**289 594**	**1 421 014**
Effects of exchange rate changes on cash and cash equivalents		(327)	(29 606)
Cash and cash equivalents at the end of the period	1.3	**619 300**	**289 594**

Profit and loss statement 2018/2019

1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the 12-month period ended 31 December 2019 and 31 December 2018 in CZK thousand.

Consolidated statement of profit or loss	Note	2019 CZK´000	2018 Restated (note 4.30, 4.31) CZK´000
Continuing operations			
Revenue from the sale of finished products and services	4.1, 4.2	5,827,066	5,628,627
Revenue from the sale of goods and materials	4.1, 4.2	582,401	530,552
Revenue		**6,409,467**	**6,159,179**
Cost of products and services sold	4.3	(2,860,107)	(2,838,316)
Cost of goods and materials sold	4.3	(484,779)	(465,382)
Cost of sales		**(3,344,886)**	**(3,303,698)**
Gross profit		**3,064,581**	**2,855,481**
Selling, marketing and distribution costs	4.3	(2,090,502)	(1,926,870)
Administrative costs	4.3	(453,819)	(436,407)
Other operating income	4.4	75,750	68,041
Other operating expenses	4.5	(56,249)	(43,961)
Operating profit/(loss)		**539,761**	**516,284**
Finance income	4.6	6,070	11,265
Finance costs	4.7	(147,083)	(103,905)
Profit/(loss) before income tax		**398,748**	**423,644**
Income tax expense	4.8	(146,053)	(84,400)
Profit/(loss) from continuing operations		**252,695**	**339,244**
Discontinued operations			
Profit/(loss) from discontinued operations	4.31	**23,377**	**(480,537)**
Profit/(loss) for the period (continuing and discontinued operations)	1.2	**276,072**	**(141,293)**
Attributable to:			
Owners of Kofola ČeskoSlovensko a.s.	1.5	284,396	(136,821)
Non-controlling interests	1.5	(8,324)	(4,472)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company (in CZK)			
Basic earnings/(loss) per share (continuing operations)	4.9	11.71	15.42
Basic earnings/(loss) per share (continuing and discontinued operations)	4.9	12.76	(6.14)

Balance sheet 2018/2019

1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019 and 31 December 2018 in CZK thousand.

Assets	Note	31.12.2019 CZK´000	31.12.2018 CZK´000 Restated (note 4.30)
Non-current assets		**4,393,998**	**4,348,833**
Property, plant and equipment	4.10	3,127,018	2,959,954
Goodwill	4.11	105,506	93,467
Intangible assets	4.11	956,832	1,054,524
Investment in equity accounted investee	4.12	-	66,894
Other receivables	4.14	163,518	118,959
Other assets		2,236	2,261
Deferred tax assets	4.8	38,888	52,774
Current assets		**2,522,440**	**2,214,197**
Inventories	4.13	485,313	496,103
Trade and other receivables	4.14	1,247,034	1,095,035
Income tax receivables		15,598	3,759
Cash and cash equivalents	4.15	774,495	619,300
Total assets		**6,916,438**	**6,563,030**

Liabilities and equity	Note	31.12.2019 CZK´000	31.12.2018 CZK´000 Restated (note 4.30)
Equity attributable to owners of Kofola ČeskoSlovensko a.s.	1.5	**1,530,030**	**1,483,402**
Share capital	1.5	1,114,597	1,114,597
Share premium and capital reorganisation reserve	1.5	(1,962,871)	(1,962,871)
Other reserves	1.5	2,463,337	2,438,776
Foreign currency translation reserve	1.5	33,011	28,954
Distribution fund	1.5	-	618,331
Own shares	1.5	(490,164)	(490,208)
Retained earnings/(Accumulated deficit)	1.5	372,120	(264,177)
Equity attributable to non-controlling interests	1.5	**(16,480)**	**(8,156)**
Total equity	1.5	**1,513,550**	**1,475,246**
Non-current liabilities		**2,842,503**	**2,613,859**
Bank credits and loans	4.18	2,229,162	2,308,429
Lease liabilities	4.21	314,396	88,288
Provisions	4.17	37,600	34,063
Other liabilities	4.19	70,408	28,470
Deferred tax liabilities	4.8	190,937	154,609
Current liabilities		**2,560,385**	**2,473,925**
Bank credits and loans	4.18	783,800	605,295
Lease liabilities	4.21	105,395	47,490
Trade and other payables	4.19	1,496,952	1,697,724
Income tax liabilities		59,420	38,936
Provisions	4.17	114,818	84,480
Total liabilities		**5,402,888**	**5,087,784**
Total liabilities and equity		**6,916,438**	**6,563,030**

Cashflow statement 2018/2019

1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

for the 12-month period ended 31 December 2019 and 31 December 2018 in CZK thousand.

Consolidated statement of cash flows	Note	2019 CZK ´000	2018 CZK ´000
Cash flows from operating activities			
Profit/(loss) before income tax	1.1	422,125	(43,145)
Adjustments for:			
Non-cash movements			
Depreciation and amortisation	4.3	565,927	567,332
Net interest	4.6, 4.7	114,267	78,346
Share of equity accounted investee result	4.12	(46,654)	(22,963)
Impairment of non-current assets	4.10.1, 4.11.1, 4.29	858	214,795
Change in the balance of provisions	4.17	37,850	11,435
Change in the balance of other impairments		9,559	(12,479)
Derivatives	4.6, 4.7	(2,661)	4,593
Realised (gain)/loss on sale of Property, plant and equipment and Intangible assets	4.4, 4.5	(23,029)	141,654
Net exchange differences		4,475	3,613
Profit on sale of subsidiary	4.31.1	(7,979)	-
Gain on release of the foreign currency translation reserve - subsidiary	4.31.1	(81,422)	-
Profit on sale of equity accounted investee	4.31.2	(19,094)	-
Loss on release of the foreign currency translation reserve - equity accounted investee	4.31.2	118,399	-
Other		18,763	7,376
Cash movements			
Income taxes paid		(122,180)	(71,363)
Change in operating assets and liabilities			
Change in receivables		25,429	(102,393)
Change in inventories		(65,624)	30,325
Change in payables		(16,696)	14,029
Net cash inflow/(outflow) from operating activities		**932,313**	**821,155**
Cash flows from investing activities			
Sale of Property, plant and equipment		28,586	106,705
Acquisition of Property, plant and equipment and Intangible assets		(481,486)	(395,756)
Proceeds from sale of subsidiary, net of cash disposed		21,195	-
Acquisition of subsidiary, net of cash acquired	4.28	(74,549)	(116,591)
Dividends and interest received		37,035	16,212
Proceeds from repaid loans		306,493	-
Loans granted		(202,287)	-
Bonds sold		10,000	-
Net cash inflow/(outflow) from investing activities		**(355,013)**	**(389,430)**
Cash flows from financing activities			
Lease payments	4.25.1	(109,632)	(55,305)
Proceeds from loans and bank credits	4.25.1	503,509	1,324,462
Repayment of loans and bank credits	4.25.1	(413,882)	(607,441)
Repayment of bonds	4.25.1	-	(330,000)
Dividends paid to Company´s shareholders	4.16.7	(285,901)	(345,789)
Interest paid		(115,424)	(87,619)
Derivatives		2,661	-
Net cash inflow/(outflow) from financing activities		**(418,669)**	**(101,692)**
Net increase/(decrease) in cash and cash equivalents		158,631	330,033
Cash and cash equivalents at the beginning of the period	1.3	**619,300**	**289,594**
Effects of exchange rate changes on cash and cash equivalents		(3,436)	(327)
Cash and cash equivalents at the end of the period	1.3	**774,495**	**619,300**